

RURAL DEVELOPMENT COMMITTEE

Tuesday 18 September 2001

Session 1

£5.00

© Parliamentary copyright. Scottish Parliamentary Corporate Body 2001.

Applications for reproduction should be made in writing to the Copyright Unit,
Her Majesty's Stationery Office, St Clements House, 2-16 Colegate, Norwich NR3 1BQ
Fax 01603 723000, which is administering the copyright on behalf of the Scottish Parliamentary Corporate
Body.

Produced and published in Scotland on behalf of the Scottish Parliamentary Corporate Body by The
Stationery Office Ltd.

Her Majesty's Stationery Office is independent of and separate from the company now
trading as The Stationery Office Ltd, which is responsible for printing and publishing
Scottish Parliamentary Corporate Body publications.

CONTENTS

Tuesday 18 September 2001

Col.

TIME LIMIT ON DEBATES	2103
"A FORWARD STRATEGY FOR SCOTTISH AGRICULTURE"	2104
FISHING VESSELS (DECOMMISSIONING) (SCOTLAND) SCHEME 2001	2122
"A FORWARD STRATEGY FOR SCOTTISH AGRICULTURE"	2137
SUBORDINATE LEGISLATION.....	2180
PROTECTION OF WILD MAMMALS (SCOTLAND) BILL	2182

RURAL DEVELOPMENT COMMITTEE

20th Meeting 2001, Session 1

CONVENER

*Alex Fergusson (South of Scotland) (Con)

DEPUTY CONVENER

*Fergus Ewing (Inverness East, Nairn and Lochaber) (SNP)

COMMITTEE MEMBERS

*Rhoda Grant (Highlands and Islands) (Lab)

*Cathy Jamieson (Carrick, Cumnock and Doon Valley) (Lab)

*Richard Lochhead (North-East Scotland) (SNP)

*George Lyon (Argyll and Bute) (LD)

*Mr Jamie McGrigor (Highlands and Islands) (Con)

*Dr Elaine Murray (Dumfries) (Lab)

*Mr Mike Rumbles (West Aberdeenshire and Kincardine) (LD)

*Elaine Smith (Coatbridge and Chryston) (Lab)

*Stewart Stevenson (Banff and Buchan) (SNP)

*attended

THE FOLLOWING ALSO ATTENDED:

Tavish Scott (Shetland) (LD)

WITNESSES

Rhona Brankin (Deputy Minister for Environment and Rural Development)

Rory Dutton (Scottish Crofters Union)

Ross Finnie (Minister for Environment and Rural Development)

Chris Gilbert-Wood (Marks and Spencer)

Neil Kilpatrick (Quality Meat Scotland)

Ian McCall (Scottish Environment LINK)

Donald MacRae

Fiona Newcombe (RSPB Scotland)

Duncan Orr-Ewing (RSPB Scotland)

Jan Polley (Scottish Executive Environment and Rural Affairs Department)

Lisa Schneidau (Scottish Environment LINK)

Jim Walker (National Farmers Union of Scotland)

Robin Weatherston (Scottish Executive Environment and Rural Affairs Department)

Jonathan Wordsworth (Scottish Environment LINK)

CLERK TO THE COMMITTEE

Richard Davies

SENIOR ASSISTANT CLERK

Mark Brough

ASSISTANT CLERK

Jake Thomas

LOCATION

The Chamber

Scottish Parliament

Rural Development Committee

Tuesday 18 September 2001

[THE CONVENER *opened the meeting at 10:02*]

The Convener (Alex Fergusson): Good morning, ladies and gentlemen, and welcome. This morning's schedule is tight, so to avoid interruptions, please ensure that all mobile phones are turned off. Members will note that the revised agenda contains an additional item, item 6. I propose that that item be taken before lunch, at approximately 20 past 12, so that any appropriate action can be prosecuted over lunch time. That would save any panic later in the day. Does that meet with members' approval?

Members *indicated agreement.*

Time Limit on Debates

The Convener: Rule 10.4.2 of standing orders provides that the maximum time to debate an affirmative instrument is 90 minutes. Given that we have an extremely busy day ahead of us, I request that we limit discussion on agenda item 3 on the fishing vessels decommissioning scheme to 30 minutes.

Stewart Stevenson (Banff and Buchan) (SNP): Richard Lochhead and I have had a wee chat about that. Thirty minutes is a little too little. We recognise that we have a tight schedule, but we propose 45 minutes.

Mr Jamie McGrigor (Highlands and Islands) (Con): I agree with that.

The Convener: I will happily take that on board. We shall limit the time on item 3 to 45 minutes, but try to keep it to 30 minutes if we possibly can. Obviously, I will not try to restrict discussion.

I take this opportunity to welcome back Richard Lochhead and Cathy Jamieson, who have been very busy representing the Parliament in Australia. It is nice to have you back with us.

Richard Lochhead (North-East Scotland) (SNP): Thank you, new convener.

"A Forward Strategy for Scottish Agriculture"

The Convener: Our main business of the day is oral evidence on our inquiry into the Scottish Executive's "A Forward Strategy for Scottish Agriculture". Our original agenda has been slightly changed to bring forward into the morning our discussion on the fishing vessels decommissioning scheme. We had to do that because some of our witnesses were able to give evidence only in the afternoon. I hope that members will forgive us for having to make that change.

It is timely to remind members of the inquiry's terms of reference:

"To identify whether the Scottish Executive's Forward Strategy on Agriculture, published on 26 June 2001, sets out the vision and level of commitment that is necessary to develop a prosperous farming industry, sustainable rural communities, and environmental protection and enhancement."

Bearing that in mind, it is my pleasure to welcome our first witness. Donald MacRae, as I am sure everyone knows, is the chief economist from Lloyds TSB Scotland. Today, he is here in a private capacity and is not necessarily representing the views of his bank. At his request, his written evidence has been circulated to members only.

I hope that members have brought with them the written submissions from those who were invited to give evidence, including those from whom we will hear today. Some of those who submitted written evidence have communicated their disappointment that they were not asked to give oral evidence. I endeavoured to placate them by replying that that does not mean that their evidence has not been taken seriously—indeed, we may go back to them at a further stage for oral evidence, should we wish to do so—and I thanked them for their written evidence.

I emphasise that time is limited and ask members to keep questions as short and concise as possible. We will hear from our next witnesses, who are from RSPB Scotland and Scottish Environment LINK, at 10.30 promptly. I welcome Donald MacRae and invite him to make a brief opening statement to help stimulate the discussion.

Donald MacRae: Good morning, ladies and gentlemen. I take full note of the convener's comments about time. I will say a few words first about the industry in general and then about the strategy and my submission.

Agriculture is important for three main reasons. First, from the point of view of food security, no nation on earth wants to be entirely dependent on

another nation for its food supply. Secondly, agriculture provides the raw material to the food processing industry. For example, Scottish Enterprise has a food-and-drink cluster and that sector is ripe for more development. Thirdly, agriculture supplies non-food goods. In particular, farmers have a countryside stewardship role.

Scotland has had a proud record in agriculture from the first ever reaper, which was invented in Scotland, all the way to Dolly the sheep. Such developments also create change in the agriculture industry itself.

Where are we today? I suggest that the common agricultural policy has failed. Farm incomes have halved in recent years and, in its present form, the CAP is fundamentally unsustainable and costly. For every £1 of output of the agriculture industry in Scotland, 41p comes through support. That is about £39,000 per farm business.

Due to the impossibility of applying the CAP across the new entrants to the European Union, the CAP is also due to change. From a Scottish point of view, agricultural policy is very much determined by the CAP. One therefore has to lobby through Brussels for that change, but that does not mean that the Scottish Executive and the Scottish people cannot influence how the CAP can change.

Why has the CAP failed and not achieved one of its main objectives of maintaining incomes? People have a finite demand for food, which means that as income increases, a declining percentage of their income is spent on food. However, one of the important reasons for the failure of the CAP is that costs adapt to fit and exhaust the prices and revenues. I will explain what I mean by that. The subsidies or support that are paid to the industry pass through the farming industry and are paid out in fixed costs on inputs. For any doubters of that, let me give two pieces of evidence. First, when the United Kingdom joined the European Economic Community in 1973, fixed costs went up by about 50 per cent. Secondly, when New Zealand cut agricultural support in 1984, the costs into the industry fell by about 50 per cent over a period of a few years.

To devise from scratch an agricultural policy for Scotland, three major factors would have to be taken into account. First, it would be absolutely essential to help the industry to change to a new policy. Having applied the CAP for all these years and having created that cost structure, one would have to take account of the need to help industry to make the adjustment. It would be impossible to change the policy overnight. Secondly, one must address the inherent instability of agricultural markets, which is caused partly by weather. My suggestion to members—and to CAP policy makers—is that something akin to the UK

deficiency payments scheme, or even the American loan-rate system, would be a good basis for starting. Thirdly, policy makers must also take into account the contribution that farming makes to the rural environment.

Let me also make one or two quick points about the Executive's first ever agriculture strategy. I welcome the strategy. It is important that the industry addresses its current state. In my submission, I mention that local management contracts are a good step forward. However, several sections of the strategy need a fair amount of amplification. I did not see any details about the interaction between the agriculture industry and the rest of the Scottish economy or about how internationally competitive we are. What are our strengths and weaknesses? How do we compare, for example, with Ireland or Denmark, which have a high proportion of co-operative farming? How do we compare with France, which is the powerhouse of the EU's agricultural economy? What are the opportunities and threats?

To develop a strategy, it is essential to take account of the need to change the CAP and to recognise—this is an important point—that agriculture is no longer a driving force in the rural economy. The Scottish Executive's own statistics show that, even in rural areas, employment in agriculture as a percentage of the work force is rarely above single figures.

Finally, the implications of the value chain that is mentioned in the strategy are not taken to their full conclusion. Too many margins are being taken from plough to plate and, from the agriculture industry's point of view, those must be reduced. Amplification is also needed on restructuring and on the implications of economies of scale. The industry could produce the same output from a lot fewer businesses. The evidence that is available on the current age structure and the lack of succession and economies of scale should perhaps be part of the strategy.

The CAP must change. We need a lot more work on analysing the competitiveness of the agriculture industry in Scotland. We must be honest about our strengths, weaknesses, opportunities and threats. We need to take a lot more account of the drivers of change, such as the World Trade Organisation talks and the accession of eastern European countries to the EU. Finally, I welcome the appearance of the land management contracts, although there is little detail on how those will be applied.

The Convener: Thank you for being so succinct and brief. I open up the meeting for discussion from the floor.

Richard Lochhead: It is clear that one of the challenges that is facing Scotland's farmers is to

increase profitability. I was interested in your comments about the margin that is too often taken away from the farmer between plough and plate. Who is taking too much of that margin? How do we change that?

Donald MacRae: Agriculture's share of the margin from plough to plate has probably been declining at a faster rate than just about any other input. Obviously, the chain from plough to plate includes processing, wholesaling and the retailers. Farming's share has been declining. The latest evidence is that of 100p spent on food, farmers get about 15p. A few years ago, farmers' share in such an analysis would have been much higher.

I believe that that chain could be shortened. I do not know whether there is evidence to suggest that one sector is taking too much out of it, but one has to say that five or six food retailers in the UK account for the vast majority of food sales. That seems fairly unequal against an industry that in Scotland is composed of about 20,000 farm businesses. The solution would be to have many more farm co-operatives. At the moment, about 100 farm co-operatives influence about 30 per cent of farm output. Instead of 30 per cent, that figure should be perhaps 60 or 70 per cent. That would be an answer to the problem of scale. It is not so much about one sector unfairly taking advantage of another, but about the sheer inability of smaller farm businesses to relate to a very large business on the other side of the buying equation.

10:15

Fergus Ewing (Inverness East, Nairn and Lochaber) (SNP): In your submission, you point out that the Executive strategy document lacks comparative data and information about how the Scottish agriculture industry compares with that in other countries. You make specific reference to a number of those countries, which suggests to me that you have a wealth of knowledge about the way in which they go about helping to restructure their agriculture industries. Your submission says:

"Much could be learned by a comparison of agriculture and tourism in countries such as Switzerland and Austria."

You also refer to Denmark's co-operatively based farming structure. Can you tell the committee what precise information it would be useful to obtain from other countries? What lessons do you think we could learn about how we should adapt our strategy in Scotland?

Donald MacRae: I shall start by giving you some figures. I apologise for quoting figures, but they are instructive. Switzerland subsidises its farming sector at the highest level of any European country. To use the jargon, the producer support estimate is 84 per cent. In other words, for every 100 units of currency that the agriculture

industry produces there, 84 units come from support. By comparison, Scotland's PSE is about 41 per cent, the USA's is 22 per cent and New Zealand's is between 1 and 5 per cent, if my memory serves me correctly. That shows the extent of support that is available.

If support for Switzerland's agriculture industry were to be reduced, it would be in a poor competitive state. Average herd sizes are far smaller in Switzerland than in Scotland and the cost to the Swiss Government of maintaining the industry is substantially higher. Support in Switzerland has not worked, just as the CAP has not worked in the European Union. Switzerland's situation gives us an example of what a very high level of support does to the industry in the longer term.

The plus point about Switzerland is that it has a high degree of integration between tourism and agriculture. I believe that that is important in Scotland. As the foot-and-mouth disease problem has shown, there is a close link between those sectors, so agriculture policy should not be developed in isolation.

I strongly suggest that the strategy document should have included some international comparison. I chose Switzerland as an example because it has a high level of public support. Austria has moved from a very high level of support, similar to Switzerland's, down to a level that is more compatible with the EU. It would be instructive to learn how that restructuring took place.

I mentioned New Zealand because it is at the other end of the scale. Before support was cut back, New Zealand's PSE was at about the same level as the EU's is now. Despite all the issues that were raised at the time, over a period of four or five years, the number of agricultural businesses in New Zealand is about the same now as it was before the support structure changed. I am not suggesting that we should follow New Zealand's example, but it is instructive to note that the structure changed, and some might say that New Zealand's agriculture sector is in a much better financial state than it was before the change.

Mr McGrigor: I am interested by what your submission says about the value chain. It says:

"Some mention is made of this in the strategy and the need to shorten the chain but this whole section is of much more importance to the future of the industry than appears to be the case in the strategy."

That is incredibly important. For example, the current welfare disposal scheme for light lambs values those lambs at £10, which is about a third of what they were worth 10 years ago. How could that chain be shortened?

