



OFFICIAL REPORT
AITHISG OIFIGEIL

Rural Affairs and Islands Committee

Wednesday 22 March 2023

Session 6



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Pàrlamaid na h-Alba

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RURAL AFFAIRS AND ISLANDS COMMITTEE

9th Meeting 2023, Session 6

CONVENER

*Finlay Carson (Galloway and West Dumfries) (Con)

DEPUTY CONVENER

*Beatrice Wishart (Shetland Islands) (LD)

COMMITTEE MEMBERS

*Karen Adam (Banffshire and Buchan Coast) (SNP)

*Alasdair Allan (Na h-Eileanan an Iar) (SNP)

*Ariane Burgess (Highlands and Islands) (Green)

*Jim Fairlie (Perthshire South and Kinross-shire) (SNP)

*Rachael Hamilton (Etrick, Roxburgh and Berwickshire) (Con)

*Jenni Minto (Argyll and Bute) (SNP)

*Mercedes Villalba (North East Scotland) (Lab)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Jonnie Hall (NFU Scotland)

CLERK TO THE COMMITTEE

Emma Johnston

LOCATION

The Mary Fairfax Somerville Room

Scottish Parliament

Rural Affairs and Islands Committee

Wednesday 22 March 2023

[The Convener opened the meeting at 10:01]

Future Agriculture Policy

The Convener (Finlay Carson): Good morning, everyone, and welcome to the ninth meeting in 2023 of the Rural Affairs and Islands Committee. I remind all members who are using electronic devices to switch them to silent, please.

Our one item of business today is pre-legislative scrutiny of Scotland's future agriculture policy. We will take evidence from NFU Scotland. I welcome to the meeting Jonnie Hall, who is general manager and director of policy at the NFUS. Thank you for coming to the meeting, Jonnie.

I must put on record that I am a bit disappointed that, despite our having invited other conveners from different sectors, the NFUS has sent only you. That does not put your witness quality anywhere in doubt, but, given that we have little time to consider the agriculture bill and that we have a very busy schedule, it is somewhat disappointing that we do not have conveners from committees that deal with livestock or less favoured areas, which is a particular area of interest to us.

That said, we have 90 minutes, and we have a range of questions. I will kick off with a question that is fairly straightforward but broad. What would the NFUS like to see in the upcoming agriculture bill? Are there any red lines that you would like to put on the record today?

Jonnie Hall (NFU Scotland): We are very grateful that I have this opportunity to speak on behalf of NFU Scotland. It is clear that the committee is going through a process of speaking to various stakeholders. I recognise some frustration from the convener about the fact it is only me here. That said, given my role and responsibilities, I hope and expect to give answers that represent the true views of NFU Scotland. Some individuals might not be here, but there was relatively short notice, and we have other commitments today—there are stakeholder meetings going on, for example. Apologies—if apologies are necessary—on that front.

Obviously, we have been calling for primary legislation for some time. We see that as absolutely vital and critical to the whole future agricultural and rural support package that

Scotland requires, which needs to differentiate itself from where things are today under the common agricultural policy. We are still operating under that, and we will do so this year and next year at the very least, without any significant change. It has been very clear to us for some time that we need enabling primary legislation to give powers to ministers in order to do certain things.

The crux of it all—I have said this to our members time and again—is that having powers is one thing, but how those powers are deployed and used in the future is critical. The bill and the legislation that will come from the Scottish Parliament will not create policy; they will create powers. Ultimately, it is how those powers are used that will be absolutely vital to the prosperity of farming and crofting in Scotland and in respect of the role and responsibility of farming and crofting in delivering on the very clear food production, climate, biodiversity and wider rural development agenda. Therefore, the bill is absolutely essential.

We have not seen a draft bill—there has been a consultation only. I am very eager and enthusiastic to see not all the consultation responses in particular—they will be published imminently—but the draft bill that will be introduced to the Parliament, because that will clearly outline what powers may or may not be available and where they will sit.

During the consultation period, my view was that the Scottish Government had already jumped the gun on a few issues, not only in setting out powers and the framework for future support, but in almost making some of the policy decisions ahead of time. I will give one example, but there are others.

The consultation on the bill mentioned some sort of disadvantaged area support to replace the less favoured area support scheme, which is critical to many farming businesses in our remote and more disadvantaged areas. It talked about placing an element of that type of support—a power for that type of support—as part of the tier 4 complementary measures. However, we all know that its functionality is very much part of the direct support measures and should be in tier 1 and tier 2. You talked about red lines, convener. That was one in particular.

The same goes for coupled support. We will continue to need an element of coupled support, particularly for our suckler beef herd. Again, that was placed in the complementary tier 4 stuff.

Equally, on the conditionality attached to the base payments—the tier 1 payments—for example, it was clearly implied in the consultation that greening and a whole-farm plan would be part of the conditionality attached to them. Again, that was making a policy decision before we even had

the primary legislation. In that case, I am not overly concerned about what the bill says as long as it creates the power. As I have said, the key thing is what happens in secondary legislation thereafter and how the bill is used.

The Convener: Okay. Thanks.

You mentioned less favoured areas, coupled support and conditionality. What do you want to see in the bill? We expect that it will be very much a framework bill. As you have said, it will provide powers and the ability for payments to be made, but is there anything that you want to see in it?

Jonnie Hall: The bill needs to be explicit about the direct support element—that is, the proposed tier 1 and tier 2 elements—being very much about enabling agricultural businesses to deliver the outcomes that are expected of them. Therefore, it is about explicitly saying that the elements that you have just referred to—coupled support and less favoured area support in a new form or guise—need to be in the tier 1 and tier 2 direct support components.

It must also be very clear in the bill that, without the viability of agricultural businesses producing food, the other ambitions in the intended outcomes from the bill around climate, biodiversity and wider rural development cannot and will not be delivered. The primary purpose of an agricultural bill must be to put agricultural businesses and their needs—I stress their needs, not necessarily what they want—at its heart in order that they can deliver the wider outcomes that we all require. It is about enabling agricultural businesses to deliver. Without viable agricultural businesses throughout Scotland, across every sector and for each commodity, we will not achieve the ambitions that we have set ourselves in delivering on climate and biodiversity.

Alasdair Allan (Na h-Eileanan an Iar) (SNP): Obviously, the bill's aims and the NFUS's views on those aims will sit in a wider context. I am keen to understand how you think the bill will fit into that context.

You have previously told the Parliament that you feel that the United Kingdom Internal Market Act 2020

“drives a coach and horses through the principles of common frameworks and almost renders them redundant.”—[*Official Report, Constitution, Europe, External Affairs and Culture Committee*, 16 December 2021; c 4.]

Is that still your view? If so, what does that say about the context that the bill is going to sit in and how that will affect its aims?

Jonnie Hall: It is clear that agriculture policy, rural policy and an awful lot of environmental policy are devolved—and quite rightly so. We

need to be able to adapt and deliver agricultural support that fits the profile of Scottish agriculture, which is very different from agriculture in the rest of the UK and certainly very different from that in England.

The concern that we have had over the past three or four years is that the common frameworks, the UK Internal Market Act 2020, leading into the Subsidy Control Act 2022, and what we are seeing in the Retained EU Law (Revocation and Reform) Bill, which is going through the Westminster Parliament, have the potential to undermine decisions that are taken here by the Government in order to deliver the outcomes that we require. The issue can be very convoluted and complex but, nevertheless, it would definitely undermine the devolved nature of agricultural policy, for example, if a competitive advantage was afforded to one part of the United Kingdom within the United Kingdom single market that was not afforded to another part. We need to be able to have an agricultural policy that is not undermined in that way at all.

At the end of the day, many of the issues that we face are shared by other parts of the United Kingdom. We need all of the United Kingdom to be focused on an agriculture policy that delivers on food, climate, biodiversity and all the rest of it, but, if parts of the United Kingdom do things in certain ways that are perpendicular to one another, that is quite difficult and the chances of achieving that are quite slim.

One of my great concerns—I hope to be able to talk a bit more about funding in the next wee while—is that it is clear that what is happening in England with the Department for Environment, Food and Rural Affairs approach to agricultural support and the erosion and phasing out of direct support there could have a significant impact on the funding that is available to Scotland. Therefore, we need to be very mindful about what is happening in other parts of the United Kingdom.

Jenni Minto (Argyll and Bute) (SNP): Thank you for joining us. I will follow on from the point that was made by my colleague Dr Allan. When I travel around my constituency, it is very clear that one size does not fit all. That applies within Scotland, and, as you have explained, there is also the comparison between Scotland and other parts of the United Kingdom. Could you expand on that point?

Could you also tell us the key challenges for the farming and crofting sector and how a new rural policy could overcome them?

Jonnie Hall: You are absolutely right—farming and crofting in Argyll is very different from farming and crofting in East Anglia, which I have just referred to, but it is also very different from farming

in Fife. In many senses, the diversity of Scotland's agricultural profile is fantastic. We do everything from soft fruit and veg production to cereal growing on the east coast and finishing livestock. If we quickly move west to your part of the world, we are into very extensive livestock systems. Therefore, it is impossible to have a one-size-fits-all agriculture policy that works for everyone. That has always been a challenge for us. Throughout the iterations of the common agricultural policy, it has been very difficult to fit something into the profile of Scottish agriculture that works for everyone.

However, in relation to Dr Allan's point, we have the devolved capacity to do something very different now. As part of the CAP package, with 90 per cent determined by Brussels, there is little scope for flexibility or adaptability. We now have a real opportunity to consider what Scotland requires for the 21st century, to move away from blunt area-based payments—which have largely incentivised inertia—and to focus on payments that will incentivise and encourage farmers and crofters to drive productivity, drive efficiency and deliver for biodiversity and the climate.

In relation to the bill, we have been on this journey since about 2018. We have been pressing for change in how we deliver agricultural support so that it works better for Scotland, for the taxpayer and for the consumer.

10:15

We now have that opportunity, but it is extremely difficult, because no two farms or crofts are the same. They vary by size, type and location, which makes me scratch my head quite often. I wish that Scotland was dead flat, that every farm was the same size as the next one and that they all did the same thing, because policy would be a walk in the park if that was the case. However, that is not the case, so there will always be a degree of compromise. We will always need to consider what is right for the majority to get the outcomes that we want, and to—this is key—allow all farms and crofts the opportunity to adapt and change.

Therefore, it is key that we avoid any sort of cliff edge when moving forward. Those in the Parliament and lots of us out there in the policy sphere talk about a just transition. There has to be a real and just transition for farmers in Argyll, just as there has to be one in the north-east of Scotland, the Borders and everywhere else. That is key.

Jenni Minto: As you have touched on, farmers need to think about the long term—they cannot make decisions in a year. How could the bill help

in that regard? Currently, what challenges are there with regard to long-term planning?

Jonnie Hall: Our frustrations are shared not only by NFU Scotland members but by those in other agricultural industries and sectors and by those with other interests. It is key that we have certainty in relation to where we are right now and where we will be in the future, because, at the end of the day, the 17,500 farms and crofts that make up Scottish agriculture are all individual businesses. They all have to make decisions, and they are all making decisions today that are based on all sorts of risk factors, including exposure to trade agreements, labour issues, supply chain issues and, significantly, what future support will be available.

Over Christmas and into the new year, we surveyed our members about their intentions, and we had one of the largest responses to a survey that we have ever had. The number 1 fear factor—as I like to refer to it—was future agricultural support in Scotland. That came out as the top risk or the top factor in driving decisions or resulting in a lack of confidence. Future support came out higher than markets, input costs and all sorts of other things that are clearly involved in running an agricultural business.

Having that certainty and, therefore, that confidence is critical, and we have lacked that. We have had, to a degree, stability in the immediate post-Brexit era—2016 to date. For example, we are still in the CAP. Yes, there have been challenges throughout that period relating to trade agreements, labour supplies and various other things. There is also an input cost crisis as a result of the Ukraine war and other things that are happening in global markets. We have had consistency in relation to the CAP and the operation of existing schemes, but we know and recognise that we need to move on. As I said, the CAP has not done Scotland too many favours over the years. Yes, it has provided certainty, but it has not instilled confidence in what to do next, and it has largely incentivised inertia in how we manage our land.

Jim Fairlie (Perthshire South and Kinross-shire) (SNP): Welcome to the committee, Jonnie.

Before I turn to the opportunities for the farming community from policy reform, I want to ask about your survey. You said that the highest level of anxiety was about future support. The Scottish Government has said:

“no matter what Westminster does the Government in Scotland will maintain direct payments and support our nation's producers.”—[*Official Report*, 15 March 2023; c 25.]

I would like to reflect on that. Do you have concerns about what future funding will look like?

Ultimately, if, whatever policy we deliver, there is security of funding for future payments, where is the anxiety coming from? Is it the lack of certainty about future payments, is it the lack of direction from the Scottish Government, or is it both?

Jonnie Hall: It is a bit of both. You have touched on the big elephant in the room in relation to where we go from here. At the end of the day, Scotland can—and, I think, will—come up with a very good support framework and a package of measures that will, in theory, enable all farmers and crofters to contribute to the challenges that we face around food, climate, biodiversity and so on. They will all be in a position to play their part. However, that will stack up to nothing—it will be a house of straw—unless funding is made available.

Right now, as you all know, we have a funding commitment from Westminster up to the end of next year—2023-24. Thereafter, all bets are off. At the moment, one of our major lobbying tasks and priorities is to channel our thoughts and views to every party in Westminster: we need a commitment beyond 2024—beyond the lifetime of the current session of the UK Parliament. Without that funding commitment, it is very difficult to see where we go next.

Scottish agriculture currently receives about £620 million from the UK Treasury. We absolutely rely on that. We are not saying for a minute that we need to spend that money in the same way as we have done in the recent past, but we need to spend it to best effect to enable, first and foremost, agricultural businesses to be viable, so that they can deliver the outcomes that we require.

There is an onus and a responsibility on both Governments. Westminster needs to deliver the funding—the Cabinet Secretary for Rural Affairs and Islands referred very clearly to that in her statement to the Scottish Parliament last week—but there is an onus and a responsibility on the Scottish Government to ensure that that funding is committed to agriculture in a way that brings about the results that we all require. Back to the policy, that means focusing the bulk of that funding on direct support, and the direct support elements of the new policy should be in tiers 1 and 2.

Jim Fairlie: I want to follow up the point that you made about tier 1 and tier 2 support. I think that we would recognise that there are opportunities to tackle the issues with climate change, biodiversity loss and all the rest of it, but we have to be able to farm viably. I have a concern—you might or might not be able to allay it—that in the proposals that we are considering, we are trying to do too much with a single pot of money, which will have to stretch much further than it needs to. Is that a genuine concern or can we manage that?

Jonnie Hall: It is a genuine concern and, therefore, one of the big risks in considering where we go from here. Yes, we might secure funding but, as I say, the real responsibility thereafter is how that funding is utilised. The Scottish Government has clearly set out a framework that is built on the four tiers, with tiers 1 and 2 being direct support, split into unconditional and conditional elements, and then tier 3 being the elective and tier 4 being the complementary stuff.

As you say, we are asking that framework to deliver an awful lot. However, the fundamental point—you touched on this—is that we should not start to erode the viability of agricultural businesses. We should remember that farming and crofting in Scotland account for 70 per cent of the land management, and much of what we want to deliver has to come through land management, whether it relates to food, climate or biodiversity. We therefore need to retain a focus on the viability of farms and crofts, which means that the bulk of the funding should continue to be focused on tier 1 and tier 2.

Yes, we need to make the funding work better and more effectively to deliver outcomes. That is why we support—100 per cent—the split between tier 1 and tier 2. However, farming businesses need that base payment in tier 1 to underpin them or to provide the foundation for them to operate in what is a turbulent market with rising input costs and all sorts of other compliance challenges. That is the purpose of the base payment.

The new component—the very different component—is about making sure that tier 2 offers practical and pragmatic options for every farm and croft, regardless of size, type or location, so that they can pick things and do management practices that work first and foremost with the grain of the business, to then deliver the outcomes that are good for the business but that are also good for Scotland and that deliver on the targets on climate, the targets that will come on biodiversity under the natural environment bill and so on. If you get that the wrong way round, the whole thing will implode pretty quickly.

Jim Fairlie: I said earlier that I think that the policy is going in exactly the right direction at the moment. I think that the consultations will iron out all those points. Other people are saying that we are going in the wrong direction, for this, that and the other reason. Do you feel that we are in a relatively good place to steer the bill to where it needs to be?

Jonnie Hall: I think that we are going in the right direction. The challenge and the issue that we have right now is whether we are going in the right direction quickly enough to meet the challenges that have been put in front of us.

Jim Fairlie: You also said earlier, however, that we cannot face a cliff edge, so we need to do this gradually and fit it in—you and I know that farmers are not the quickest to respond to the things that we are trying to get done. Is there a balance between making sure that we are not facing that cliff edge but, at the same time, allowing farmers to adopt the practices?