Donald MacRae: I am told that that £10 is actually £3 up on last year's market price, so perhaps it is not such a low price after all.

Let me explain what I mean by the value chain. If you take an animal from the farm all the way through to retailing, margins are clearly being made all the way along. I would like that to be much more fully explored, so that we can see which sector gets the most out of it. My information suggests that agriculture has been taking a declining percentage of that value chain.

When I say that the chain could be shortened, I am even thinking of the number of trips that animals have to make during their lives. I believe that that number could be reduced. I also believe that having more farmers' co-operatives could shorten the value chain if there were more direct links to wholesalers and retailers. Denmark has a high percentage of farmers in farm co-ops, and a lot of agriculture produce is sold through co-ops. The return to farming is therefore seen as a return from farming and a return from having a share in the processing. That does not happen in the UK or in Scotland, and perhaps it is something that we should be working towards. A policy to encourage co-ops would be beneficial. In Scotland, as I mentioned before, there are around 100 food co-ops, accounting for about 30 per cent of output. In my view, there should be a lot more.

Mr McGrigor: Do you agree that the majority of store producers are very much at the mercy of auction markets?

Donald MacRae: Auction markets have a good economic purpose, as they establish a price. However, I have always questioned why the animal needs to go through the mart. The mart could create the function of price discovery, as we economists say, without the animal actually moving. The foot-and-mouth disease crisis has probably promoted that, but I think that we need to go much further.

Dr Elaine Murray (Dumfries) (Lab): In your written submission, you say that the Executive's strategy document did not really highlight the number of

"farm businesses which produce little output",

or the fact that

"10% of the largest farms ... produce 35% of output. Estimates of minimum viable business size could be produced from these data."

What do you think we could conclude from such data? Are you suggesting that we need to face the fact that some farming enterprises are not currently viable and that we should consider using the land in a different way? What would be the consequences of such changes for the population of those rural areas where small-scale farming is

keeping people on the land? Would we see population drift away from rural areas?

Donald MacRae: That is an important issue that was not addressed clearly in the strategy document. I should start by saying that I am a crofter's son, and our croft was 12 acres, so I know a little bit of the family history of small-scale farming. However, we have to accept that technology changes things.

Many farm businesses are kept afloat by non-farm income, which averages £8,400 according to Scottish Executive figures. When added to the farm business profit, that non-farm income is keeping a lot of farm businesses afloat financially. To some extent, the changes are already happening. Agriculture is not the engine of economic activity in the countryside that it once was. It is my view that, if we were to apply economies of scale across the Scottish industry, we could produce the same amount of output with substantially fewer farm businesses. That has implications for all kinds of policy.

I am well aware of the social implications that such changes may have. I suggest that we now have an ideal opportunity to introduce some sort of retirement scheme, which would allow farmers to come out of farming with some capital, thereby adjusting the industry down. It is important to have an adjustment scheme. Clearly, some businesses are not viable from a farming business point of view, and I cannot see that changing with technology. Elaine Murray makes a valid point, and that is a problem that must be faced.

George Lyon (Argyll and Bute) (LD): You have talked at length about restructuring and the need for change, and you have highlighted the fact that we could produce the same amount of food from fewer farm businesses. You mentioned a retirement scheme as a possible mechanism for allowing restructuring to happen. What other structures are needed to give good advice to farming families who are trapped? Some families have difficult equity situations and high bank overdrafts, and they need to look clearly at the way forward and the alternatives that are available to them. In many cases, they do not have the skills—or they think that they do not have the skills—to find alternative employment or off-farm employment. What do you think is needed to aid the restructuring? It is not just a case of setting up a simple retirement scheme. I think that there is a need for more than that.

Donald MacRae: The agriculture industry borrowing figures have been fairly static, although they have increased over the past five to seven years. Of that total, an awful lot of money is borrowed by a small number of very big farm businesses. However, farm incomes are low, as is evidenced by the published net farm income

figures—agriculture is probably better documented than any other sector of the economy. We also know that a lot of businesses are being kept in business by the non-farm income, which is also well documented. Many farmers have realised that, which is why they are pursuing the non-farm income.

Each business has to examine its own situation. Farmers have to ask whether they have a future in farming at their current size, whether they could expand and whether there are other things that they could do. I am encouraged by the fact that the local enterprise companies are now taking a greater interest in rural affairs, including agriculture. That is part of the equation that was not there before. I still say that a restructuring and retirement scheme would go a long way to helping some businesses adjust. I also believe that the Scottish Agricultural College could act as a delivery mechanism for the sort of advice that you mentioned. Whether anything more than a restructuring scheme is required, I do not know. I am not convinced of that.

George Lyon: The tables at the back of the strategy document show the performance of various farm businesses. On the cereals page, for example, the output from the marketplace, even for the very best business, is about £500 per hectare, and the total direct subsidy from the state is about £280. That represents well over a third of the income for those arable farms, and I am looking at the best ones—the top 25 per cent. For mixed cattle and sheep, the best performers got a total of £279 per livestock unit from the marketplace, with a direct subsidy of £288. Are you concerned that the document makes little mention of where the biggest percentage of the income for some businesses comes from, or of the longer-term future for that support mechanism? What is the right path for Scotland to follow in arguing for change in the CAP?

Donald MacRae: I start from the eminently arguable position that the common agricultural policy needs radical change. I fundamentally believe that it has singularly failed in one of its prime objectives—to maintain farm incomes. The evidence is stark. The total support keeps increasing and the income keeps falling. It is proven.

The other thing is that, the way in which the policies are administered—in silos and by product—means that farmers follow the rules and the incentives. That means that they are increasingly divorced from the marketplace. If farmers have to farm in a particular way to get maximum support, it sends the wrong signals to the agricultural business. It concerns me that the level of support is so high in some sectors.

However, very few agricultural industries in the

world are not supported in some way. New Zealand is a prime example of that. Even the USA, with its so-called efficiencies, still supports farmers to a high degree. The comparator figure there—the PSE—is 22 per cent as opposed to 41 per cent in Scotland.

I am concerned that the CAP sends out the wrong signals. Farmers are not producing for the marketplace and the CAP does little to encourage the quality of agricultural production. In the longer term, the farming industry must argue for a change to the CAP. There is no future in arguing for ever-increasing levels of CAP support. That is not tenable. The evidence is clear that increasing levels of support do not lead to increased viability.

10:30

George Lyon: What should we be arguing for?

Donald MacRae: We would all agree that we do not have a clean slate, but if we did—

George Lyon: Starting from where we are, what should we be arguing for? There is to be a mid-term review of the CAP in 2003. What should we be arguing for in terms of how Scotland receives support in future?

Donald MacRae: First, we should argue for a policy that gives a floor to agricultural prices—similar to the deficiency payments system that operated in the UK before we entered the EEC, and similar too to the American loan-support system. The crucial point about such systems is that prices are set at a level that provides a safety floor only; they do not encourage production in the way that the current system does.

Secondly, support should be provided on a whole-farm basis, as the forward strategy suggests, and a land management contract basis, so that the managers of the farms—the farmers—are not led down the wrong path in different areas of production. An example of a wrong path would be the production of lambs many of which were unfit for market.

Thirdly, we must acknowledge the need to pay farmers for their stewardship of the countryside.

There are therefore three main planks to the strategy: stability in the marketplace; whole-farm payments; and acknowledgement of the countryside stewardship role—the non-food role. A fourth part of the equation would be to provide an adjustment mechanism. The system cannot be changed overnight. Agriculture has set itself up to operate within the CAP over many years; it would be completely unfair to change the system overnight. There will have to be an adjustment mechanism over a period of years. Those are the four main strands that should be included in a new common agricultural policy.

The Convener: Donald, you have set us up very nicely for our discussions today. Without doubt, more time would have been useful but, as I explained, we are very constrained for time. We are very grateful to you. I know that you gave up an important meeting to be here this morning, and we appreciate that. Thank you for your time.

Our next witnesses represent RSPB Scotland and Scottish Environment LINK. I thank them for giving their time to speak at our inquiry. Because we are so constrained for time, I ask the witnesses to keep their opening remarks as brief as possible to allow the maximum time for discussion with committee members. We are grateful for your written submissions, which were very good.

Fiona Newcombe and Duncan Orr-Ewing are from RSPB Scotland. Ian McCall, Jonathan Wordsworth and Lisa Schneidau—I hope that my pronunciation is close enough—are from Scottish Environment LINK.

Fiona Newcombe (RSPB Scotland): Good morning, and thank you for inviting us to discuss “A Forward Strategy for Scottish Agriculture” and the committee’s inquiry into it. I am the agricultural policy officer for RSPB Scotland and I also convene the Scottish Environment LINK agriculture task force. LINK is the umbrella organisation for environmental bodies across Scotland.

We support the whole of the committee’s remit on the forward strategy, because the future maintenance of farming is vital for Scotland; however, we will focus on environmental and social issues.

Ian McCall (Scottish Environment LINK): The three representatives of Scottish Environment LINK represent a range of interests—LINK is an umbrella organisation covering interests such as recreation, conservation and cultural heritage. The three representatives will give an idea of that breadth of interests. I am also on the management team of Scottish Environment LINK.

Fergus Ewing: I would like to ask Fiona Newcombe how the level of funding for agri-environment schemes in Scotland compares with that in England.

Fiona Newcombe: The level of support for agri-environment schemes has historically been extremely low and, unfortunately, that continues to this day. We are told that the current funding in Scotland is £30 million a year; in England it is £98 million a year and in Ireland it is £100 million a year. Scotland has a more important and a better environment, so its figure is very low. The numbers of applications that are accepted reflect that low budget.

Fergus Ewing: What changes would you

advocate in order to achieve Donald MacRae’s third aim—that we should pay farmers for their stewardship of the countryside?

Fiona Newcombe: I would advocate several changes. One would be to increase the budget. A second would be to separate the organic aid scheme from the other agri-environment schemes, because at the moment, the former takes the first bite of the cherry and does not allow all the non-organic farmers to access funds. A third important way of making progress would be to change the mechanism of payment away from consideration of income forgone and towards rewarding farmers and crofters for what they produce for Scotland.

Cathy Jamieson (Carrick, Cumnock and Doon Valley) (Lab): I wanted to ask a couple of questions on the written submission from Scottish Environment LINK. The first is on organic farming. The submission contains a clear recommendation that the Executive should support organic food and farming targets. Why is that so vital? What sort of support should the Executive give?

The second question is on training. Your submission talks about ensuring that people who work on the land have appropriate training. Would you expand on what you feel the training priorities should be?

Lisa Schneidau (Scottish Environment LINK): Organic agriculture has many benefits for the environment. It has been shown that organic agriculture in both lowland and upland areas leads to huge biodiversity increases when compared with normal agricultural practice. The leeching rates for nitrates have been shown to be 40 to 50 per cent lower for organic agriculture than they are for conventional agriculture. We can provide a lot of statistics to show that organic agriculture is favourable in environment terms. It is also favourable in rural development terms. We feel strongly that the huge and increasing demand for organic produce across the UK is not being reflected in the growth in organic agriculture. The growth in demand for organic produce is 55 per cent per annum, but domestic supply has grown by only 25 per cent per annum.

At present, organic agriculture is supported by the organic aid scheme, which is increasingly underfunded. Its funds come out of the same budget as those of the increasingly pressured rural stewardship scheme. We feel that the Scottish Executive should offer a lot of support over and above the recommendations that are in the forward strategy, so that a framework can be provided for the development of organic agriculture and so that a target of 20 per cent organic agriculture can be achieved by 2012.

Duncan Orr-Ewing (RSPB Scotland): On training, there is a good idea that the committee

might feel worth considering. A couple of years ago in England, the Ministry of Agriculture, Fisheries and Food—which has become the Department for Environment, Food and Rural Affairs—set up what were called the Bodmin and Bowland upland trial projects. Part of the remit of the groups involved was to provide one-stop shops for farmers in those areas, so that they could get best-practice advice on how to access advice and information. That included information on accessing grants—not only environmental grants but social grants. That idea seems like good practice.

George Lyon: Donald MacRae argued strongly that the CAP had to be completely and radically changed and that support had to be delivered differently. He highlighted the role of whole-farm management payments and the rewarding of public goods. Does RSPB Scotland feel the same?

Fiona Newcombe: Yes, we strongly support the idea of land management contracts. The WTO allows support for what are called green box payments—which are non-distorting payments. The strategy fails to mention such payments and that is a huge hole in the strategy. We would like to see whole-farm planning and regional prescriptions for the environment. It is not possible to have one prescription that suits Shetland and all areas down to Dumfries and Galloway. We would like there to be lots of local advice and training on the implementation of plans.

George Lyon: You point out that the strategy does not mention the WTO and the green box or blue box payments. What might it mean for Scotland if we do not secure change to the current support systems?

Fiona Newcombe: The WTO is putting on pressure to remove subsidies; that is mentioned in the strategy. However, what is not mentioned is that payments may still be made for environmental and social issues that are not trade distorting. I strongly believe that, of the UK countries, Scotland is best placed to make the most of that opportunity. It is strongly placed in Europe to do that. Scotland has a fantastic environment and strong social and cultural set-ups, especially with crofting. It is a shame that the strategy has not taken steps to maximise that opportunity.

George Lyon: Are you saying that that should be regarded as a strong card for Scotland in arguments for change to the CAP, because it will benefit Scotland—probably at the expense of other parts of Europe—if we can secure such changes to the way in which the CAP operates?

Fiona Newcombe: Yes, I would argue that strongly.

George Lyon: From its submission, I see that

RSPB Scotland has done quite a bit of work on the land management contracts that are operating in France. Can you give us more information on what you have seen in France? How do such contracts and support systems operate and what are their benefits, not only to agriculture but to the whole rural economy?

Fiona Newcombe: We saw two examples near La Rochelle. What made the systems work seemed to be that they were organised regionally and were managed by a local chamber of agriculture that included farmers and environmentalists. Each farmer could enter into a contract that deliberately targeted either social or environment goods. It was possible for a co-operative of farmers to enter a land management contract, and that seemed to work very well indeed. The system seemed to deliver good benefits for things such as diffuse river pollution and employment in rural areas.

George Lyon: Did that affect the productive capacity of the farms?

Fiona Newcombe: As far as we could tell, it did not seem to.