Jonnie Hall: There is absolutely a need to allow farmers and crofters to adapt to change. Change is all about how you manage change. A cliff edge of any sort would be a disaster for Scottish agriculture in many respects. If it is a disaster for Scottish agriculture, it is therefore a disaster for rural communities and for all the upstream and downstream businesses and jobs.

The Convener: What is a cliff edge, though? Is it payment stopping or—

Jonnie Hall: Obviously, there is a commitment to retain direct support in tier 1 but, if the budget that goes into tier 1 and tier 2 was suddenly cut, that would be a cliff edge. If the tier 2 component becomes overly onerous, if individual businesses have to spend money to get money—the so-called consultants charter—if it is about income foregone or additional costs, or if it becomes a compliance nightmare, again, that will undermine and trip up businesses.

We have already seen what is happening south of the border, as direct support is being phased out and being replaced by an environmental land management scheme and so on. The real temptation for farmers down south—this is what is happening—is to take a step back and say, “Well, I can’t make this work.” If we do that in Scotland, we are not going to engage our farmers and crofters. It is about engaging and enabling our farmers and crofters, because we cannot deliver the outcomes that we want without them. Therefore, it is about putting the horse before the cart in terms of the agricultural business. That, therefore, means that we must have a clear focus on food production and what we sell as an agriculture industry.

It is about how we feed that into our food and drink industry, and how we get a better return from the marketplace. Ultimately, we want to be less reliant on direct support, but, at the moment, given the challenges that Scotland’s farm businesses face—they are multiple, and some of them are political, some are economic and some are physical in many parts of Scotland—there will be a need for support in one form or another. Some of that is direct support on an annual basis to underpin the business, but there are also things such as investment in the supply chain in terms of processing capacity.

We have significant challenges, and the bill—to bring it back to that—is fundamental to helping to address those but, equally, as we have just touched on, unless we have the fuel in terms of the funding, we will not take this vehicle anywhere at all.

Jim Fairlie: I have one very quick supplementary on that.

The Convener: It will have to be very quick, because we have five other supplementaries on this.

Jim Fairlie: I apologise.

Jonnie, you said that farmers in England are taking a step back. Given the amount of support that is required to keep farming in Scotland viable, how do farmers take a step back if they do not like the policy?

Jonnie Hall: The step back is the cliff edge. The step back is basically someone saying, “Well, there are other things I could do with this land,” although if you are a tenant farmer there are fewer things that you can do with it. There is limited scope to change enterprises on agricultural land in Scotland—as I say, we are not all East Anglia and we are not all Fife, and there are limited options in much of Scotland to change what you do. It gets to the point where, if you are overlaid with debt and overdraft at the bank, you have no successor and you are making a loss year in and year out, that is not sustainable, and I use the word “sustainable” properly in the sense that—

10:30

Jim Fairlie: My apologies. I have taken up too much time already.

The Convener: There are about six supplementaries. I know that Rachael Hamilton has to leave the meeting at quarter to 11, so I will bring in Beatrice Wishart, then Rachael Hamilton and then Ariane Burgess.

Beatrice Wishart (Shetland Islands) (LD): My question has been answered.

The Convener: Okay.

Rachael Hamilton (Ettrick, Roxburgh and Berwickshire) (Con): On the previous question, we know that farmers have been disappointed by the lack of progress by the Scottish Government. We saw them outside the Holyrood Parliament protesting on the issue of the lack of clarity. Jonnie, with the time left, is there a possibility of the Scottish Government carrying out a pilot tier payment scheme? Would that be useful?

Jonnie Hall: The Scottish Government has set out a route map, which was published on 10 February. That clearly has some important dates.

In itself, if we are all mindful to look at that, it gives us a guide as to timelines and when things will and will not change.

In terms of testing where we are today, the most important things that we can start to test as a matter of urgency are the proposed options or measures within tier 2, which were also published on 10 February, because that is the real departure. That is the real difference from where we are today—it is very new and different. That goes back to the programme for government commitment to have a 50:50 split between the base payment and the enhanced payments in tier 2.

Our members are constantly asking us what those measures mean, what they will have to do, and how they will fit in with their agricultural enterprises. That is probably the issue that we have raised the most with the Scottish Government—it is about being clearer about what is involved and doing so sooner.

What has been published so far from the farmer-led groups has come from the opinions and thoughts of people such as us, but we still have a long way to go before we can say that the system is ready to run. There is still little or no detail on things such as eligibility requirements, payment rates, the weighting of the options and so on—that is what we are trying to get to grips with right now. We are engaging with our membership on the issue as best we can to gauge what they like, what they do not like, what they think will and will not work, and what is missing, because there are already significant gaps in the list of proposed measures. That is where the focus should be, rather than piloting anything else.

Rachael Hamilton: Taking into account your comments in response to Finlay Carson's question on LFAs, coupled support and your concern about the whole-farm plan under the tier 1 payment, do you believe—I know that your members agree with this—that the food security element should be at the heart of the bill and one of the major drivers of tier 1?

Jonnie Hall: By and large, yes. We have been clear that food production—or food security, if you want to use that language—needs to be front and centre of this piece of legislation, to go back to what should be in the bill.

Over the past 12 months or so, we have witnessed how shocks to global food markets—I am talking about the impacts of the Ukraine war—have an impact on all sorts of things. Obviously, there is an impact on input costs in how we produce food here, but there is also an impact on availability and supply of products in global markets and so on.

We are a very small country in terms of global markets, but we are not immune to anything that happens in global markets. There is a political and moral imperative to say that, if we can grow food here—I am talking about temperate produce and, in particular, livestock-related produce, given our comparative advantage in growing grass and the fact that it rains, which I do not say in jest, because we should be happy about that on occasion—we ought to clearly prioritise that food production.

To paraphrase the cabinet secretary in her statement to the Parliament in November, there is no contradiction between food production and delivering on climate and biodiversity and wider rural development. In fact, the four things go hand in hand, but it is about sequencing. To go back to the earlier commentary, you must have viable agricultural businesses that derive a return. It is not yet the right level of return from the marketplace. If those returns are not there, it is the Government's role to step in and ensure that those businesses do not simply implode and collapse because, if they do, our ability to deliver so many of the things that we want to deliver, in a just transition, will be lost.

Rachael Hamilton: I have a final question, convener. If the Scottish Government, as it wishes to do, aligns policy with the EU, which areas in the sphere of the agriculture bill does the NFUS believe will affect farmers if there is divergence across the UK? It is important to eke out those parts that you have not given as examples in answers to questions from Jenni Minto and Alasdair Allan.

Jonnie Hall: The agriculture bill will set out that Scotland will retain an element of direct support, which is different from England. Having said that, if we continue with direct support in tier 1 and tier 2, there will be conditions attached. I am concerned that farmers and policy makers in England will look north of the border and say, "Well, that is a competitive disadvantage straight away," and therefore pressure will be brought to bear to bring that down to the lowest common denominator, which probably means getting rid of support altogether. That is a real risk.

You can probably tolerate a lot of that risk if, say, you are farming on the fenlands of East Anglia, but you cannot tolerate that if you are farming in Ardnamurchan or Mull or somewhere like that—you just absolutely cannot. However, such farmers' contribution to climate, biodiversity and rural communities is arguably perhaps greater, because of their presence in those remoter areas and the landscapes that they manage, than the contribution in other parts of the United Kingdom—although I have to be careful what I say here. It goes back to the point that

Alasdair Allan raised, that we need to retain our ability to do things in a devolved capacity.

You also raised the issue of alignment with Europe. That gives me equal cause for concern because, as I have said in various committees in this Parliament, I have a real dilemma about how to square a triangle. We have a triangle of Holyrood, Brussels and Westminster, and, if there is alignment between Holyrood and Brussels on a number of issues but divergence from Westminster in an internal UK market, that could really stretch what Scottish agriculture can and cannot do, and may expose it to risks that are yet to be played out relating to the United Kingdom Internal Market Act 2020 and so on. That remains another risk factor as far as I am concerned. I also think—

Rachael Hamilton: I am sorry to interrupt. I was trying to work out what threats we need to look at when we consider the bill. I wanted to hear about your concerns about divergence within the sphere of the bill, but I do not think that we have time, as other members want to come in. Perhaps we can build on that, or you could write to us.

Jonnie Hall: I am happy to do that.

Rachael Hamilton: Thank you.

Ariane Burgess (Highlands and Islands) (Green): Good morning. You have touched on some of my questions, but I will go into them a little bit more deeply. My questions are about the payments and the fact that we have more than half a billion pounds coming—hopefully; I share your concern about the potential cut-off in 2024.

The NFUS has said that it would be in favour of some form of front loading, with an uplift in payments on the first number of hectares, but it remains opposed to capping payments or tapering them down above a certain size of holding. I would be interested in hearing why you would not support capping payments per farm at, for example, £50,000 per farm, which could then free up money to put towards other aspects. You have talked about the central importance of food, but you also recognise that farming can take us forward with climate and biodiversity issues and rural development.

Jonnie Hall: There are two issues there. First, front loading—to give it its technical term, it is a redistribution payment—is an option that already exists under the common agricultural policy. It has been used in Wales and other parts of Europe. Scotland did not choose to go down that route in 2015, but we certainly view that additional support for smaller and developing businesses as being something that the Scottish Government should seriously consider because of economies of scale. Your costs are greater per unit and so on when you are operating at a smaller scale. If I get into

the real practicalities, the cost of having 10 cows is probably the same—in terms of capital and all the rest of it—as having 50 or 100 cows, but the cost per cow is much higher. Enabling smaller and developing businesses, particularly in the crofting sector, to have that additional support to recognise some of those challenges and issues would be of significant benefit. We have always argued for that. We had front loading in our coupled support scheme for calves prior to 2015 for that very reason.

You then talk about capping. As it has been framed, certainly by the Scottish Government in the consultation and previously as well, capping is incredibly blunt and arbitrary. You referred to a figure of £50,000, but why £50,000? Why not £25,000? Why not £75,000? It is a very blunt tool simply to top slice businesses. Big is not necessarily bad. In fact, it quite often is not when you are trying to deliver on key outcomes.

I would bear in mind the fact that although, under the CAP, Scotland has the lowest payment rates per hectare in Europe, we have the highest payments per business, because given our landscape and our land type, to be viable a lot of agriculture businesses have to be large in area, and payments are based on area. However, it would be very foolish to come in with an arbitrary cut-off point for direct support without understanding what lies behind businesses. What happens if a business employs six, seven or eight full-time agricultural workers, and the direct support element is cut by a significant amount—let us say, from £150,000 to £50,000? That makes a big difference to what that business does. It could lead to all sorts of issues such as the business saying, “Well, we cannot operate with this number of employees, because we are going to have to cut back on certain activities.” What is the socioeconomic damage of that?

I clearly get the argument for top slicing payments and recycling those into other activities or funding for other elements of support, but I go back to the fundamental point that, if we erode the viability of agricultural businesses in any way, shape or form, whether it is a budget cut or whether it is capping, we risk undermining them altogether. If we undermine them altogether, that is a rapid way of getting individual businesses to the cliff edge with nowhere else to go. That is a significant risk in Scotland.

The profile of agricultural businesses in Scotland suggests that capping is not the way to go. Put conditionality on some of that direct support and make that conditionality work for the agricultural businesses, to drive efficiency and productivity and create opportunity to deliver on climate and biodiversity—that is a big departure from where we are now. I have no difficulty in

saying that blunt area-based payments are not working—we have said that for long enough now—but simply capping payments for larger areas or larger holdings does not make any policy sense at all.

10:45

Ariane Burgess: There is a lot in there. We have talked about the just transition, and I think that there is an awareness that work needs to be done to make sure that there are no cliff edges. However, I would be interested in hearing more about what I think you were touching on when you talked about how the payments at the moment are based on area and how there is a need for conditionality. Would we move towards outcome-based payments rather than payments per area?

Jonnie Hall: In an ideal world, I think that we would all say that payments should be outcome based, because if we are talking about public funding being delivered into an agricultural business, whether it is a large grain and beef producing unit in Aberdeenshire or a croft in Skye or Lewis, we want outcomes to be delivered for that. Let us put our hand up and say that we are spending money from the public purse here, so we want to deliver on public interests and public goods. Now, clearly, there are different ways to do that and, in an ideal world, you would say, “If you can deliver that outcome, that is great,” and there is a lot of work going on, especially with measures in the biodiversity area, to pay on outcomes.

However, the reality is that farming and crofting in Scotland are quite often beyond your control. You can do an awful lot of good management practice, year in and year out, week in and week out, but there are so many other factors beyond your control—not least the weather, disease and market forces—that you will not necessarily meet your outcomes. You could put all the endeavour and effort and all the public funding into something and not meet the outcome—does that mean you do not get paid for your endeavours? If that is a risk, that is a risk too far for many farmers and crofters, who would not sign up to those things. Again, that would not incentivise them or encourage them to do the right thing, and that is what we want to do here.

Payments would be based on outcomes in an ideal world, but we should pay people to do management practices that are likely to bring about the outcomes that we want. We should not pay them only by results, because there are too many things outwith the control of the farmer or the crofter. I hope that that makes a wee bit of sense.

Ariane Burgess: That is a very helpful response. Thank you.

Alasdair Allan: Can I ask about the opportunities for achieving mainstreaming? We often use that word but rarely define it. What are the opportunities for achieving the mainstreaming of the best practice that we can use in terms of climate change mitigation and farming, and how should we incorporate that in legislation?

Jonnie Hall: I quite like the term “mainstreaming climate change actions”. At the end of the day, we have a challenge. Take agri-environment schemes in Scotland at the moment. About 3,000 of about 17,500 agricultural businesses are signed up under the current agri-environment climate scheme, and they are doing good things. They are targeting particular management and there is funding behind them in order to deliver on habitats and species and climate objectives and so on. However, we are never going to achieve our goals for Scotland as a whole with 3,000 or 3,500 businesses out of 17,500. What we need to do is mainstream climate and biodiversity actions, and that would be best done through the direct support element of tier 2. In that way, we would get most, if not all, agricultural businesses doing something, with the sum of those individual parts adding up to more than 3,000 doing a lot. I hope that that makes a wee bit of sense.

We and the Scottish Government would lay it out in exactly that way. Let us make the tier 2 direct support payment work better by giving each farmer and crofter options that work for their business and what they are trying to achieve but, in addition to that, drive productivity and efficiency to reduce emissions, drive the opportunity to sequester more carbon in our soils in farm woodlands and drive the opportunity to create enhanced biodiversity on every farm of every type. That is going to be done through tier 2 rather than the tier 3 stuff or the agri-environment climate scheme that we currently have.

At the moment, we drop big blobs of jam here there and everywhere. We would like to see that jam spread across everywhere, so that the whole of the industry buys into delivering our ambitions.

Alasdair Allan: Before I leave that, I have just a final point. That jam is spread quite thinly when it comes to forms of agriculture that are already ticking a lot of boxes when it comes to sustainable agriculture and sustaining biodiversity, if you look at what the average crofter or in some cases upland farmer receives. If we are trying to mainstream that good practice, do you think that the kind of payments that are on offer at the moment are getting the balance right?

Jonnie Hall: That goes back to the challenge that I talked about with Jenni Minto about how to get this to deliver for the diversity of Scottish agriculture. The key element of where we are

going next is tier 2, making sure that there are realistic, pragmatic and practical options for every different kind of farm and croft, regardless of size, type or location. That is going to be difficult, but that is where we are right now. That is why we need to dive into the tier 2 options that have been published. We need to understand what else we need so that there is something for each of those, so that a crofter in Lewis has the same options available as somebody growing grain in Fife, although they will be very different options because they are very different agricultural activities.

Ariane Burgess: We have heard from the Climate Change Committee, the Intergovernmental Panel on Climate Change, and the UN Environment Programme that there needs to be a reduction in meat and dairy consumption and production in order to meet our climate targets. I know from folks we have had here and others I have talked to that many livestock farmers and crofters are not happy about that. I know that some have taken it to heart and are willing to try diversifying, reducing their herd sizes and supplementing with horticulture, tree planting, peat restoration and other measures. You may not have this figure, but I would be interested in hearing roughly what percentage of your members—you may have a sense of it from the survey—would be willing to explore the diversification that we need. How do we support them to do that in the moving faster mode?

Jonnie Hall: In the moving-faster mode, I think that, if we move too fast too soon in that respect, we are introducing greater risks because, at the end of the day, Scotland as a whole—

Ariane Burgess: Let us just say that I did not say “moving faster mode”. It is clear that we need to move to diversification—how do we get there?

Jonnie Hall: Diversification of land use is primarily what you are talking about. There is clear scope to diversify land use without compromising agricultural businesses. It is not about reducing herd numbers or flock numbers. It is about better integrating land use so that we manage our soils better and increase the carbon content of our soils through better management. In order to do that, we need to baseline what we do. We need to ensure that we are all carrying out carbon audits and we are all doing soil analysis as a consequence of understanding nutrient management and organic content within that carbon content.