Rhoda Grant (Highlands and Islands) (Lab): The witnesses have mentioned that we have underproduction of organic produce and overproduction of other produce. In parts of my constituency, there is great difficulty in finishing off stock, simply because of the climate and the land. Has any research been carried out to discover how people there could take part in organic farming and finish off their stock? If they are selling that stock on, it will not always be an organic farmer that buys it, so the added value that could be there is lost.

Lisa Schneidau: The organic agriculture system here is quite fragmented. It depends largely on local initiatives that can be developed. That is why we are arguing for a much stronger framework that covers everything from the farm to the market and ensures that all the systems and all the markets are in place to develop specific Scottish produce. We have to consider European examples where such systems have been successful. If we compare Scotland with those examples, we see how fragmented things are here.

The forward strategy seems to put all the responsibility for the development of organic agriculture on to the industry. We feel strongly that the Executive should take more responsibility.

10:45

The Convener: I will continue on that theme. I am sympathetic to the view that the organic aid budget must be separated from the other budget.

However, I am not aware that any application to the organic aid scheme has been refused; it is other schemes that tend to get refused. My gut instinct is that development of organic farming must be market-led and demand-led, rather than policy-led, which is what you seem to suggest. Organic farming must be led by public demand and that requires a premium in the marketplace. Although I have no doubt that a large sector of society is happy to pay a little extra for organic produce, I feel that that must be the only driver and that it cannot become a legislative process. What are your thoughts about that?

Lisa Schneidau: We need a policy framework as well as a market driver for organic agriculture. One of the current concerns is that there is a five-year incentive under organic aid, but there are no follow-on payments to acknowledge that prices of organic produce and premiums will change over time. Those extra payments are accommodated in other European countries, so we must think ahead. In some respects, purely being at the mercy of market forces will not necessarily develop the system in a co-ordinated way, which is the framework that we argue for.

Dr Murray: In the submission from Scottish Environment LINK, you suggest that the Executive should increase modulation to 20 per cent. Will you comment on that? I suspect that it is a contentious suggestion in some areas.

You are also members of the rural dialogue group. I note from that group's submission that the Scottish Executive does not make adequate use of the rural development regulation and that it is not co-ordinating rural development policy with agriculture policy sufficiently well. The rural dialogue group's document makes the point that perhaps the strategy lacks a vision of why we support farming in Scotland. Will you comment further on how you see the link between agricultural policy and rural development, and how we might better use the European Union rural development regulation?

Lisa Schneidau: Currently, modulation is at 2.5 per cent, rising to 4.5 per cent by 2006. That money goes largely into agri-environment, but there are other options. That is a huge underfunding compared to demand. For example, the agri-environment budget for this year is £30 million and we understand that rural stewardship applications alone come to £28.5 million. At current estimates, perhaps not even 10 per cent of those applications will get through.

There will be a lot of disappointed farmers out there who want to make a difference to the environment, but who will not be able to through that scheme because the agri-environment budget also includes organic aid, current commitments under the environmentally sensitive areas

scheme, and the previous countryside premium scheme. The current modulation and the pound-for-pound match that the Westminster Government contributes are not enough, even for agri-environment.

On the wider rural development regulation schemes, only a huge increase in modulation will meet the potential that is available now to the Scottish Government to make those changes.

On the wider rural development regulation issue, there is a lot of scope for developing more incentives and support to integrate agriculture into the wider rural fabric of Scotland. However, there must be a much more inclusive process that involves a far wider range of stakeholders in rural Scotland. We encourage the Executive to review the rural development regulation after the first year and to consider some of the article 33 clauses, for example, that were missed out in the original plan. The Executive should revisit those and consider the potential for helping rural Scotland and its agricultural systems.

Dr Murray: How do you think that you can win that kind of argument with traditional farmers who regard modulation as money that is owed to them being given to other people?

Lisa Schneidau: It is difficult because, at the moment, modulation in the UK is applied proportionally to all farmers, whereas the spirit of the rural development regulation is to take funding from bigger farmers—who will benefit more from subsidy—spread it more evenly and direct it towards the environment and rural development agenda. We encourage the Executive to consider the way in which modulation is applied to Scottish farmers, as well as the amount.

Mr McGrigor: My point is similar to Dr Murray's. You say that only payments to farmers for green schemes are acceptable to the World Trade Organisation. At the same time you say that the rural stewardship scheme is massively oversubscribed and that it is the vehicle for the green schemes. At the same time, modulation top-slices a lot from farmers' subsidies. How are farmers meant to comply with your wish to see farming continue environmentally in the Highlands if they simply cannot get the money?

Fiona Newcombe: We support modulation, but we support modulation that goes back to farmers through different types of schemes—through the green farming schemes—instead of through production schemes. We want modulation and land management contracts to prepare farmers for the change that is coming in the way that they are supported. There will be no ducking that change—it is coming through.

I see green farming schemes working on a farm-by-farm basis. I have not visited a farm or a croft

where a farmer has not been extremely proud to show me some aspect of what he or she is doing that is good for birds. Farmers are developing those aspects to suit their farming conditions. We want to see the introduction of mechanisms to facilitate that.

George Lyon: You have argued succinctly that there must be a big increase in agri-environmental budgets. One of the mechanisms for which you argue is the further use of modulation. Can you explain why we in the United Kingdom find ourselves in a position such that this year's total agri-environment budget for Scotland is £30 million whereas the Irish budget is £100 million for a country that is identical in size? What is the reason that we find ourselves short-changed on Westminster funding?

Fiona Newcombe: My best understanding is that those funds are allocated on the basis of historic spend. As Scotland has always had a low base for spending on agri-environment schemes, it is short-changed in that way from the European Commission.

I do not understand why Scotland's allocation is so low in the UK. That is the case not only for agri-environment schemes, but for the less favoured areas support scheme. Scotland receives 60 per cent of what England receives per hectare of less favoured area from that budget. To my mind, it should be the other way round, given the situation in Scotland.

George Lyon: Are you saying that if we want organic production to grow, proper funding to be put in place for the rural stewardship schemes and agri-environmental payments to grow, Westminster must contribute here as well? There has been an historic underfunding in Scotland since 1992 when the common agricultural policy was first reformed.

Fiona Newcombe: Westminster must contribute, but it is also in the Scottish Executive remit to contribute.

Fergus Ewing: The money must come from somewhere. I agree that agri-environment schemes in Scotland are underfunded, especially in relation to those in England, and I also agree that the less favoured areas scheme should be exactly the same.

The issue of where the extra money comes from is difficult, but do you agree that a possible source could be diversion of the money that is spent by Scottish Natural Heritage, given that some of its budget is used to make payments to support farmers in environmental matters of all sorts? Do you agree that there is far more scope for SNH to use some of its substantial budget to support green environment measures and to pay farmers for their stewardship of the environment?

Fiona Newcombe: Even if one took all SNH's budget and put it into the current agri-environment spend, it would not be enough. Scottish Natural Heritage has a remit to support the designated areas, which it is now starting to do. We want that support to continue. We must look after the jewels in the crown of Scotland.

We must deliver a message to farmers by examining the whole Scottish Executive environment and rural affairs department budget and directing it more towards green farming schemes to help to prepare for the change that is coming.

Fergus Ewing: I accept that argument, but do you agree that one of the means by which SNH can ensure stewardship of the environment is to support directly farmers who are engaged in the stewardship of the environment—not in offices, but working on the land to ensure that we can continue to enjoy and take for granted our beautiful landscape?

Fiona Newcombe: I agree that SNH should continue to support the designated areas, but it is SEERAD's budget that must start to move from production to the environment.

Lisa Schneidau: We would like agriculture to be as multifunctional as possible, which means that agriculture should reflect not only its products—it is based on productivity at present—but social, environmental and economic objectives as the three-legged stool of sustainability. We want environmental objectives to be integrated into the way that agriculture is considered in Scotland. In that respect, environmental improvements should be funded by a central SEERAD fund, as are social and economic improvements, rather than by a separate environmental fund that removes integration.

The Convener: A few days ago, the committee shut itself away for a couple of days to discuss where it wanted to go over the next two years. One of the phrases that we often use is "integrated rural strategy". However, when we thought about it properly, we concluded that nobody has defined that phrase. Perhaps there is no definition. Do you think that the forward strategy for agriculture adequately refers to an integrated rural strategy or do you think that improvement is needed?

Ian McCall: In our responses, we have not touched on social products from agriculture. Donald MacRae pointed out earlier that foot-and-mouth disease illustrated how dependent other areas of the rural economy are on having an open and welcoming countryside. The strategy identifies that tourism and recreation are important, but it does not provide a vision of how the strategy can help the tourism industry, for example. That is a gap that should be addressed. Some of the

available opportunities have not been explored by the Executive—for example, we heard about the opportunities in article 33 of the rural development regulation.

There are many links between agriculture and other sectors. The forestry strategy, for example, has considered a multifunctional approach more closely. It has addressed more fully how forestry contributes to tourism and to enabling people to access the countryside. The agriculture strategy has not done that until now.

Duncan Orr-Ewing: The remit of the forward strategy for Scottish agriculture working group is to examine the impact of the environmental regulation on farming. It does not consider the benefits that the environment could deliver to farming. As was said, Scotland's environment is a great asset—potentially one of the country's best assets. It is difficult to know how the strategy will improve the situation if we ignore one of our greatest assets that could—and is already—attracting a lot of funding into remote rural areas. One has only to consider life projects under the European Union environment fund and SNH's natural care scheme. That scheme pays money directly into the pockets of farmers in some of our most remote and fragile communities.

Jonathan Wordsworth (Scottish Environment LINK): The historic environment should not be neglected as it has been in the forward strategy. It makes a valuable contribution to the tourist industry in particular.

The Convener: At this point, we will wrap up this session—we are on time, which is very impressive. I thank the witnesses for their excellent and succinct answers to our questions. We will cogitate on everything that we have discussed today and agree on a route forward. Thank you for your participation.

Fishing Vessels (Decommissioning) (Scotland) Scheme 2001

11:00

The Convener: I welcome Rhona Brankin and her officials, Robin Weatherston and David Cassidy, and thank them for joining us this morning to consider the Fishing Vessels (Decommissioning) (Scotland) Scheme 2001. Because of the pressure of the rest of our agenda we have agreed to limit the debate to 45 minutes, if possible. However, I want everybody to have a chance to take part in the discussions.

We received the Subordinate Legislation Committee's report on the instrument yesterday. The paragraphs that are marked 20 and 25 are actually paragraphs 24 and 25. Can the minister give us further clarification on that, because the Subordinate Legislation Committee asked the Executive to supply further clarification to the lead committee on paragraph 5(2)(a)?

The Deputy Minister for Environment and Rural Development (Rhona Brankin): Members will have points that they wish to raise, so I will try to keep my introductory remarks relatively brief.

I hope that the rationale for the decommissioning scheme will be clear. The level of fishing capacity in Scotland and throughout the UK and Europe is well in excess of what is appropriate, given the level of fishing opportunities. As we know, some key white fish stocks—in particular cod and hake—are in poor condition and subject to short-term conservation measures and long-term recovery plans at European level. Fishing at current levels is not sustainable and with the available quotas being very thinly spread, the viability of individual fishing vessels is threatened.

In March, I announced in the Parliament plans to introduce a Scottish decommissioning scheme, funded up to £25 million, to reduce the size of the white fish fleet in Scotland, to aid conservation and to help put the fishing industry back on a sounder economic footing. The statutory instrument, which was made and laid before the parliamentary summer recess and which we are discussing today, provides the enabling legislation for that scheme. The scheme requires the European Commission's stated approval, which I am pleased to tell the committee was received at the end of last month.

It might be helpful at this early stage if I make a general point about the scheme. There has been much debate about other potential fisheries management measures, notably arguments for

compensated tie-ups. For what we believe are perfectly sound reasons, we have not been persuaded that such measures would be appropriate. I recognise that others have different views, and debate about that is likely to continue. However, there is widespread support for decommissioning, and there is a desire and need for the scheme to be implemented as soon as possible. I understand that Hamish Morrison of the Scottish Fishermen's Federation wrote to the convener on 27 August to make that point.

Whatever views exist on other issues, the introduction of a decommissioning scheme is also the will of the Parliament, which is why we decided to push ahead with the scheme's design and documentation and to launch the scheme, inviting decommissioning bids at the end of August. The order that was made and laid before the summer recess gives us powers to do that. However, it is important to say that, in deciding to proceed with the scheme's launch, we did not intend any disrespect in relation to parliamentary consideration of the scheme. Indeed, I wrote to the convener on 28 August to explain our position and our view that the scheme needs to be implemented swiftly. That has been reinforced in the letter from Hamish Morrison.

As well as setting the legislative framework for the decommissioning scheme, the regulations set eligibility criteria for access to the scheme. Those, like the other scheme measures, have been decided while taking account of the requirements and constraints in EC legislation, and following consultation with the industry. The criteria that we have set, following extensive consultation, carry the support of the majority of fishing industry bodies. However, I know that there is disappointment on the part of some people at the decision to restrict eligibility to those with a category A—or pressure stock—fishing licence. It might be helpful to the committee if I explained the rationale behind that.

By far the biggest problem is with white fish stocks. It has been argued that scallops and nephrop stocks are also under pressure and that the Scottish scheme should therefore buy out capacity, targeting those stocks. In many cases, that would mean vessels that have a category B or C licence. Those licences allow fishing for a more restricted range of species, excluding pressure stocks. The scientific advice is clear that there is no comparable case on conservation grounds for reducing capacity, targeting scallops and nephrops, to that of white fish.

All fishermen who hold a category A licence are eligible in principle to fish for the key white fish stocks. Vessels that have that category of licence therefore comprise potential—even if not actual—white fish fishing capacity. We have decided to

extend eligibility to category A licence holders, with the exception of fishermen with pelagic licences. Scallops and nephrops fishermen who hold a category A licence are therefore eligible for the scheme and there will be potential benefits for all scallops and nephrops fishermen from the removal, under decommissioning, of vessels that have fished for those stocks.

We believe that there is also a need to target decommissioning funds, so the regulations also provide for us to take different factors into account when evaluating and ranking bids for support. Previous UK schemes have been based on accepting the cheapest bids for each unit of vessel capacity that is removed. That has meant decommissioning of generally relatively inactive or inefficient vessels. We have said that we intend to take account of other factors, for example the historic level of catches of white fish and the level of fishing activity by applicant vessels, so that we can remove fishing capacity that affects the stocks that are most under pressure. In that way we aim to ensure that we get short, medium and long-term sustainability gains and best value for money from our decommissioning fund.