The biggest risk that Scotland has of failing to make its contribution to climate change is that we simply wind down or undermine agricultural production here and continue to rely increasingly on imports. The more we import, the more we export our responsibilities on climate change, the

more we export our emissions and the more we export our responsibilities on animal welfare.

My argument very clearly is that we have a comparative advantage in growing roughage—grass—and an awful lot of Scotland is not the best-quality grass, so we cannot substitute vegetable production and horticulture on much of Scotland’s land mass. Therefore, we have an obligation to utilise our hills and glens to best effect by proper grazing management, to deliver habitat and biodiversity as a consequence of that, in order to continue to produce food here, because we are going to consume. We, as a nation, will continue to consume, and everything that we consume has some sort of emission attached to it. It has a carbon footprint. Let us try to do that best here; let us reduce the emissions and increase the sequestration in our own farming businesses and so on. That is where the policy needs to take us.

Beatrice Wishart: Good morning, Jonnie. Can I ask about the wider food and drink sector and the supply chains? The agricultural sector is integral to our food and drink sector. How do you think the new policy will support a well-functioning food and drink supply chain?

Jonnie Hall: This is one of the critical points that we can all take our eyes off all too easily. Agriculture is the lynchpin, not only in the rural economy but in the entire food and drink sector. A point that I should have made in response to Ariane Burgess’s comment is that, if we reduce agricultural production, particularly in the livestock sector here in Scotland, we are reducing the critical mass. The critical mass is key to maintaining our processing capacity and our ability to produce high-quality food, which is going to be the bedrock and the mainstay of Scotland’s economy going forward.

It goes back to the bill. It goes back to the fact that we need to put food at the front and centre of that, because, without agricultural production as the starting point in the supply chain, we do not have a food and drink sector, but it will not take much to make it wobble. The new Dunbea plant in Saltcoats in Ayrshire, which employs 350 people locally, is a £12 million investment involving Scottish Government funding, and it relies on about 1,000 beef producers in Scotland supplying it regularly to keep it going. If that number falls to 750, does it start to look a bit iffy? Probably. If the number falls to 500, I think that it collapses and we lose all that infrastructure and capacity.

Every time we talk about the importance of agricultural funding into agriculture, it is not about lining the pockets of farmers and crofters; it is about ensuring that all the upstream businesses and jobs that service and supply inputs to agriculture are maintained as well. In every small market town or settlement in rural Scotland, there

is a tractor dealership, there is a veterinary practice, there are hauliers and there are feed merchants and seed merchants, all of whom are reliant on active farming and crofting.

Then, to come back to your point, everything that leaves the farm and goes beyond the farm gate—because every farmer and crofter I know produces something; that is what they are there to do—is the kernel of the supply chain. That fuels the 365,000 jobs that we have in the food and drink sector in Scotland. We are rethinking our ambition 2030 for the food and drink sector, but it is certainly worth in excess of £15 billion per year.

Therefore, I think that it becomes critical that we continue to support the agricultural sector because, if we do not support the lynchpin, we are failing on the upstream and the downstream sides of it.

We have talked about £620 million of UK Government funding, so, in hard numbers, there is about £650 million in total coming into Scottish agriculture, but that is the catalyst to grow an industry that is worth £15 billion to the Scottish economy in terms of food and drink. As I say, it is also the mainstay of all those jobs and incomes in the upstream sector of Scottish agriculture. Think of your own rural constituencies and think about how much depends on farming and crofting in one form or another, not necessarily directly but definitely indirectly.

The Convener: I will move on to a couple of supplementaries, the first of which is a brief one from me. When we hear Chris Stark of the Climate Change Committee suggesting that we need to reduce meat consumption and cattle numbers, and when non-governmental organisations come to the committee every week and tell us that we need to reduce stock numbers and outputs, do you think that you are winning the argument? If not, what are you doing to ensure that the whole story about critical mass is getting out there? Indeed, what can the agriculture bill do to ensure that we maintain the critical mass that Jim Walker has said we have already reached? If we lose any more of our suckler cows, that is it. We are at the cliff edge. How can the agriculture bill help with that situation?

11:00

Jonnie Hall: Anyone with any real genuine intent with regard to the transition understands that we cannot simply meet our climate change targets by reducing production, because that would be another cliff edge that we would face.

It is interesting—I find it fascinating—that Chris Stark as the chief executive of the CCC is saying one thing while his chairman is saying another. The chairman has definitely changed tack and is

now saying that this is more about integrated land use than it is about changing diet. If it is about integrating land, we are actually pretty well placed to do that in Scotland, given the right tools and incentives.

That takes us back to agriculture policy. There is huge scope to lock more carbon in our soils, to invest in farm-scale woodlands that add benefit and value to an agricultural business, to create a habitat for wildlife and all the rest of it if we can get the signals and the policy right. Scottish Forestry is consulting right now on a new iteration of the forestry grant scheme with the specific intention of trying to make it more attractive, more appealing and more practical for farm-scale woodlands. That is the direction that we should be going in.

The key message for me is: let us focus on what we can do instead of what we cannot do. The collateral damage of undermining Scottish agriculture is, as we have just discussed, potentially enormous.

Jim Fairlie: We have roamed about on this issue, but I want to go back to the opportunities for the food and drink sector that you touched on in response to Ariane Burgess.

With regard to farmers' ability to diversify, the CCC said last week that we needed to reduce numbers and all the rest of it, and, in that respect, I am very glad that you have mentioned critical mass, because that is the bit that I want to talk about. What if, for instance, we decided to say, "Right, we're going to pay £1,000 for every calf that's born on a hill, but you need to reduce the numbers of suckler cows that you produce by 20 or 30 per cent"? What would be the net effect of targeting just one specific problem in that way?

Jonnie Hall: Just off the top of my head, I do not think that that would be sustainable.

Jim Fairlie: In what sense?

Jonnie Hall: Did you say that you would be paying £1,000 a calf?

Jim Fairlie: I just plucked that figure off the top of my head. As somebody who used to receive calf payments, I would say that, if we are to reduce the number of cows as we are being told, that would be the only way to do it.

Jonnie Hall: You are basically saying that there would be a quota of cows that you would be allowed to keep, so that would cap the payments. But where would that quota be set? Currently we have just over 400,000 suckler cows in Scotland. If that figure were to fall to 300,000, what would be the net effect?

Jim Fairlie: That is the question that I am asking you.

Jonnie Hall: The net effect is that you would close down the Scottish beef herd pretty quickly. If the calf has been born on a hill on the west coast, it is a store calf. Who is going to come and buy it? Who is it going to take it off you for a reasonable price? You might well get £1,000 per cow, but that will dry up if there is nobody to come and buy your calf. Keeping suckler cows is a seriously expensive business. As a consequence, the longer-term impact will actually be felt downstream of where you are paying out the money. The money might get paid out on the hill for the calf that is being produced, but the real implications will be felt downstream, with the whole critical mass issue we have just discussed.

Jim Fairlie: In effect, then, what you are saying is that, for the whole supply chain to work, you cannot try to find a solution for each individual bit—you have to look at the whole system that is in place.

Jonnie Hall: Absolutely. Arguably, that is what is wrong in many ways. If you look at the whole supply chain, you will see that, in just about every sector and in every commodity, there is what you might call an inequity, if you like, within the supply chain, with the primary producer being squeezed at one end and the consumer being squeezed at the other. Somewhere in the middle, somebody is still making a big profit; indeed, that is what we have been seeing over the past 12 months in particular.

In many ways, processors and retailers need to start paying an adequate return to the primary producer in order to safeguard the supply of food. Take the egg shortage that we had throughout 2022, for example—that had absolutely nothing to do with bird flu. That was just a complete smoke-and-mirrors job. Instead, it had everything to do with the fact that, last spring, egg producers in Scotland were warning Tesco and co—maybe I should have said “supermarkets” instead of “Tesco”—that, unless they were paid the right amount, they would not be able to operate those businesses any more.

Jim Fairlie: Let me stop you there. Earlier, you talked about the public good with regard to how we deal with biodiversity and all the rest of it. Is producing food not a public good?

Jonnie Hall: Technically, no, but it is absolutely in the public interest.

Jim Fairlie: What do you mean by “technically”?

Jonnie Hall: A public good is defined as something that I cannot buy or sell in order to take it away from you. Anything that has a price and is marketed and sold is not, by definition, a public good. It is an economic term. We get confused about this; public goods are things such as water quality, air quality, landscapes and habitats.

However, food is absolutely in the public interest with regard to its quality, the standards that it has been produced to and, of course, its affordability. Everybody needs to be aware that a public good and the public interest are not necessarily the same thing, because there is, as I have said, a strict definition of what a public good is.

One of my biggest problems with the sustainability of delivering public goods is that, at the moment, too many public goods are being delivered at private cost. You cannot do that sustainably in the longer term. If you want public goods, the public purse has to pay. If you want to know about the economic theory of it all—which is a reality—you need to read “The Tragedy of the Commons”, which says that there is no incentive to continue to deliver in the public interest or the public good unless you get a return from your endeavours.

Mercedes Villalba (North East Scotland) (Lab): I am not sure that my question falls within the scope of today’s evidence session, so I will be guided by the convener on this. While we are on the subject of a well-functioning food and drink supply chain, can you say to what extent your members see challenges in the existing trade agreements that we have with regard to their ability to maintain Scotland’s agricultural sector and improve food security for the nation?

Jonnie Hall: It is a very valid question. Whether or not it is within scope, it is an issue that we all need to be aware of.

The UK agreed free trade agreements with both Australia and New Zealand in 2021, and there are others coming down the track. Of course, Australia and New Zealand—let us focus on them—are exceptionally important and productive agricultural economies. They are direct competitors in the red meat and grain sectors and, as far as New Zealand is concerned, in the dairy sector to a certain extent and in horticulture a bit, too—

The Convener: Jonnie, I am going to stop you, because the question does not directly relate to what will be in the agriculture bill. If we have time at the end, we can come back to that.

I call Ariane Burgess.

Ariane Burgess: I was glad you started to answer that, because I was going to ask you to unpack what you meant by “food”. In your response to my questions earlier, I felt that horticulture was getting pushed out of the picture. I want to understand what you mean by food in Scotland.

Jonnie Hall: Horticulture is definitely not being pushed out of the picture. If you look at our horticulture, you can see that our soft fruit and vegetable sector in Scotland occupies about 1 per

cent of our agricultural land yet it is accountable for about 16 per cent of agricultural output. It punches way above its weight in terms of its value.

Horticulture is an extremely important component of Scottish agriculture, whether you are producing soft fruit, veg, potatoes or whatever it might be. It has been largely unsupported for decades. It clearly has its own set of challenges now, particularly around labour issues and so on. Horticulture is vitally important, but the ability for most of Scotland's land mass to move into horticultural activities is extremely limited.

Ariane Burgess: It is interesting that you said that it has not been supported. We had a lack of vegetables on our shelves recently, and I understand that, through glasshouses, we could move towards a lot more production of Mediterranean-type foods. If that was supported, we could increase the size of that sector.

Jonnie Hall: We could indeed, but that would rely on a significant amount of capital investment rather than the underpinning of agricultural incomes, which is the basis of tier 1 and tier 2-type payments. Capital investment is clearly important, and not just in glasshouses, polytunnels and all the infrastructure required.

We have an issue in certain parts of Scotland—we certainly had it last year—of water shortages in our veg and horticulture areas. We had drought in Berwickshire, and we certainly had it around the Eden in Fife and in and around the Tyne catchment in East Lothian. Investment in things such as boreholes, reservoirs and so on for on-farm water use and efficient water management would be beneficial.

We need to encourage those sectors, but they are exposed to a significant number of risks, some of which are Brexit related and some of which are market related. For example, last Friday, I was on a farm in the East Neuk of Fife, which grows about 100 hectares of broccoli every year. It costs £10,000 per hectare to establish that crop, so over 100 hectares we are talking about £1 million of investment up front. If you do not know whether you are going to have enough workers to pick that broccoli, do you make that decision?

To be honest, the decision is being made for people like that. They are saying, "I can't withstand that sort of loss or potential loss, so I won't. I have an easier option: I'll plough it and I'll grow grain." That presents a huge risk to the diversity of Scotland's agriculture and a huge risk to what we can produce in terms of fruit and veg, which is clearly relevant to the Good Food Nation (Scotland) Act 2022. Because of the risk factors involved, it becomes extremely difficult for producers to have the certainty and confidence needed to do those things.

Ariane Burgess: That is interesting. More support is needed for that certainty for producers, which you talked about at the beginning of the meeting.

I would like to move the conversation on a little bit and continue with the food supply chain piece. You mentioned supermarkets and the issue with eggs. I will be interested to hear your thoughts on supermarkets and alternative options for farmers to get their food to market and on the idea of subsidising the price of Scottish fruit and vegetables at the point of sale. There are a few things in there.

Jonnie Hall: A few things, yes. In general, shorter supply chains are always better, particularly when you are looking at perishable goods, which is what we are talking about with food. Shorter supply chains and selling more produce locally would add huge benefits to Scottish agriculture and to the consumer. A number of tools in the toolbox could be available.

I am thinking about procurement and things like that, and clearly there are challenges and issues that have been identified by the Good Food Nation (Scotland) Act 2022. What are we doing about them? As a nation, are we committed to saying that, yes, there are certain things that we can source ourselves, grow to a high quality and put into supply chains that are local and short, and therefore make those things accessible and affordable—that goes back to your latter point—for the vast majority of consumers?

11:15

The ways and means by which we make things affordable are always going to be challenging. At the end of the day, food production comes at a cost, but we want to make sure that that cost is not unreasonable for the vast majority of consumers. Nothing would please Scottish agriculture more than if Scottish consumers were to commit to buying Scottish produce, whether it is red meat, dairy products, fruit and veg, or whatever, so that the sector could say, "Yes, we can do that." However, given the nature and scale of Scottish agriculture, we have production costs and compliance costs that push the price of food up.

How do you square that in terms of Government intervention? Historically, there have been ways and means of doing that whereby, if you support the food product, you subsidise—I use the word "subsidise" advisedly there—the consumer, but indirectly you support the producer as well. We have seen plenty of examples of that over the years in different parts of the world. I think that there is scope to look at that.

Karen Adam (Banffshire and Buchan Coast) (SNP): Thank you, Jonnie. It has been an interesting session thus far.

I am going to pick up on a few of the things that you have said. You spoke about how we should not be outsourcing animal welfare, our carbon footprint, et cetera, and that we should be looking more to domestic markets. In the same breath, we are talking about the impact of Brexit on our labour shortage and how that is limiting the diversification of what we can produce. How do we marry that up? How do we ensure that the future of Scottish farming is diverse and we are not just going down one path? Within this bill, how do we get the focus right?

Jonnie Hall: It is a very interesting question and it is not an easy route to tread. I said that setting policies for the diversity of Scottish agriculture was a bit of a challenge but that diversity is one of our strengths. There are many interrelated aspects of Scottish agriculture, and we do not want to lose that. We will never be a monoculture, because our landscape will not allow it. We will always have mixed agriculture. We will do certain things in certain places and do it very well and we will do other things in other places and do it very well. We want to retain that.

It goes back to the confidence and certainty that any producer anywhere wants. There have been a significant number of uncertainties around things such as labour and the impacts of Brexit if you are producing soft fruit and veg in Fife, for example, or the impact of potential loss of support if you are producing blackface lambs in Argyll. There is a huge responsibility on the agriculture bill to say, "It doesn't matter what type of farm you have. We want to enable you to utilise your agricultural business to deliver, to best effect, what the market wants in terms of food production and what society needs you to do, in terms of the climate and biodiversity piece and all the rest of it." That is not going to be easy, but it is the challenge that we all have to face up to.

At the end of the day that will involve intervention, which is the role of Government in this. If the sector was purely left to market forces, we would see an absolute and rapid decline in some areas, and there would be economic and social consequences of that. We would see large parts of other parts of Scotland continue to be farmed, but not with that diversity and the high-quality, high-value food products that we know. We would just grow grain down the east coast, have a bit of livestock on the better marginal land and have nothing further north and west. That is a scenario I absolutely do not want to see.

Karen Adam: We are having to mitigate a lot of the impacts of Brexit with the bill.

Jonnie Hall: Undoubtedly. It is a bit of a cliché, but Scottish agriculture has been in a perfect storm for the last wee while. It is now almost seven years since the EU referendum, and we have been scratching our heads about how we depart from the EU on a basis that does not undermine us in relation to our trading partners, how we operate on a global scale, how we operate without the CAP, which is the big challenge in front of us regarding our own domestic agricultural policy, and how we operate without that flow of labour that has been so vitally important to not only the food-growing sector but the processing and the supply chain. That has been in a context where there has also been a pandemic that has changed all sorts of behaviours and patterns, and now we are exposed to some incredibly volatile issues around input costs and global food markets because of the Ukraine war. That underlines how vulnerable and exposed we can be.