We will be best placed to make detailed judgment on applications—including the weight to be given to individual factors in the evaluation and ranking process—when we have individual fishermen's decommissioning bids. The regulations and the detailed scheme documentation and guidance that have been prepared reflect that approach.

Those introductory remarks were intended to set out our broad position on the Scottish decommissioning scheme. I hope that they have helped to explain our approach, which is reflected in the regulations. We and the industry are very keen that the implementation of the scheme proceeds, so that decommissioning of vessels can take place, fishermen can receive their decommissioning grants and we can gain the benefits of a more sustainable fishing capacity in Scotland.

I will be happy to answer any questions.

Mr Mike Rumbles (West Aberdeenshire and Kincardine) (LD): You raised the issue of the will of Parliament. As you will be well aware, six months ago Parliament rejected the Executive's approach to the issue. One week later, on 15 March, Parliament supported the Executive's new motion, which said that the Executive,

"taking into account the view expressed by the Parliament on 8 March 2001, is engaged in continuing discussion with the fishing industry to explore a degree of re-balancing of the £27 million package".—[*Official Report*, 15 March 2001; Vol 11, c 589.]

That £27 million comprised £25 million for

decommissioning and £2 million for technical measures.

I have two simple questions. First, what rebalancing of the package has taken place since March? I ask because, as I understand it, six months ago Parliament rejected the £25 million for decommissioning. Secondly, after waiting six months, why pre-empt Parliament by publishing the scheme only 19 days before the meeting of this committee?

Rhona Brankin: May I hear your second question again, Mike?

Mr Rumbles: After waiting six months since the debate in Parliament in March—which the Executive lost initially and then won—why did you wait six months and publish the scheme only 19 days before the committee met? If the committee votes to reject the instrument, but fishermen have already lodged their applications, we will be in a very difficult position. In my view, you are tying the hands of the committee.

In a letter to the convener you said:

“In proposing this approach we intend, of course, absolutely no disrespect to the Parliament.”

It is difficult to reconcile that statement with your actions. I would like you to clarify that position.

Rhona Brankin: I will first clarify why it has taken so long to lay the instrument. We needed to design a scheme that would not only be effective and provide best value for money, but would also ensure that we make a significant long-term difference in our restructuring of the white fish sector. As I said, one of the issues surrounding an earlier decommissioning scheme was that, although we got value for money, we could have got better value for money through tighter targeting. We wanted to ensure that the scheme would be effective and that it would make the difference to the fishing industry that we set out to make.

The answer to Mr Rumbles’s second question, on why we launched the scheme in advance of coming to the committee, is essentially related to that. We wanted to be able to ensure that we could open up the scheme for bids as soon as possible. We received significant representations from the fishing industry to implement the scheme as quickly as possible. First, we wanted to ensure that we had a scheme that would be effective and targeted. Secondly, we needed to do it as quickly as possible. Part of the issue was that the scheme did not need only to come before the committee; it must also go before Parliament. We needed to ensure that we implemented the scheme as quickly as possible.

If we had delayed, we would have come in for criticism from the industry. Given that Parliament

agreed earlier in the year that we should spend money on the decommissioning scheme, we were keen—we were also responding to industry pressures—to get the scheme up and running as soon as possible. However, we wanted a good scheme that we were confident would be effective.

Mr Rumbles: Could you respond to my first question, which was about the Parliament rejecting the scheme initially? Along with a majority in Parliament, I was persuaded to vote for it on 15 March because the Executive promised that it would enter negotiations with the fishing industry to rebalance the £25 million and £2 million package. I want a simple answer to a simple, straightforward question. How much was rebalanced?

Rhona Brankin: As Mike Rumbles knows, we went into discussions with the industry; there were no representations from the industry to rebalance any of the £25 million package. The industry requested £25 million for decommissioning; that figure was calculated based on taking out 20 per cent of the white fish sector. There have been no representations from the industry to take money out of the £25 million. The Scottish Fishermen’s Federation initially requested a £25 million decommissioning package.

11:15

Mr Rumbles: Let me be absolutely clear. Are you saying that the Executive responded fully to the fishermen’s organisations and that the fishermen did not want to rebalance that money?

Rhona Brankin: Yes.

Richard Lochhead: I hope that the minister enjoyed her summer and her visits around Scotland’s fishing communities, which I read about time and again in the fishing press and in the local press.

Rhona Brankin: Yes—very much.

Richard Lochhead: I hope that the minister managed to rebuild some of the bridges that were burned earlier this year in relation to the fishing communities. However, I doubt that that happened, because, as Mike Rumbles said, the Executive’s package was rejected by the fishing industry and by the Scottish Parliament.

The decommissioning element of the policy, which was required, is all that is on the table. The industry wants that element to go ahead and I am sure the committee will agree to the scheme today, as it is all that we have—it is the only show in town. Decommissioning is an unfortunate necessity. The fact that we have reached this position is a sign that fisheries policy over the years has failed. We must cut the size of the fleet because there are not enough fish stocks to

sustain the industry.

As the minister is aware, the £25 million that is on the table is peanuts in comparison with the amounts that other EU member states give to their fishing fleets. The Spanish and Portuguese have just been given an additional €197 million to distribute among 4,200 fishermen. That puts the Executive's package into perspective.

Does the minister agree that, to ensure the viability of the industry, the only way forward is a comprehensive package including not only decommissioning but a compensated tie-up scheme, as the Parliament and the industry requested earlier this year? The cod recovery plan, which relates to that issue, extends over five years. Is the minister saying that she has a closed mind to compensated tie-up schemes as part of any future overall package to ensure the sustainability of the industry?

My second point—

The Convener: Please make your second point slightly briefer than your first, Mr Lochhead.

Richard Lochhead: Will the minister clarify the prospects of, or possibilities for, a days-at-sea scheme? If such a scheme is possible, will compensation be attached to it? Would not that be just another name for a compensated tie-up scheme? Will she rule out implementing such a scheme, even if Europe were to propose it?

Rhona Brankin: I refute Mr Lochhead's comment on the industry's rejection of the decommissioning scheme. On the contrary, we have delivered the decommissioning scheme that the industry asked for.

I am afraid that Mr Lochhead's comment on the Spanish and Portuguese deal was rather opportunistic. As many members know, the Moroccan Government closed its fishing grounds and the Commission gave a significant amount of money to compensate the Spanish and the Portuguese for that massive closure. To be frank, I do not think that that situation is comparable.

Richard Lochhead: Your Government closed 40,000 square miles.

Rhona Brankin: Sorry?

Richard Lochhead: I said that your Government closed 40,000 square miles.

Rhona Brankin: I thought that it was the convener who interrupted me.

The Convener: It was not me. Please carry on.

Rhona Brankin: My answer to Richard Lochhead's question about tie-up schemes is simple and it is one that I have given before. We do not think that such schemes would be effective

or that they would represent value for taxpayers' money. They would cost a lot of money and we cannot commit vast amounts of expenditure to schemes that, at this stage, we do not think would work. The £25 million for decommissioning is the biggest single investment in the Scottish fishing industry ever. That money, which was committed from the Scottish Executive budget, could have been spent on education or the health service and was a huge financial commitment. Our judgment was that that amount of money was best directed at the restructuring of the white fish sector—that is our position.

I know that a days-at-sea scheme is being considered as part of the review of the common fisheries policy. We are involved in that review, but we do not have a position on a days-at-sea scheme. We will monitor the situation and discuss the scheme with Commission officials.

Tavish Scott (Shetland) (LD): I thank the convener for inviting me to attend today's meeting. I have absolutely no desire to revisit the debate that took place in March and will ask three specific questions on decommissioning, given that that is the issue before the committee today.

I think that I read the regulations correctly, but would the minister clarify the requirement for a vessel to have fished for 75 days a year? I have been made aware of an example from my constituency, where a vessel undertook oil charter work last year. She converted to gill netting and has been targeting cod. That, of course, is in line with the minister's approach to the cod recovery plan. In the circumstances in which the vessel fished for more than 75 days in 1999 but not in 2000, would it be possible for the Executive to be flexible and to consider an application from that vessel, as her actions have been consistent with the Government's overall approach to the cod recovery plan?

My second question is about what will happen to quotas. If I have read the regulations correctly, it will be up to individual fishermen or fishing companies to decide what they will do with their quotas. In principle, is there anything to prevent Scottish fishermen from selling their quota to a Spanish or Dutch fishing company? Would not it be a better policy option for the Government to seek to retain that quota or to reallocate it to producer organisations in those areas of Scotland that are most dependent on fisheries? Presumably, we are all seeking a Scottish fishing industry that is more financially viable. Retaining fishing entitlement within Scotland and, in particular, within those areas that are most dependent on fisheries is an important part of that policy.

Rhona Brankin: The 75-day limit comes from an EC regulation. Robin Weatherston is

responsible for EC regulations in this area and may wish to comment further on Tavish Scott's first question.

Robin Weatherston (Scottish Executive Environment and Rural Affairs Department): The position is quite simple. The relevant EC regulation—2792/1999—requires vessels that are eligible for decommissioning money, which is partly funded through the financial instrument for fisheries guidance, to have fished for at least 75 days in each of the preceding two years. I am afraid that the regulation does not allow for any exemptions from that requirement.

Tavish Scott: Is there no room for a way round that requirement, given the clear circumstances in which the vessel is in no way seeking to get around the rules by foul means?

Robin Weatherston: The regulation makes no explicit provision for such circumstances. Off the top of my head, my only suggestion is that we ask the Commission whether it would be prepared to accept a non-regular approach, if the case was exceptional and we thought that it was worth it. I would have to be persuaded that such an approach was appropriate.

Rhona Brankin: I will respond to Tavish Scott's further questions. The aim of the decommissioning scheme is to take out vessel capacity and to redistribute quota entitlements around the existing white fish sector, thereby creating fishing opportunities for fishermen and, I hope, making that sector viable again. We believe that the Scottish white fish sector is best placed to take up those opportunities. We have allowed a period of up to three years for the reallocation of those quotas. That important step will allow white fish skippers to consider their finances and to plan to take on additional quotas. The scheme was designed to return the white fish sector to viability and we believe that redistribution of quota will achieve that. There is nothing to prevent vessels—such as Dutch vessels that are registered in the UK—from obtaining quotas, but it is clear that such vessels would have to have an allocation of the UK quota.

Tavish Scott: I appreciate the constraints, including the time constraints, under which the Scottish Executive environment and rural affairs department operates. However, in principle, I would be concerned if quota were to be lost to the Scottish fishing industry, especially given the value of quota, which is a tradeable asset. Will the Executive consider constructively with the fishing industry the possibilities of either the Government or producer organisations retaining the quota?

On a slightly different point, is the minister convinced that the scheme is properly targeted? She mentioned ranking in her opening

presentation but I am concerned that we will end up targeting vessels that do not carry outstanding or long-term debt problems. Given her constituency visits during the summer, she will appreciate that many vessels carry long-term debt.

I appreciate that the amount of money available is capped by the EU and that the department cannot change the level of payments under the decommissioning grant scheme, but that money simply will not meet the outstanding debt constraints under which the vessels operate. Will the ranking take account of that?

Rhona Brankin: The scheme is targeted at taking out 20 per cent of capacity, on the basis that the redistribution of quota will make the industry more viable. That is the express intention of the scheme.

Tavish Scott: I understand that.

Rhona Brankin: Robin Weatherston can give more information on how we will do that, but taking out that 20 per cent of capacity is key. We must be careful about saying that we will consider other issues, such as the difficult financial positions facing individual fishermen who over-capitalised. Although we are concerned about such individuals, we must make a difference in the long term and return the fleet to viability in the best way possible and in a way that represents best value for money.

Robin Weatherston: Inevitably, it is up to individual fishermen to determine the level of their decommissioning bid within the parameters set by the European legislation and under the terms of the scheme. It is difficult for us, as we do not know the financial position of those individuals, but no doubt they will take account of their circumstances when they formulate their bids. All we can do is ensure that those bids are considered consistently, transparently and equitably, within the terms of the limits that are set by the EC regulations and so on. I am not sure whether that answers Mr Scott's question, but we can consider bids only on the basis on which they are entered to the department.

Tavish Scott: I understand why you said that.

Rhona Brankin: Tavish Scott knows that we had discussions with the banks when the decommissioning scheme was introduced in the Parliament. We thought that it was important to inform them of the level of investment that was being made, as we were conscious of the fact that some skippers were in difficult financial circumstances. We have continued to liaise with the banks.

Mr McGrigor: I have listened to the minister's comments on the decommissioning scheme's benefits for white fish stocks. Does she agree that

the scheme should also help fishermen, their families and fishing communities? She talked about reserving the scheme specifically for category A licences. However, on compassionate grounds alone, could category C licences with scallop entitlement be considered too? There are few such boats and some have been put out of business completely, unable to fish because of amnesic shellfish poisoning.

Rhona Brankin: We must ensure that the £25 million is targeted in the most effective way and it is clear that the primary area that we are targeting is the white fish sector. Restricting the scheme to category A licences gives those scallop fishermen who fish for scallop under category A licences an opportunity to apply. Therefore, scallop fishermen are not excluded from the scheme. However, the scheme's primary aim is to reduce capacity in the white fish sector and we must ensure that the scheme meets that aim.

11:30

Mr McGrigor: I was talking about category C boats with scallop entitlement, which are in a pretty bad way.

I noticed that boats have to be at least 10 years old. Are you certain that that is the most sensible way of taking forward the decommissioning scheme, as a lot of the newer boats—ones that are less than 10 years old—are catching most of the fish? If fishermen want to apply for decommissioning on newer boats, why is it impossible for them to do so? Is it because of regulations?

Rhona Brankin: Yes. An EC regulation states that the boats must be 10 years old.

Mr McGrigor: Is that regulation not a bit of an ass?

Rhona Brankin: I could not possibly comment.

We must consider what is best value for money. Vast sums of money would be involved in taking out some of the newer boats. We are confident that we can deliver a scheme within the EC framework that will be value for money.