The Convener: We are fast running out of time and there are still quite a few questions to get through, so I ask members to keep their questions tight and Jonnie Hall to keep his responses as brief as he can.

Mercedes Villalba: I will do my best, convener.

NFUS members will be all too aware of the interdependence between food production and having a thriving natural environment and biodiversity. I have three questions for you, Jonnie. First, what opportunities do your members see for the farming sector in supporting biodiversity and nature restoration? Secondly, what challenges, if any, do they see? Thirdly—this is important with reference to the proposed agriculture bill—what policy is needed to support your members in that regard?

Jonnie Hall: I think that your three questions merge into one. It might keep the convener happy if I answer them together, because that will enable me to be as brief as possible.

Biodiversity is key to a thriving natural environment, of which agricultural land management is a component. We use all sorts of jargon around natural capital and so on. At the end of the day, agricultural systems rely on utilising natural capital, of which biodiversity is a part. Pollinators are a classic example.

Agriculture also has a key role in providing habitats. I sometimes say this flippantly, but it illustrates the point. There is often a clue in the words that we use. I often talk about corncrakes on the west coast and corn buntings on the east coast. There is a clue in their names, is there not? Why are they called corn buntings and corncrakes? It is because they are so aligned with land management systems—traditional agricultural

practices that have given rise to flourishing populations. That is where we need to focus.

We need to look at farming systems that deliver the right grazings and habitats for things such as waders, curlews, lapwings and oystercatchers. That does not come for nothing; we need somebody to do it. The worst thing that we could do would be to run down the agricultural sector that is responsible for managing habitats in the same way as we could run down the agricultural sector in order to reduce emissions only to pull in lots of imports instead. We need agricultural land management to do the right thing in a way that fosters nature restoration, and that requires the right incentives, the right advice and so on.

I will cut my answer short. There is a responsibility with regard to what the agriculture bill will do on biodiversity. There is a Scottish biodiversity strategy, and a natural environment bill will be coming into the Parliament, but, to me, the vehicle for delivering what the strategy seeks will be the agriculture bill.

Alasdair Allan: Some of the issues in my questions have been touched on, but what policy is needed to support biodiversity? You said that the policy will depend on the funding envelope that is available. You alluded to it earlier, but what is your union doing to lobby the UK Government on the uncertainty about funding?

Jonnie Hall: You raise two important points. You are absolutely right: in order to achieve what we want to deliver on biodiversity, we need accessible, manageable, non-prescriptive measures. The biggest problem that we have had with traditional agri-environment schemes from pillar 2 under the common agricultural policy is they have largely been prescriptive and have involved stopping particular practices in order to do something else. That has not recognised what I mentioned in my previous answer—agricultural land management that actually gives rise to the outcomes that we want.

We can fence an area off and remove the stock, but the vegetation will go rank pretty quickly and it will probably choke out the very interest that we wanted to preserve in the first place. I have seen it time and time again. We need to get away from the prescriptive stuff. The tier 2 measures that we are talking about—light-touch management options around biodiversity—are key, and there is clearly an opportunity there.

The second part of your question goes back to the funding issue. What are we doing about it? I, Martin Kennedy and Beatrice Morrice—who is behind me, I think, or she might have left the room—were in London at the beginning of this month and we will be in London continuously. We are pressing every political party at Westminster,

not only to attempt to open the Treasury's doors so that we can get in and make our arguments directly to Treasury officials and ministers, but because we need a commitment from every party at Westminster to go beyond 2024 on the funding package for UK, and therefore Scottish, agriculture. We want that commitment to be ring fenced and multi-annual, as it is under the CAP.

We talk about alignment with Europe, but let us follow the EU lead and say, "We're going to commit to agriculture over this timescale and with this amount." That will translate back to a responsibility on the Scottish Government to do that as well and say that it is going to spend the money to best effect within agriculture in order to deliver the outcomes that we want. It will not be easy to secure that funding, but we have some cast-iron arguments on the return on investment that the taxpayer gets. Whether we measure that in terms of agricultural production and activity, environmental delivery or the socioeconomic piece, given all the other jobs in the communities that rely on that support, it is very easy to set that out and we continue to do so. The return on the investment is huge.

Some £620 million of funding from the taxpayer is spent on agriculture in Scotland. According to the House of Commons library, Scotland's total public spend is about £99 billion. Less than 1 per cent is spent on agricultural support measures and agricultural policy yet, in the wider context, it delivers so much in Scotland's interests.

The Convener: We will come back to funding at the end, but I have a question about it. At the moment, £620 million comes from the UK Government. It is a bit like the funding through the CAP in that it is ring fenced for agriculture. Going forward, given that the Scottish Government gets a block grant, are you saying that the agricultural payment should be separate from that? How would the amount be dictated? Would the UK Government decide how much money came to Scotland to deliver what are ultimately devolved priorities? How would it work in practice?

You do not want the funding to be linked to the Barnett formula, because agriculture south of the border is significantly different from agriculture up here. Are you expecting the Westminster Government to set a budget for something that is devolved—a budget that will be used to deliver on the Scottish Government's priorities? I am not sure what you are asking for.

11:30

Jonnie Hall: Because it was a Tory party commitment in 2019, the UK Government has said that, up to 2024—for the lifetime of the current Parliament—it will honour the 2019 CAP funding

that the UK received and it will distribute the money across the devolveds in the same proportions that applied under the CAP. That is the situation that we have, so we have a degree of continuity, although it is historic continuity.

The money is not ring-fenced, however, in the way that the direct support element under the CAP certainly was. It comes to Scotland as part of the block grant and it is then down to the Scottish Government to make decisions on it. Mr Swinney's budget just before Christmas continued to honour that position. At the moment, the money is in effect being ring fenced, but it is not explicitly ring fenced; it could go anywhere in the Scottish Government's spending portfolio.

I return to a point that I made earlier: we absolutely need a commitment from the Westminster Government on the quantum of funding. You are quite right, convener, in saying that we need it to be based on an overall settlement for UK agriculture. Scotland continues to get about 17 per cent because that was our historic share. If we moved to a Barnettised approach, the figure would be about 9 per cent, which would represent almost a halving of the budget, even if the budget stayed the same, so we absolutely do not want that. That is an argument in itself.

Once the money comes into Scotland, we absolutely need it to be committed on a multi-annual basis and ring fenced. I know that, traditionally, Governments do not like multi-annual things or ring fencing because they like to be light on their feet, but I return to the point that the agriculture industry and everything that relies on it need that certainty in order to be able to plan and commit the required investment over time.

The Convener: I still do not understand what you are asking of Westminster. Is it to identify a sum of money?

Jonnie Hall: Yes.

The Convener: Based on what? Scottish Government priorities?

Jonnie Hall: No. It needs to be a sum of money that will continue to flow into Scotland to enable the investment in Scottish agriculture to deliver what is being asked of Scottish agriculture. We cannot continue to deliver on food, climate, biodiversity and wider rural development without that funding.

The Convener: But how do you quantify that? What is your ask? Would you go to the Treasury and saying, "Can we have £620 million, index linked, over the next few years?"

Jonnie Hall: That is the bare minimum. We all know that, in real terms, the value of that has gone down significantly over the years. However, £620

million is the absolute bare minimum that we require.

The Convener: On-going?

Jonnie Hall: Yes.

The Convener: How is that negotiation going to go? Are you going to go down to Westminster every year—or every five years, if we get multi-year payments—to explain the Scottish Government priorities to spend that money and ask for £700 million in the next year? I do not understand how we can work that out.

It is a bit like the block grant. Westminster decides how much to spend on the national health service, a Barnett formula consequential then comes into the Scottish block grant, and the Scottish Government has to decide whether to spend that on the NHS or on something else. What is the formula? Given that agricultural policy is devolved, how is it going to work when Westminster delivers a budget that we want to have ring fenced for agriculture?

Jonnie Hall: The formula right now in our head is that the bare minimum is £620 million. There is nothing to prevent the Scottish Government from co-financing that to some degree or using some of the other Barnett consequentials. Last week's budget delivered £300 million in Barnett consequentials to Scotland.

The Convener: What will happen to the Scottish budget in five years' time, when the environmental land management scheme develops arms and legs or the agricultural budget south of the border is cut and more money is put into biodiversity and environmental schemes?

Jonnie Hall: That is the absolute risk. That is why we need to be really aware of what is happening south of the border. I think that the Treasury will look at the phasing out of direct support in England simply as a cost saving. It will not necessarily divert that money into capital investment for farming or indeed into biodiversity measures or whatever. If it runs down the overall budget for the UK, Scotland's share of that, even if it is 17 per cent, will dwindle.

If, when the money comes into Scotland, we then start to skew the amounts that move to tiers 1 and 2 versus tiers 3 and 4, the risk is that we will have a huge undermining of the amount of funding that is required to sustain agricultural businesses, first and foremost. If we have that, we will not deliver the outcomes that we want. We all need to be mindful of that. We cannot deliver the public good in a public interest agenda on private cost.

The Convener: I am still confused, given how different agriculture is in England and in Scotland, about how you could negotiate a settlement with Westminster when agriculture policy is devolved,

but we can come back to that. It is a long discussion. I still do not understand what your ask is going to be in two or three years' time or what you are going to base that on.

Jonnie Hall: The ask has to be now. We are going to have a UK Government election next year, and the commitment is only until next year, so we should all be asking that question now. We should all be asking that question of our parties across the UK. We have members of Parliament from the various parties and we should all be asking them to put it into each and every manifesto that they will commit resources to UK agriculture, but particularly to Scottish agriculture.

The Convener: Okay.

Jim Fairlie: I would like to ask about the opportunities in the future rural policy to improve farm incomes and competitiveness. I am bearing in mind one of the things that you said earlier about consumers being squeezed at one end and farmers being squeezed at the other, with a big chunk in the middle. Can the policy affect that? Is the policy a vehicle to do that, or do we need to get the supermarkets in this room to ask them how they are going to pay more to farmers and charge less to consumers?

Jonnie Hall: There are clearly two ways to improve the bottom line of any agricultural business, which is what you are talking about. One is to improve the margins on what you sell, and I think that there is great scope within Scottish agriculture to do that. However, let us not kid ourselves: some sectors are brilliant but, in other sectors there is great scope to improve the margins, to better understand our costs, to drive costs down and seek a better return on what we sell.

Then there is the bit that you have just touched on about getting a fair share of the margins in the supply chain. First things first: the agriculture bill has to be used as a vehicle to drive efficiencies in productivity at the agricultural business level—producing the crop, the lamb, the beef or whatever it might be—so that we drive our costs down relative to the return from the market place. Part of that, as well as driving costs down per unit of output, involves getting an adequate and fair return on what we sell—that is, a fairer price for what we sell. That is when you get into the supply chain issues.

In my opinion, the bill will not get anywhere near the supply chain issues. It is all about agricultural land management this side of the farm gate and driving efficiencies and productivity and so on. That is good, but beyond that—this tends to be a UK issue—we need to get fairness in the supply chain. Section 6 of the UK Agriculture Act 2020 is all about fairness in the supply chain. The

leverage that the groceries code adjudicator has through the groceries supply code of practice are limited—it does not even touch the primary producer. We need things such as the 2020 act to start to change things, and we are seeing a good example of that right now in the dairy sector with the milk contract—that is the first sector to start to use that legislation at a UK level. Depending on the outcome of that process, there could be a template to introduce legally binding contracts for lamb, beef or grain producers and so on. That is where we need to get to. We need some legislation.

Jim Fairlie: You touched on two things earlier: one was the cost of producing broccoli in Fife and the other was about berries. In my area, in Perthshire, a long-established berry farm has simply pulled the berries out of the ground—we are talking about blueberries here; a high-quality food, a super food. At the moment, it seems that we are undermining the ability of these unsupported sections of the industry to be able to produce the kinds of food that we want our population to eat, while, at the same time, producers are being squeezed, either through labour shortages as a result of Brexit or through the power of supermarkets to bring produce in more cheaply from Peru, for example, which means that the price that our producers will get is so low that it is no longer sustainable.

That comes back to a point that I made earlier. Although we are trying to do many things with this bill, we are missing some areas. We are focusing on this bill but we are missing areas where we should be doing a lot more for the country and for our producers because of stuff that is effectively outside our control.

Jonnie Hall: I could not agree more. You give a good summary of the challenges facing that blueberry producer—I know exactly who you are talking about. Encouraging fruit and vegetable production in Scotland remains a huge challenge because of the risk factors around labour and the influence of the retail sector, which can decide to source that product from somewhere else in the world simply on the basis price alone. How the Government can intervene in that situation is beyond the scope of this bill as it is likely to be written. I think that there will be very little, if anything, in it in that regard. Certainly, I cannot see anything in the consultation that will help us with that, but I think that we will have to go back to the 2020 act or, indeed, look at things such as the Good Food Nation (Scotland) Act 2022, which, of course, relates to Scotland, and think about whether there is any leverage that we can use in that legislation to place an obligation on the supermarkets to buy Scottish first and take it from there. That would not only shorten the supply chain but would give confidence to primary

producers in Scotland and to the consumer, who would know that they were going to be able to Scottish blueberries at a reasonable price.

The Convener: You will be pleased to hear that we hope to get representatives of the supermarkets before us at some point soon.

Jenni Minto: You have just answered my question, Mr Hall. I was going to ask about the connections with the Good Food Nation (Scotland) Act 2022. I also wanted to ask about communities and the importance of the policy to them, but you have also covered that, so I do not need to come in at this point.

Karen Adam: What can we do within the scope of the bill to attract new entrants into farming and include more diversity among those people—looking at other industries, greater diversity within them does help. How do we get more women into farming?

Jonnie Hall: Those are valid questions. How do we get more new entrants and how do we increase diversity? There is scope within the bill to do something in that regard, because there are elements in it about skills and so on.

I will be blunt. The best thing that we could do in Scotland to create opportunities for new and developing businesses would be to get rid of area-based payments, which were put in place under the CAP and mean that the occupation of land is the means to unlock the support payment. I think that moving towards a system whereby you have to manage the land in certain ways to unlock the support payment would help. It would not address the issue entirely—clearly, there are other issues around agricultural holdings legislation and so on, so there are a number of barriers.

11:45

The best way to deliver diversity and attract younger people into the industry is to make it profitable and ensure that people see it as a career opportunity. That means going right through the education system, creating opportunities for people to develop the right skills and for them to get on the first rung of the ladder into agriculture, which has always been challenging, to say the least, in Scotland.

The diversity piece is a significant challenge for us, but let us remind ourselves that, invariably, behind every successful agricultural business is a woman making a lot of the business decisions, doing the administration and understanding where that business needs to go.

Karen Adam: I agree with you.

Jonnie Hall: We do not recognise and celebrate that enough. It is certainly a challenge for the

industry that needs to be addressed. The only way that I see more women coming into farming is through creating opportunities for women to step forward and become more involved in the public arena around agriculture in Scotland.

Karen Adam: That is really interesting. I have been looking at agritourism in my constituency, and it seems to be women who are at the forefront of that. They are the driving force behind the diversification on farms as well, which they do as a means to expand their incomes. Perhaps it is not that we need to attract more women into specific types of farming—they may already be there—but that their voices are not being heard enough and they are not at the decision-making table.

Jonnie Hall: There is certainly huge unlocked potential there. My experience—a lot of what I say is based on experience—is that the real driving force behind things such as diversification opportunities is invariably coming from the female in the farming household, and it is that drive that we need to try to capture to create opportunities. It is not easy, but I think that it is one thing that we need to focus on.

Karen Adam: That is interesting. Thank you.

The Convener: That brings us to the end of a mammoth session. Thank you very much, Jonnie—we certainly got our money's worth this morning. The session has answered a lot of questions but also leaves some questions that we need to ask when the bill comes forward.

Jonnie Hall: I would like to add one last thing before you conclude or I am booted out. I extend an invitation to the committee to come out to the farm with NFU Scotland at some point, perhaps in the summer recess. I know that most of you have probably been on farm with us at one point or other, but we would see huge value in taking you all out, collectively, to discuss some of the practicalities and the issues and challenges that we face. This is a very nice, pleasant environment, but you need to be on a windy hillside in August when it is lashing down with rain to get a proper understanding of what it is all about. I mean no disrespect when I say that, by the way.

The Convener: Thank you. You will be pleased to hear that we have about six visits organised that will get us out of this building between now and August. We will certainly take you up on that opportunity. I hope that it will not be wet, though I have no doubt that we will be taking our wellies. Seeing a farm in practice will be an important part of our understanding of what the bill could include.

I now bring the public part of this session to a close.

11:48

Meeting continued in private until 12:14.

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Published in Edinburgh by the Scottish Parliamentary Corporate Body, the Scottish Parliament, Edinburgh, EH99 1SP

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