Rhoda Grant: Jamie McGrigor is right that there would be a social benefit in taking out some of the scallop fishing boats, which have suffered longer closures than the white fishing fleet. There would also be a conservation benefit because, when large sections of the fishery are closed, those boxes that are open tend to be overfished. I ask the minister to give further consideration to the category B and C licences, especially in relation to the scallop fishery.

Rhona Brankin: We were at pains to take advice on the conservation grounds for the

scheme. The clear advice that we received was that there was no comparable conservation value in taking out the other licences. The scheme must be targeted. It is primarily a white fish decommissioning scheme. As I have said, taking out category A licences will allow some scallop fishermen to benefit. We must be clear about the primary function of the decommissioning scheme.

Stewart Stevenson: Minister, I welcome the flexibility that you indicated in your opening remarks when you spoke about determining the way in which you would apply weighting to the criteria for rankings. I direct your attention to the letter from the European Committee, which raises the issue of crews' interests in relation to boats that are proposed for decommissioning. The invitation that you issued at the end of August and the instrument make no reference to the interest of crews. Will you consult the owners who have put forward bids about what arrangements they have made for compensating the crews in the boats that are being decommissioned? Will you be able to take account of the results of that consultation in determining the final ranking of vessels that you propose for decommissioning?

Rhona Brankin: We hope that, as part of the decommissioning scheme and the resultant restructuring, some of the problems that skippers face in finding crews might be solved. When I was recently in the north-east of Scotland and Orkney and Shetland, the fishermen's organisations constantly raised the problems that skippers face in finding crews. The hope is that, if we return the white fish sector to viability, skippers will find it easier to attract crews, because there will be more crew members to go round and the crews will be able to make a better living from fishing in that sector.

We have had some discussions, notably with Scottish Enterprise Grampian. It is unlikely that there will be a large problem. We will keep in close touch with the enterprise networks to monitor the situation. In discussions, Banff and Buchan College of Further Education has told me that it is finding it difficult to fill some of its places. I recognise that we must keep a close watch on this issue. Our judgment is that many of the crews could be redeployed within the fishing industry. We will watch developments closely.

Stewart Stevenson: Does the minister recognise that although there is a shortage of crews—that is certainly true—one of the reasons why young men are not attracted into the industry may be that in that industry there is not the kind of compensation when employment ceases that there is in other industries? By not formally recognising that aspect of decommissioning at this stage, we are unlikely to attract people into the industry in future.

Rhona Brankin: As Stewart Stevenson knows, the way in which the industry is currently structured means that it is up to the skippers to decide what they do with their decommissioning money. It is the skippers who, in most cases, have made the capital investment. As we know, many skippers are over-capitalised. That is an issue for the skipper, but it is an issue for the Executive when there are significant problems owing to crews being made redundant. We will keep an eye on the situation.

In my recent discussions with fishermen in different parts of Scotland, a clear demand was that we should not talk the industry down. The white fish sector has faced considerable difficulties recently, which is why we are making this investment in it. As Stewart Stevenson will also know, the pelagic sector is currently doing very well.

We must be careful not to talk as if everything in the fishing industry was doom and gloom. The fishermen have said to me that they are worried that youngsters do not see a future in the industry because of the publicity that there has been in the press, primarily about the white fish sector. We must be careful not to talk the industry down. I have said to fishermen that I would be interested to talk with them about the options that are available to attract youngsters into the industry. I recognise that there is a significant problem and I am keen to address it.

Dr Murray: Am I correct in understanding that there is no comparable scheme south of the border? I note that one of the qualifications for being eligible for a grant is that the vessel should be a Scottish-based one, not a Scottish-registered one. Is that sufficiently robust to ensure that the decommissioning scheme applies to Scottish fishermen?

Rhona Brankin: A £6 million decommissioning scheme will come forward in England. You are right to say that we have targeted the scheme on Scottish-based vessels. We thought that that was right and proper, given that the £25 million is coming from the Scottish Executive.

Dr Murray: How does the £6 million scheme in England and Wales compare, given the number of fishermen affected, with the £25 million scheme in Scotland?

Rhona Brankin: We are confident that the scheme that we have set out is the best one to meet the needs of the white fish sector in Scotland. I assume that equivalent thinking has been going on in England.

George Lyon: The first and most important objective of the scheme is to reduce effort to ensure that we have a sustainable fishing industry, but surely the second key objective is to

strengthen the position of those left in the industry. I go back to the point that my colleague Tavish Scott made about ensuring reallocation of quota to the Scottish fleet. What powers do you have to ensure that the reallocation strengthens the Scottish fleet and not vessels that are registered in Scotland but owned overseas?

Rhona Brankin: We have said that, to be eligible, vessels must be based in Scotland. That is important. Vessels must have a UK licence to be able to buy up quota allocations. You are correct in saying that the primary intention is twofold: to reduce effort and to redistribute the quotas. Our position is clear. The white fish sector in Scotland is much the larger and it is currently best placed to buy up the quota entitlements. The primary intention of the scheme is to reallocate the quota entitlements. If somebody has got UK quota entitlement and is based in Scotland, it is up to them to purchase the entitlements.

George Lyon: So apart from that restriction, this will be done through the marketplace.

Rhona Brankin: That is right.

Fergus Ewing: I understand that the minister had a pleasant visit to Mallaig over the summer. I understand the reasons she has adduced today why categories B and C licensed vessels are excluded. Nonetheless, I hope that she will accept that the fact that the majority of the Mallaig fleet will be excluded from the scheme will be met with disappointment.

The minister did not mention in her introductory remarks that, as well as being ineligible for the decommissioning scheme, the Mallaig fleet has suffered because of the 10 per cent reduction in the nephrops quota. An undertaking was given in December last year and January this year that that reduction would be reviewed if evidence could be submitted that there was minimal cod bycatch. Does the minister accept that the best fishing months for nephrops are in late summer and early autumn and that it is unfortunate that the quota has not been reinstated? Could she say whether an application has been made to the EU for reinstatement of that quota and whether any unused element of this year's quota could be added to next year's quota? There is a case for increasing next year's quota of nephrops in next year's negotiations.

Rhona Brankin: As I have said to other members, the primary purpose of the scheme is to return the white fish sector to viability. That must be the focus of the scheme. I repeat that there are no comparable conservation grounds for allocating more to the nephrops or scallops sector. We have argued strongly for the reinstatement of the nephrops quota. The research guidelines and the advice that we received from scientists show that

there was a low cod bycatch when fishing for nephrops. We have submitted a strong case and strong evidence to the Commission and hope to receive advice about the issue at the end of September.

Fergus Ewing: Do you accept that, by that time, it may be too late to make full use of this year's quota because the best months of fishing will have passed? Do you agree that there is a case for adding to next year's quota any unused element of this year's quota—if there is any?

11:45

Rhona Brankin: In making an application to the Commission, we believed that it was important to be able to demonstrate on the basis of the best scientific advice that there was a low cod bycatch in the nephrops catch. To ensure that we had the best opportunity to reinstate the quota, we needed such scientific advice. We had to make sure that our submission to the Commission was of very high quality. I believe that we have achieved that and we are making every effort to ensure that the quota is reinstated. We hope to hear about the issue by the end of September.

The Convener: I shall take a final, brief question from Mike Rumbles.

Mr Rumbles: The note that we received from the clerk to the committee stated:

"the Executive have decided to use their power to implement the scheme on the assumption that it will be approved."

Will you re-examine the Executive's practice when it brings forward such controversial issues? Will you give a commitment to the committee that you will not pre-empt the decisions of the committee on a regular basis?

Rhona Brankin: I had to make a difficult judgment about what to do. Given the express feelings of members of the Scottish Parliament and fishermen's organisations that we do something soon, we felt that it was best to launch the scheme as quickly as possible. If we had waited longer to come to the committee and Parliament and to make an application to the EU, the process could have taken us months. Instead, we made a carefully worked-out decision to act as quickly as possible.

We were keen that the Scottish fishing industry had access to the scheme as soon as possible. That was the position. I cannot give the committee a guarantee that I will not decide that it is right to take such action in the future. We have responded very much to what the Scottish fishing industry has asked us to do.

The Convener: On that note, minister, let me say that all members who indicated to me that

they wished to ask questions have done so. I am sure that you will have noted the points that have been made and the genuine concerns of members. I thank you for answering questions and I ask you to move the motion formally.

Motion moved,

That the Rural Development Committee recommends that the Fishing Vessels (Decommissioning) (Scotland) Scheme 2001 be approved.—[*Rhona Brankin.*]

Motion agreed to.

The Convener: We shall now have a three-minute comfort break.

Meeting adjourned at 11:48.

11:56

On resuming—

“A Forward Strategy for Scottish Agriculture”

The Convener: We will press on with the next item on the agenda. I am delighted to welcome to the committee Jim Walker from the National Farmers Union of Scotland and Rory Dutton from the Scottish Crofters Union. I apologise that the original schedule has had to be curtailed slightly because of important fishing matters. We are subject to a tight schedule and I shall wrap up this part of our meeting at 12.25. We have read the written submissions from Jim Walker and Rory Dutton, for which we are grateful. I ask them both to make only brief opening remarks because the meeting will benefit mainly from the question-and-answer session.

Rory Dutton (Scottish Crofters Union): I shall keep my comments brief as the committee has a tight remit for its inquiry. Our outline view is that “A Forward Strategy for Scottish Agriculture” does not provide the necessary vision and commitment. There are many good ideas in the document that are well worth taking forward, but it is not the forward strategy document that we expected.

The document does not set out the whole picture of where it could lead agriculture, certainly not in the Highlands and Islands. While it acknowledges the broader role of agriculture in underpinning many other businesses, particularly tourism, it does not debate adequately or even acknowledge the multifunctional nature of Scottish agriculture. It does not consider the core role that is played by agriculture in sustaining fragile economies in more remote areas, nor does it fully examine and integrate its role in providing environmental services.

In effect, the document does not place public goods on a par with market goods or agricultural output. We talked earlier about agricultural output. We argue that the public goods output is as important as food products. It is not surprising therefore that the document does not discuss to any great extent the critical role played by public sector funding support—the Executive and Europe through the common agricultural policy—in keeping agriculture going in much of Scotland or the payment by the public for non-market public goods.

The document assumes, rightly, that there will be less money in the expanded European Union and discusses ways in which farmers and crofters should be able to help themselves in such a harsh

environment. However, public support will remain on a slightly different basis. It will be influenced greatly by the priorities of the European Union through the CAP. So much of Scottish agriculture, especially in my area, is entirely dependent on funding for public services that the fact that such matters are not dealt with in the document is a huge omission. The minister said that the document is just a start and we hope that the debate can really get going.

12:00

Which public goods that the market is not providing should be supported by the public purse? The lack of overall strategy for public support for land management is behind much of what we have been trying to achieve in the past. We must concentrate on targeting resources. I was interested in the earlier debate on the decommissioning scheme for fishing, when emphasis was placed on targeting, targeting, targeting. A lack of targeting of resources will result in there being fewer resources in the future. There must be more targeting.

For example, six months ago, we inquired about less favoured area support. Had there been a strategic recognition of the broader role and value of public goods in that area, we would have a different LFA now. Whether it be the less favoured area scheme, the rural stewardship scheme or the agricultural business development scheme, all such infrastructure support schemes have tended to be budget limited and untargeted, possibly due to a vacuum in strategic priorities.

To conclude, we hope that today’s debates and all that will follow will result in definite measures. Many of us are pinning our hopes on the land management contract idea. However, that will be no good without focused policies. Our main aim today is to get a debate going about the broader benefits of agriculture—beyond agriculture production—and how they may influence the targeting and prioritising of the public sector resources that will be available.

Jim Walker (National Farmers Union of Scotland): I spoke to members a couple of weeks ago, so I do not intend to say much now. I should prefer to deal with questions that are based on the submissions in front of members. However, I will make a couple of observations.

As a member of the group that put the strategy together, I do not want it to be too prescriptive. We are aware of strategies that have been developed for this and other industries and that sit on shelves and gather dust. The document has some good ideas. It recognises that agriculture has a pivotal role to play in the rural economy and that is something on which we must build. The industry,

as well as the Executive, the committee and the Parliament, must grab the strategy, develop its ideas and deliver the goods. We cannot expect the Government, whether based in Edinburgh or in Whitehall, endlessly to deliver all that the industry requires to get it through the next 20, 10 or even five years.

There are actions that the Executive and the Treasury must take, but we cannot guarantee that the public and taxpayers will regard the buzzwords "environmental enhancement" as good value for money in the future. I am reluctant to go headlong down that road without being clear what the taxpayers are buying and whether they can see the benefit of such action.

In 1992, when MacSharry reformed the CAP, farmers were comfortable throughout Europe with headage-based support systems. Eight years later, farmers were no longer comfortable with such systems and they have become very confused in the past three or four years about the mixed signals from Governments and the Commission. Farmers were encouraged to farm for production in headage-based subsidies. Now farmers are being told that that is a dirty phrase and that they must farm in a different way. When steering a juggernaut such as the agriculture industry, it is not easy to turn quickly. The countryside and the environment do not change annually; they change over time.

We must be careful that we know what taxpayers are buying by way of public good and that they are comfortable with that. We must be careful that we know whether we are supporting the industry for environmental benefit or for social reasons in isolated and difficult areas, or whether we want the industry to be more market driven and to receive a decent level of return from the market. It is not possible to receive a decent level of return from the food industry at the moment. That is mainly because of the stranglehold that multiple retailers have on the industry in Scotland. Let us be clear what we want to deliver.

I am also very nervous about the idea that we should suddenly modulate public support to agriculture to 20 per cent, which is the maximum that is available within the current CAP regulations. Under the LFA system, there has been a massive redistribution among small and big farmers and from one part of the country to another. Further modulation would intensify and exaggerate the redistribution of resources far more destructively than has ever been considered.

People are rightly looking for bigger budgets for the environment, but farmers should not be penalised. The committee should remember that we are told endlessly that we are working in a single market in Europe and in a global market. With the exception of France, no other country is

invoking modulation. In competing with the Irish livestock industry, which is our biggest competitor in the European market, we would be put at a severe disadvantage by further modulation. Arable producers would be put at an even bigger disadvantage in the world market against French and Danish competitors. The Parliament should be acutely aware of that before single-issue groups drive us down the road of modulation and threaten the fabric of agriculture, which has been under threat from a series of other problems over the past three or four years.

The Convener: I open up the discussion to the floor.

Stewart Stevenson: My wife bought a sirloin steak for me at the local butcher on Friday. When she did so, she was told which field the beast had come from. Interestingly, she paid less for that sirloin steak than she would have done had she walked a mere 200 yards down the road to the local supermarket.

Shortening the chain between producer and retailer clearly has an advantage. The quality of that steak was a testament to the producers in Banff and Buchan—a round of applause, thank you.

The Convener: I presume that it was also a testament to your wife's cooking.

Stewart Stevenson: It was, but are you sure that I did not cook it, convener?

Jim Walker makes the point that funding for promotion to differentiate Scottish products should be increased. How would any such increased funding be spent? What barriers are there to increasing the differentiation of Scottish products?

Jim Walker: I will answer your second question first. One of the biggest barriers is the premium price that Scottish beef attracts. If the premium becomes too great, which it threatens to be at the moment, the major buyers of that beef—the main multiple retailers—will very likely resist the price increase and push it back to the processors, which would threaten the fabric of the abattoir sector in Scotland.

The Executive has already agreed to address one of the other barriers: the fact that funding is raised in Scotland, moves to Milton Keynes through levies to the Meat and Livestock Commission and then back as a share of that levy to Quality Meat Scotland.

QMS was set up to further the prospects of the Scottish livestock industry—pig meat, sheep meat and beef. QMS has had a difficult start. Six months into the life of the new business, foot-and-mouth hit us and it has not had a fighting chance so far. However, from what the strategy says about what QMS and the Scottish livestock

industry will look like in the future, there is no doubt that QMS will require a structure and funding that reflect the delivery requirements of the strategy. If the minister can negotiate with his colleagues south of the border and secure amicably the funding from the levies that are raised in Scotland, that will be a first and major step forward in differentiating Scotland and the Scottish livestock industry.

Do not let anyone fool you into believing that, because Scotland is small, a budget of £5 million or £6 million would not be enough to fund a sustainable body differentiating Scottish produce. In relative terms, a budget of £5 million or £6 million for the Scottish livestock industry would equal, if not better, the funding for Bord Bia in the Republic of Ireland or the funding for the livestock industry in Germany. Those countries, in particular the Republic of Ireland, have successful livestock industries. Funding is a key part of the delivery of the strategy.

Rhoda Grant: I have just read the Scottish Crofters Union submission, which mentions land management contracts. It also states that it would be difficult to implement those contracts without greater debate on the

“economic, social and environmental benefits”.

Does Rory Dutton think that further research in that field is required or does the information exist that will allow us to have that debate?

Rory Dutton: Further research is needed. We have worked for almost a year with, for instance, the less favoured area support scheme industry group and we have pressed for more research on the broader socioeconomic indicators throughout Scotland so that we can superimpose them on to the productive potential of the land. More research is definitely needed, but it is not impossible research or rocket science—it is bread and butter for some research establishments. The research that is needed is basic stuff that could be done relatively easily. However, before research is commissioned, the objectives—what we are trying to find out and what we want to measure against—must be clear.

Rhoda Grant: Does the Executive document contain a strategy for crofting and does it consider fully the socioeconomic background of crofting?

Rory Dutton: The document leaves a strategy for crofting largely as work to be done, although there are various action points to be worked on. We are disappointed that so few crofting matters have been included in the strategy. If our members read the document, they would ask how it will work in the peripheral and harder areas. The Executive's forward strategy avoids the difficult questions about the decisions that will have to be made on public support. That support is required

to ensure that agricultural activity continues and to safeguard the environment and remote communities.

Richard Lochhead: If, as a result of international negotiations, globalisation and the removal of trade barriers throughout the world occur in the near future, where will that leave the Scottish industry?

Jim Walker: We do not need to wait for the future—look at the situation now. The Scottish livestock industry and the Scottish arable sector are under threat from globalisation and the movement of food and food products around the world. In the past 10 years, the technology for moving fresh products around the world has advanced considerably. It is possible to order fresh lamb from Australia or New Zealand today and to fly it in tomorrow. Products come in chilled and fresh form. Beef from south America is imported in large quantities and poultry meat is brought in from the far east or south-east Asia for the processing industry. Therefore, there is already mass movement of food. Globalisation is a factor and trade barriers have come down. Four weeks ago, when the Prime Minister was in south America, he encouraged Brazilians to send more products to Europe and in particular to Britain because we welcome imports from other countries.

We are free marketeers. The big problem is that although there is globalisation and free trade for products, the legislation and the ability to police those products from the point of view of food safety for consumers has not kept up. We have the amazing situation in which countries legally export to this country meat and meat products that may have foot-and-mouth and other infectious animal and human diseases, but there are few or no resources at ports and airports to police those imports. Last week's tragic events on the other side of the Atlantic changed security at airports, but the big problem of illegal meat imports—which we realise exists—has not been identified.

In Europe, clear labelling of country of origin and labelling legislation for consumers have not kept up with globalisation and the transfer of food around the world. Consumers walk into supermarkets and read “UK processed” on a product that could have come from any part of the world. Such products become UK products by being taken out of a bag or a box and put into another one. That is completely unacceptable.

Five years on from the BSE crisis in 1996, we are well aware that the consumer is king. The first port of call in our strategy is producing what consumers want. If, for whatever reason, various parts of Scotland are unable to produce what consumers want, the continuation of agriculture in those areas must be justified for other reasons.

We are happy to work at that but, first and foremost, if consumers are not buying a product and the market does not want it, there is a fundamental problem. We would take our chance against any imported product if there were clear labelling but, unfortunately, that is not the case. We could explain why it costs more to produce beef and lamb in Scotland than it does in South America or New Zealand.

12:15

Richard Lochhead: I am concerned about where globalisation leaves Scotland's ability to feed itself. When I asked the Government recently about the relationship between imports of food and the country's needs to sustain the population, it said that the information was not available. We do not seem to have a figure for how much food the country needs to survive, which would enable us to work out whether we can produce more food in Scotland, rather than importing it. Does globalisation threaten Scotland's ability to have a farming industry big enough to produce enough food for its people?

Jim Walker: Globalisation is not a threat in that we can still produce enough food. However, the price of the products coming into the country puts the size of the farming industry under threat. Imported products are produced to standards that are not policed and are well below the Scottish and the British standard. All the legislative requirements coming out of Brussels—for environmental works, for example—have a cost. If we want agriculture and the countryside to flourish, all those things have a cost—they do not come for nothing.

Unfortunately, at the moment, consumers want cheap food, but they want it to be of the best quality and as safe as possible. There is nothing wrong with wanting safe, high-quality food, but they must be educated—they must be shown the costs of production. That is simply not possible at the moment, when people cannot differentiate between a chicken imported from Thailand and one produced in the north-east of Scotland.

Dr Murray: I was interested to note the differences of opinion between the two producers, particularly on why we support farming. One of the written submissions indicated that a problem with the strategy was its lack of vision about why we support farming in Scotland.

First, I seek your views on why we should support farming; what is the primary reason for the subsidy? On the basis of what Jim Walker says—I accept that it is difficult to turn around a large industry such as farming in a short period—if change has to be effected, how best can the Government direct or stimulate change? How

does farming need to change and how best can the Government encourage that?

Jim Walker: The prime reason for supporting agriculture in Britain and in Scotland is that we are part of the EU, which has a common agricultural policy. We compete in the marketplace in the EU, where other farmers benefit from the CAP regime. Just as farmers in Scotland benefit, so do farmers in England, Wales, Northern Ireland and, to a larger extent, those in countries such as France and Ireland. That is why a support regime is in place for agriculture.

If the UK Government decides that it no longer wants to be part of the common agricultural policy, it must negotiate that in Europe. That is a matter reserved for it. Until that happens and while we are asked to compete in a European market with other European farmers, we should not have to justify the fact that we receive support.

In the past six months, the reason for support from a farming or a rural economy point of view has probably become more obvious to Dr Murray's part of the country than to any other. Agriculture is pivotal. It is at the centre of what happens in the rural economy, whether that is tourism or other small businesses. If foot-and-mouth has taught us anything, it has shown clearly that farming is key to the future of the rural economy. It might be that we will not have to produce as much food in some parts of the country as we have done over the past 10 years.

It may be that there will be more emphasis on environmental enhancement or managing the countryside than there currently is, but there is no doubt that if farming is vibrant and doing well, a lot of growth of economic activity is stimulated. There is a multiplier effect—£1 spent on agriculture generates £3.16. No other industry in Britain can boast such a multiplier effect. Farmers spend most of their income in the local economy in which they live and work.

The prime reason for supporting agriculture is for all the benefits that Rory Dutton explained previously as well as for producing food. I was led to believe by the Scottish Parliament and Whitehall that one of the prime objectives for both Governments is food security and safety and that it is a prerequisite for anything else that happens. Unless we can police the food that is produced in our country, there is little or no chance of achieving that objective. At the moment, because of lax import controls, there is little or no emphasis on policing, which was one of the prime reasons why agriculture was an important issue three or four years ago.

Rory Dutton: I back what Jim Walker said. We will have to justify European support as successive CAP reforms go through. Within the

framework of the overall budget to support agriculture, it is necessary to justify where the money is going. The issue is no longer simply about maximising food production. We would argue that it is about maximising broader benefits. If money is being spent to support agriculture, let us try to get as many other benefits as possible from it, such as socioeconomic or environmental benefits. The broad arguments are well established and it would take many CAP reforms for those benefits to be negotiated away. When the budgets become tighter, we will have to make tighter arguments for why we put a particular amount of money into a particular area.

Dr Murray: I return to my second question. You are both arguing that agriculture plays a crucial part in rural development and rural communities. If agriculture has to change, how should that change be effected and how is it best supported by Government policy?

Jim Walker: First and foremost, food must command a market price that allows sustainable production. The other benefits of agriculture, such as land management, sustainability of the countryside and the social reasons for keeping people in the countryside are difficult to quantify, but unless there is an agriculture and crofting industry that is economically sustained by what it sells, the rest will not work. If we want to change agriculture, we must be clear and change it in a way that allows farming to get a decent return.

There has been a lot of talk about downsizing the industry and the pig sector is a good example of that. For the past 10 years it has been one of the leading sectors of British and Scottish agriculture. The pig industry has been responsive to market needs: it implemented all the animal welfare changes prior to European legislation; it was the first sector to adopt quality assurance standards throughout the chain; and it shortened the supply chain previously alluded to. What happened? Eighteen months ago Britain killed 320,000 pigs. Two weeks ago, we killed 200,000 pigs. The industry has downsized by more than 50 per cent.

Prices are dropping because imports are replacing the pig meat produced in this country. That is despite the industry adopting the standards and doing everything that successive Governments have asked. Retailers and consumers wanted assurances on animal welfare, quality and safety. They have been given those assurances by our pig industry. What has the industry had in return? Prices are dropping because commodities are flooding into our marketplace from all over the world, arriving on shelves and in restaurants, marked as British because they have been processed in the UK.

Rhoda Grant asked earlier about further work

that could be done. Somebody, somewhere must ask consumers and taxpayers what they want from agriculture, not what one or two pressure groups tell us that they think consumers and taxpayers want. What do they expect us to do when the market we operate in does not give us a decent return? What are they prepared to pay for? Are they prepared to pay for isolated areas to allow agriculture to continue? Are they prepared to pay for environmental schemes? If they are not prepared to pay for those things, are they going to wake up in 10 years' time and wonder why the change in direction of agricultural support through environmental needs has not delivered what they wanted and we are again in a mess such as that which the industry is in at the moment?

Rory Dutton: If crofters and farmers are to change and respond, they must know where we are heading and what the options are. The forward strategy is a great idea and should help people to start thinking, but we must do a lot more work before people can see where we may be heading and therefore what changes they may have to make.

The Convener: Before we continue, I ask members to agree to put item 6, which we had agreed to consider before lunch, back in its original slot. I know that the Labour group has a meeting at half-past 12 and three members still wish to speak. May I take that as read?

Members indicated agreement.

Mr McGrigor: In Rory Dutton's submission, he says:

"A robust and clear Forward Strategy for Scottish Agriculture has a potentially major role in setting UK policies and the UK and Scottish negotiating positions within the European Community."

That role does not appear to be used often enough. For example, on the discussions on the sheep annual premium for next year, the Irish are calling for a premium of €30, while our negotiators, including Margaret Beckett, do not seem to support that position. What are your comments on that, Mr Dutton?

Rory Dutton: As an aside, we set up a videoconference with MEPs a couple of weeks ago, on precisely that subject.

We must not simply say that we cannot influence Europe or the WTO. Although there is a national strategy, we must start to consider in which direction we would like European policy to head. That would inform the thinking further up the chain, if you like, in the UK and in Europe. Whether we are discussing the sheep annual premium or any other measure, it is important to set out clearly in a document such as the forward strategy where we think European policy is going—or should go—and where it should not go,

although that is certainly beyond the remit of the Parliament.

Jim Walker: We probably have more in common with agriculture in southern Ireland, than in England. Unfortunately, it is not Joe Walsh, the southern Irish minister, who lobbies on our behalf in Brussels, but Margaret Beckett from Westminster. Members may have seen the comments that I made last week about our ability to influence Europe. There is a fundamental weakness in the political set-up in this country, as we seem unable to influence—we cannot influence—at the highest level the negotiations that take place in Europe, whether from the perspective of the CAP or in respect of exports, LFA support or any of the other individual problems that we face.

Until that issue is addressed, I do not believe that any rural development minister will be able to fulfil the functions that we believed they were to take on when agriculture was devolved to the Scottish Parliament. It is certain that those functions are not being fulfilled at present. I do not think that that is a personal problem for the Minister for Environment and Rural Development. Rather, it is problem for the system. I hope that the committee will take that on board and try to influence a change in the system, such that those functions can be fulfilled. Scotland's needs and the needs of members of the NFU in Scotland and of the Scottish Crofters Union in the north-west Highlands are different from the needs of those who farm in the south-east of England. However, the same minister goes to Brussels to lobby on behalf of both groups.

Fergus Ewing: It seems self-evident that, as part of the strategy for rural Scotland and for agriculture in particular, we should, following devolution, have a chance to deal directly with our competitors. Do you feel that an ability to deal directly with Governments and to lobby them behind the scenes before decisions are taken would have been an advantage in relation to lifting the export ban following the foot-and-mouth outbreak? Would it have been of help if we had had the capacity to negotiate with and lobby the French, Dutch and Irish Governments? As we know, those Governments have a different interest and standpoint from Scotland in relation to the resumption of export markets in third countries. Is that an important gap in the forward strategy document?

Jim Walker: I do not think that that is a gap in the document, because the devolution arrangements were quite clear. That ability does not exist at present and it was not necessarily our role to get involved in the politics of that, as far as the strategy is concerned. There is no doubt that that gap exists, but I have serious reservations

whether an ability to deal directly with Governments would have been enough to influence the debate on exports. What happened in Hexham, which is close to the border, and what is going on in Cumbria have a fundamental influence.

That is not to say that we cannot present a far more robust case than that which has been presented. That problem must be addressed in the next two or three weeks. We did not go through all the pain and effort that it took in March, April and May to rid Scotland of foot-and-mouth disease—against an infection level that was similar to the original level in Cumbria—to be held back because those south of the border cannot organise themselves to either cull or clean up the parts of the country that have been infected. It is a fundamental weakness of the current system that we have been unable to influence the debate on exports.

The system has failed us in other ways over the past two years. I firmly believe that the committee should scrutinise the system and do something to change it. It is simply not delivering the best for Scottish agriculture, whether through the strategy document, less-favoured areas support, exports or any other subject that you care to mention. That is particularly true at a time when Margaret Beckett, the Secretary of State for Environment, Food and Rural Affairs, and the UK Government seem intent on grinding the face of the agriculture industry south of the border into the dirt with no thought for the economic or social consequences. Look at the situation in the north of England and consider the fact that the UK Government is offering no help. The fact that Margaret Beckett is the minister who will negotiate on our behalf in Brussels fills me with terror.

12:30

Rory Dutton: Parts of the system are more devolved than others. For example, we have the Scottish rural development plan, which contains elements such as the rural stewardship scheme and the less-favoured areas support scheme. I urge the Scottish Parliament to concentrate in the first instance on issues that it has, in theory, the power to influence.

George Lyon: Again, I would like to draw attention to the figures in the strategy document. On page 42 is a graph that details the income of cereal farms. For the top 25 per cent of cereal farms—the very best around—the total marketplace output was around £500 per hectare while the total direct support from the taxpayer was £280. The figures are even more alarming for the top 25 per cent of mixed cattle and sheep farms. The marketplace output in that sector is £270 per livestock unit against £288 direct support

from the taxpayer.

The other participants today have all said virtually the same thing in response to this question, but I will ask it again: do your organisations believe that the way forward for agriculture in Scotland is the multifunctional role that would mean that it delivers public goods as well as food, or do you believe that it should have a market-driven role as a producer of food, even though support would diminish under the threats of the WTO and the enlargement of the EU?

Rory Dutton: As our submission makes clear, we belong to the multifunctional camp. That raises issues of whether we can afford to be multifunctional throughout the whole country and sustain the current levels of support. We hope that it would be possible to maintain the levels of support for broader benefits across the country, but it may be that European expansion and the limitations of the Scottish budget will force us to question whether we can afford a multifunctional approach in all areas or whether there has to be a separation of the ways to an extent.

Jim Walker: You know very well, George, that the figures that you quote are the worst income figures that Scottish and Irish agriculture have ever produced. The fact that even the top 25 per cent of Scottish agriculture is making money is something of a miracle. You did not mention the LFA-assisted specialist seed producers, for example. Last year, 48 per cent of them lost money and this year they face a forecast net farm income of £300.

If the idea is that the cereal industry, for example, will not require direct support because it will be entirely market-focused, I would contend that that will not be the case. The setters of world prices in cereals are the north American producers. For the past three years, they have been subsidised to a higher level than even European agriculture. Considering the funds that have recently been directed to those producers, it is ironic that people in north America—supposedly the great free traders of the world—insist that direct support payments to agriculture in Europe must be reduced in the next round of WTO negotiations.

On the issue of multifunctionality, we must be clear what we want from agriculture. We must get a bigger return from the market, but to do that we must have the right tools. We must have clear labelling. Consumers must know what they are buying and they must also be made aware that producing food in Scotland is more expensive than producing food in New Zealand and south America. At the moment, we do not have the tools to show that that is the case. If the market gives us a decent level of return, we will have a chance to add on the elements that consumers, the

committee and others seem to want, such as environmental enhancement and—in the most difficult areas, such as those represented by Rory and me—a social element. However, before we insist on the inclusion of those elements, people must be clear about what they are buying.

Before direct support payments to any sector of the industry are reduced, we must ensure that the money will not simply be redistributed to various parts of the industry to the detriment of the majority. All the environment schemes that we have at the moment are competitive and the vast majority of those who want to join them in the coming year or two will be disappointed. That will not help the overall look of the countryside; it will help only one or two individuals.

George Lyon: I have one—

The Convener: I am sorry, George. I had to stop Fergus Ewing and I must stop you too. We have run slightly over time.

I thank Jim Walker and Rory Dutton for coming to talk to us this morning.

I remind members and visitors that we will resume business at half-past 1. I apologise to our Labour members for making them late for their meeting.

12:36

Meeting adjourned.

13:33

On resuming—

The Convener: I welcome Neil Kilpatrick from Quality Meat Scotland and Chris Gilbert-Wood from Marks and Spencer. The committee is very grateful to both of you for giving up your time to come and give evidence to our rather short inquiry on the forward strategy for agriculture. I should mention that we had also hoped to take evidence from Neil Stoddart of the Scottish Association for Meat Wholesalers but, unfortunately, he has been delayed in America—for obvious reasons.

We received written evidence from QMS, which we read with interest. The bulk of the session will rest on questions, answers and discussion. However, I will give you the opportunity to make short introductory statements.

Neil Kilpatrick (Quality Meat Scotland): I apologise on behalf of Neil Stoddart. He did his very best to get here, but the flight arrangements were against him by about two or three hours.

Thank you for the opportunity to come before the committee to answer questions. Most of what we have to say is covered in our written submission. I do not think that there is a great deal

that I want to add to that at the moment.

QMS welcomes the development of an agricultural strategy for Scotland. We have been part of that development process. Chris Gilbert-Wood, Neil Stoddart and I were all members of the working group that produced the report, so we are familiar with its background and detail.

QMS is supportive of "A Forward Strategy for Scottish Agriculture". We believe it to be a useful document and one that is helpful to the Scottish red meat industry. The strategy makes recommendations for action that are relevant to QMS and we are happy to help implement them. We are conscious that the implementation of the whole strategy—not just the part that applies to the red meat industry—requires resources and will. It will not happen overnight. We will require resources to tackle some of the work, which is additional to what we had intended. One of the limitations will be funding. QMS will be happy to tackle certain aspects of the strategy, but we will require the funds to do that. We will be looking to the Scottish Executive, among others, to help provide funding for specific projects that are jointly approved.

Chris Gilbert-Wood (Marks and Spencer): Thank you for the opportunity to speak to the committee. We are discussing a very broad subject and rather than leap in, I will simply introduce myself. I am the technical manager at Marks and Spencer responsible for the technical aspects of the fresh meat, fish and poultry we sell, which includes involvement at all stages, going back to the methods of production. Coincidentally, I am a member of the QMS board. I am also a member of the Meat and Livestock Commission research steering committee, which means that I am involved in basic research on the subject.

The Convener: Thank you. I will open the debate to questions from members.

Stewart Stevenson: This morning we heard that there appears to be disquiet among farmers about the labelling of meat products. Do you share their concerns that the country of origin is not shown properly on labelling? What steps should be taken to change the current situation?

Neil Kilpatrick: The labelling of the product is an important issue, particularly at this time. On 1 January 2002, several changes will be made to the way that meat products must be labelled. For example, labels will have to show the country of origin—in our case that will be the UK—where the animal was born, raised and slaughtered.

Those additional points of information will place a further responsibility on the meat processors and the supermarkets that label the product. That labelling will give the consumer the opportunity to see where the product has come from. That in turn

raises the question of the definitions for produce branding. A particular product branding from QMS is the "specially selected Scotch", or SSS, label. We will have to ensure that in our promotions we follow the guidelines on the definition of our own product brand and also on what goes on to the label of the products. QMS is currently considering the issue and is seeking to tighten up the definitions.

Chris Gilbert-Wood: Country-of-origin labelling is important. As a company, we are transparent on the country of origin of the fresh products that we sell. Increasingly, we are also transparent on the country of origin of the ham and bacon products that we sell and we are making increasing strides to declare the country of origin of the proteins in the ready meals that we sell. We very much support—and are working towards—transparency on the source of raw materials. I add the caveat that customers find many things interesting about products; we must ensure that we do not provide so much information that we confuse people.

Stewart Stevenson: Is it possible, practical or desirable that products are labelled as produced in Scotland, as distinct from the UK?

Neil Kilpatrick: The requirement from 1 January 2002 is to label a product as produced in the UK. There is not a specific requirement to state whether its origin is Scotland, Wales or England. We can decide the exact definition of the SSS brand. The committee is probably aware that there is currently a 90-day rule. Animals can be brought into Scotland from other parts of the UK and from other countries, but they have to be resident in Scotland for 90 days before we can label them as SSS. We must acknowledge that ruling.

We are currently considering whether we would wish animals to be 100 per cent Scottish—that is, born and bred in Scotland—before they are called Scottish. There are pros and cons to that. For many years Scottish farmers have imported young animals from south of the border and finished them in Scotland. They have given the animals the advantage of the feeding and environment that Scotland has. The animals have been slaughtered in Scotland and sold as Scotch. There is nothing wrong with that within the definition and it is an important part of the meat supply in Scotland. We must be careful about moving too quickly to a 100 per cent Scottish definition of Scotch.

Mr McGrigor: We are told that there has always been a tremendous market for the export of light lamb. How do supermarkets currently source their primary agricultural products and what are the drivers for change? Why is it that the French, Italians and Spanish like our light lamb, when our home consumers do not, or are not encouraged to by our supermarkets?

13:45

Chris Gilbert-Wood: The traditional way in which we eat lamb is as the chops and joints with which we are familiar. That is the best way to prepare heavier lamb. There is a trade in continental Europe for light lamb and heavier lamb, because continental Europeans also eat lamb the way we do. Up until now, however, the UK consumer has not been particularly keen to consider light lamb. Research into the decline in lamb consumption shows that UK consumers see light lamb as bony, fatty and inconvenient; the meat to bone ratio plays a large part in that. The meat to bone ratio in traditional cuts from a small lamb means that the consumer sees the cut as poor value. Those are things that have to be overcome if we wish to sell light lamb.

Light lamb can be sold to UK consumers at a price—everything can be sold at a price. However, Marks and Spencer is interested in selling quality-differentiated products. We are looking for lamb that can be butchered and cut to prepare the products that our customers want. The smallest lamb that we have ever sold is the Scottish hill lamb, which is the lowest specification that we take. It was a type of lamb that customers liked and bought more of when we first introduced it. I am talking about a minimum 14kg lamb, which is not a very light lamb—they are difficult to butcher.

Mr McGrigor: The suggested stock welfare disposal price for light lambs is £10 per lamb. Why do you have to charge more in the supermarkets for such a product?

Chris Gilbert-Wood: We have not changed our specifications to take more light lamb. We want to stick to selling the product that we have always sold, which has the right meat to bone ratio. However, the other big problem with lamb—and many livestock—is that it takes as much work to butcher and cut a small animal as it does a large animal. The cost per kilo of sellable meat is much greater for a smaller animal than for a larger animal.

Cathy Jamieson: I want to follow up on a couple of issues related to the point about what consumers do or do not want to buy and what might influence them. Could more be done to ensure that supermarkets and other retail outlets are able to source local produce and make a virtue of selling it? When I have travelled in Europe I have noticed that almost every supermarket has one area that is devoted to regional produce. That would not necessarily happen here.

The other issue relates to labelling and animal welfare concerns. Does more need to be done to highlight the very different animal welfare regimes that operate in the countries from which animals are imported?

Chris Gilbert-Wood: In our stores in Scotland we identify the products that are produced here. Local produce is an increasing trend, which many retailers besides ourselves will be considering following. There are fewer barriers to that than people might assume. We are working with relatively small businesses, which are producing products for us.

That is an interesting market, but the small producers that we started with like the fact that we take their local produce and sell it throughout our store base. We sell Orkney salmon throughout the UK, but we do not have a store in Orkney. What is considered to be local? Do people in the south-east of England think that UK is local or do they think that local means Sussex and Kent? We have to be careful to fulfil that market for local produce without creating a barrier to the natural flow of food products, for example from Scotland to England and Wales.

If we make people interested in their local market only, we might stop some of the traditional flow of food from the rural community into the urban community. Retailers will follow that trend, but it has difficulties that we must work through. Regarding the animal welfare issue, as far as Marks and Spencer is concerned, we source all our products to our specifications. A product is produced to our specification whether we buy it from the UK or from abroad. We do not operate dual standards.

Neil Kilpatrick: I think that the committee is asking whether product labelling should give additional information about animal welfare. The most important factor is that the consumer is reassured about the quality of the product that they buy. As a result of the foot-and-mouth outbreak, QMS has been doing a lot of consumer research into what consumers are thinking, and particularly into how their attitudes have changed as a result of foot-and-mouth. We have discovered that consumer attitudes have shifted. There is much more concern among consumers about what they are buying, where it came from, the integrity of the products in front of them, and how the animals have been treated. Those issues are very much in the consumer mind at the moment.

One of the outcomes of the forward strategy, and of the aftermath of the foot-and-mouth situation, is that we have decided that we need to move forward to what we call a generation two in relation to quality assurance. QMS is responsible for quality assurance standards from the farm gate right to the plate. We have to establish those standards in relation to all aspects of animal production and, in particular, to meat production. Animal welfare is an important part of our quality assurance assessment at the farm and we will review all aspects of that again. We will also look

at animal transportation, because getting on and off loading vehicles is a key cause of animal stress. We are not satisfied that the whole haulage system is adequately quality assured. We are moving quickly to try to tighten up that particular area.

Animal welfare is important. We want to see in Scotland a specially selected Scotch brand that reflects the fact that nothing gets that label unless it has been properly quality assured right through the chain. Our responsibility is to tighten up the standards to ensure that meat has gone right through that quality assurance chain and that there are no gaps.

QMS is running an interesting parallel project to examine the eating quality of meat. The purpose of the project is to identify best practices throughout the industry, particularly those practices that produce the best eating quality for the meat on the plate. One of the areas that will be considered is the breeding of animals, but we will also consider the care and transportation of animals, to identify best practice for best eating. I would be surprised if best eating does not, in part, relate back to best practice in looking after animals.

George Lyon: You have done a lot of consumer research recently on the SSS label. What has that research told you about what the label means to consumers?

Neil Kilpatrick: We have researched that issue over the past three to six months. One of the things that we wanted to challenge when QMS began was what the SSS brand meant and stood for, what consumers thought of it and whether it was robust enough for us to proceed with it as one of the main planks of our marketing campaigns.

We have done a number of studies and have held focus groups up and down the country—not just in Scotland, but in England—to get consumers together and to find out their reactions to the SSS label. We obtained positive feedback, almost unanimously, although there were some differences north and south of the border. In Scotland, there was much closer identification with the SSS brand, which people see more often. People have a better idea what the brand means—they like it and recognise it. They believe that the brand stands for quality and that an SSS label provides some guarantee that they are buying a good product. That aspect is very positive.

Down south, there is much less recognition of the brand, but there is recognition that Scottish meat products, especially beef, are of premium quality. People there believe that the product is of superior quality and that they would be disposed to buying it—depending on price, obviously.

By and large, the response to the SSS brand has been positive, both north and south of the border. We are developing promotional campaigns to build on that, to develop recognition of the brand and to help use the brand to sell more Scottish red meat, both north and south of the border.

George Lyon: You say that consumers recognised SSS as a quality product and felt that the brand stood for quality. Why did they think that? Was it because they believed that the animal was born in Scotland, or was it because of the systems that had produced the meat, added quality to it and given it its brand image? That question is pretty fundamental.

Neil Kilpatrick: To be honest, very few consumers know much about the 90-day rule, for example, or about how tight the definition of Scotch is. People in the trade know, and are conscious of the definition, but the average consumer who buys a pack of meat over the counter probably does not think too hard about the definition.

On the other hand, we found that consumers are conscious of the quality assurance factors behind the meat. Consumers are much more conscious now of how animals are treated and transported, and want to know that the animals have come through what they would call a safe process. The expression, “You are what you eat” was heard in the focus groups. Foot-and-mouth disease has had a big effect, in that it has heightened consumers’ interest in where products come from. They really want to know that they are safe. That is a big factor.

George Lyon: You said that awareness of the brand in the marketplace is reasonably strong in Scotland, but less so further south. What progress are you making to ensure that the total levy that is spent in Scotland is used to promote Scotch beef in the UK market?

Secondly, is the current collection system, whereby the levies are collected in Milton Keynes and we then have to wrestle with the Meat and Livestock Commission to try to get our own money back, a sensible way for Scotland to continue? Should we consider setting up a collection system for levies in Scotland?

Neil Kilpatrick: Perhaps some of your questions should be directed to the Minister for Environment and Rural Development rather than to us. That is as much a political issue as it is a practical issue for QMS. However, I will say that QMS funding is limited. We never have enough money to do everything that we would like to do. We receive part of our funding through the MLC as a proportion of the Scottish levy that is raised; we do not receive the whole levy.

14:00

George Lyon: What is that proportion?

Neil Kilpatrick: Slightly less than half. Although the terrible conclusion might be drawn that we are being robbed blind, the MLC provides Scotland with some extremely good services that are well worth paying for.

George Lyon: Are such services provided on a contractual basis that allows you to identify what is being delivered?

Neil Kilpatrick: We can certainly identify the services, but it is slightly more difficult to identify the costs. If QMS were self-sufficient and able to retain all the Scottish levy, we could purchase services on a contractual basis if we so wished. That is a perfectly possible scenario for the future.

However, I would not want any switch of the levy to have serious effects on the quality of services that we receive from the MLC, because we value those services. A good example was last week's outlook conference in Stirling, at which we gave the industry a complete factual update on the state of the industry and on detailed research topics such as the numbers of animals, the trends and what might happen in the beef, sheep and pig industry. We could produce all that information on our own, but without the benefit of the MLC's research services, we would find it expensive to set up our own parallel research organisation in Scotland. As a result, using the MLC to support our work has some very practical advantages.

It would be very nice if Scotland received the whole Scottish levy; for example, it would allow us to make some of our own decisions on funding. However, we would still want to purchase services from the MLC south of the border. More important, we would still need funding from other bodies such as the Scottish Executive, Scottish Enterprise and Highlands and Islands Enterprise. However you like to look at the matter, neither the MLC nor the Scottish levy on its own is sufficient to allow QMS to do everything that it wants to do.

George Lyon: You did not answer the last part of my question: should we consider a separate collection system for Scotland? Under the current system, the decision to raise or lower levies is made at a UK level; a referendum is held among producers and more than 50 per cent of the vote is required for any decision. There have been many times when we lost the vote in favour of raising promotional levies because we were linked into the UK referendum. Would a separate system help your organisation to promote the Scottish product throughout the UK by raising more money for it?

Neil Kilpatrick: That is a difficult question to answer. You are right to say that the present method involves asking stakeholders in England

and Scotland about their reactions to increases in the levy. In fact, we went through that process last year. However, even if Scotland collected its levy independently, stakeholders would still need to approve the levy. In principle, we could raise more or less of a levy, depending on how the stakeholders felt.

What is more important is the quality of service that QMS gives its stakeholders. QMS has to promote Scottish red meat products effectively and it has to ensure that quality assurance standards are kept as high as possible. The better we are at that, the more likely it is that our stakeholders will respond and give us funding. We have to lead with a quality of service that sustains either the existing level of levy or a higher level.

The Convener: I have a couple of points to put to both witnesses. First, it was mentioned earlier that consumers are using better labelling to identify better-quality red meat products. Is that a general trend? I understood, from reading various articles and submissions on the subject, that the No 1 determining factor in the consumer's mind was price rather than provenance.

Secondly, we heard strong evidence this morning that too many margins exist in the food chain from plough to plate. Are too many cuts made from the plough-to plate profit margin?

Thirdly, quality assurance from the farm gate onwards was mentioned. How much consumer recognition exists of farm assurance schemes? Could more be done to highlight those schemes? Does QMS want to re-examine or revamp those schemes so that they achieve greater consumer recognition? At farm level, the general impression is that consumers do not know about farm assurance schemes, despite such schemes being demanded, quite rightly, in most retail contracts.

Chris Gilbert-Wood: As always, when answering questions about price versus provenance, it is dangerous to talk about "a market". We are talking about many different sectors of the market. At Marks and Spencer, we set out to sell a differentiated, high-quality product to a particular sector of the market. We want, and we achieve, high volume, but we are not interested in mass marketing.

Other sectors of the market are more price conscious; they are less interested in provenance and quality. However, consumers in those sectors of the market have a right to safe food. In the more tenuous area of animal welfare, different views exist about what is good or bad welfare. People have different views about the meaning of high quality and it becomes more difficult to talk about "a market". Groups of customers, including Marks and Spencer customers, are very interested in provenance and in welfare standards. They want

to buy a high-quality product and they want to know how it was produced. In other sectors of the market, that is not the case—but, clearly, I do not understand those markets so well.

Do you want me to answer all three of your questions together?

The Convener: I am quite happy for you to do so.

Chris Gilbert-Wood: Whether there are too many margins is debatable. I am interested in whether everybody who takes a margin is adding value to the product. In 1994-95, we started our selected farm schemes with the beef scheme. We wanted to achieve a quality animal that was produced on farms in the way that we thought it should be produced. We wanted to be able to give our customers a lot of reassurance about issues that were of concern to them. We also wanted to be able to tell farmers what we wanted them to produce for us to sell. We set up messages that go up and down the chain. Farmers in that scheme are focused on producing beef for Marks and Spencer.

Committee members could examine the chain that exists in any one of the markets that I referred to earlier. If everybody in the chain is focused on producing a product for an end use and they all add value, that does not involve too many margins. However, if committee members question what part of a chain is doing, they will probably question not whether there are too many margins but whether the person should be involved.

On recognition of farm assurance schemes, we believe that the biggest reassurance that we can give our customers is Marks and Spencer. When they come to us, they make a conscious decision that they are looking for quality and reassurance. As a result, we do not make great play of giving individual instances of how that quality assurance is given. The quality assurance is Marks and Spencer.

Part of that package—and one of the things that we set out to do as one of the most trusted retailers—is to use the necessary tools to reassure consumers. Some consumers are interested in certain aspects of how food is produced. Some are not interested, apart from the fact that they want to place their trust in somebody who will ensure that they have done the job correctly.

We are always faced with the dilemma that there are one or two consumers who want to know everything about their food. To give them that information, we would probably need a label the size of an A4 piece of paper in fine small print that covered the welfare, environmental, safety and all other aspects of production.

Other consumers want to suspend that judgment and say, "I have made my decision. I have gone to a retailer that, I believe, trades in such a way that I can be reassured that all those things are taken care of." Such consumers do not want to be constantly reminded, particularly where livestock is concerned, that they are eating animal products.

There is a fine balance between providing enough information for those who are interested, and not providing too much that other people do not want to know. That does not reduce the need to have everything in place. Every consumer wants to know what is going on when there is a scare or when somebody else says to them that they need to be worried about something. That is when everything has to be in place.

Neil Kilpatrick: I will comment briefly on the convener's three questions. First, price is a great driver in buying meat—there is no doubt about that—but it is equally true that BSE and foot-and-mouth disease have given the consumer a real fright. That has been evident in our research.

When we did our early research, when the foot-and-mouth disease outbreak was at its worst, we got some horrifying returns from consumers. A large proportion—more than 25 per cent of people—believed that humans would catch foot-and-mouth disease from eating meat. That just is not true, but people believed it. They were getting scared about the issue. The proportion of people buying less meat was fairly high. It went up about 15 or 18 per cent at one stage.

The early reaction was pretty worrying. Price was much lower in consumers' minds than safety. The safety of the product was foremost. We took some steps through our promotion and advertising to give customers some reassurance on that.

As the situation settles down and the quality assurance factors are sorted out in peoples' minds, price will no doubt come back into their minds again. It is not possible to take away the price factor. It is good that there is recognition, particularly in Scotland, that a premium product—the specially selected Scotch scheme is in that category—can attract a premium price. Scotch beef now attracts a premium price for the farmer, which is good.

I do not have a great deal to say on margins, except that the agricultural strategy working group debated the length of the chain from the producer to the consumer and how well farmers worked together to take advantage of the fact that they could get selling power.

Scotland's agricultural industry is fragmented and has about 15,000 individual farmers, most of whom work individually. They do not naturally get together to use their selling power or to share resources. The best help for prices would be for

animals to move swiftly directly from the producer to the abattoir or from the producer to the finisher to the abattoir. That does not always happen. Transfers are made to auction marts and dealers come into the chain. The primary producer is usually a long way from the customer. The exception is the recent trend in farmers markets, which, perhaps for the first time, let the farmer go eyeball to eyeball with the consumer. That is good, because it provides good feedback.

14:15

Scope exists for greater co-operation among producers and between producers and processors. We want long-term relationships that are based on trust and which provide mutual benefit to the two parties in the developing of a continuing relationship. To the producers, the situation is a little one-sided at the moment.

Do consumers understand farm quality assurance schemes? In detail, probably not. However, interest has been heightened in ensuring that proper quality assurance is conducted. We are considering that. When a farm has been inspected and quality assured, QMS is keen to make available to the farmer a sign that he can put up on his gate to show that his farm has been quality assured and is part of the specially selected Scotch scheme. We want consumers, as they drive past farm gates, to see that farmers are participating in the scheme. That is a small and slightly gimmicky step, but it is important.

Stewart Stevenson: I have a slightly tangential question. People's ability to cook from raw materials appears to have reduced dramatically. Has that affected your market?

Neil Kilpatrick: The short answer is yes. Chris Gilbert-Wood will comment on that from the retail point of view. All the research that has been conducted suggests that consumers want to spend less time preparing their meals. That has had a huge impact on the meat market. The only dramatic rises in consumption have been in the market for ready meals and frozen meals, which is steadily increasing year on year.

It would be foolish for us to ignore those trends, because they show what the consumer is doing. Sometimes consumers pay quite a high price for such meals, but they will pay for the convenience. The average meal preparation time is now down to 20 minutes. I do not know how far that will fall. The situation is difficult, because people are less likely to spend time preparing a large roast, for example, as that takes time. The market for ready meals has greatly increased. The customer wants good food that is quality assured, but they want a short preparation time and food that they can eat quickly.

Stewart Stevenson: Does that help or hinder you in developing a market for your products?

Neil Kilpatrick: That development may make it more difficult to respond to the market. It can affect volumes, as a ready meal may contain less meat than might be used if consumers prepared the meal themselves. That does not make the situation any easier. We must work closely with the manufacturing food companies that prepare ready meals to come up with good ideas about incorporating meat in their products. We are running a project on product development, because that is important.

Chris Gilbert-Wood: The major driver is convenience so, as members are aware, ready meals form a large part of our business. We are also seeing good growth in basic areas such as meat, fish, poultry and fresh produce, because there is also a trend among people to go home and cook—perhaps at different times of the week or motivated by TV chefs. We are seeing growth in both markets and the market is segmenting: there are people who want ready meals, perhaps Monday to Thursday, and there are people who want to spend time cooking on Saturday, so who want good raw materials. Those people want those materials to be as convenient and consistent as possible so that when they cook something and present it to their friends they can be proud of what they have done. It makes things difficult, but that is what responding to customers is all about. That gives us an opportunity to sell things in different ways, which is always good news.

The Convener: Members will be relieved to know that some people spend even 20 minutes preparing a meal, given that our average consumption time is about one-and-a-half minutes.

George Lyon: I want to press Neil Kilpatrick on the spend that QMS currently enjoys. I think he said that less than 50 per cent of the Scottish levy comes back to Scotland to be spent on promoting Scottish produce. Is he arguing with the MLC for more funds? What does he hope to achieve over the next two to three years?

Neil Kilpatrick: The answer to the first question is that we are debating keenly and actively with the MLC about how much we should receive in promotion funds. We would probably have received a good deal more this year had the foot-and-mouth outbreak not taken place. We were negotiating for an additional £1 million of funding for a promotional campaign when the outbreak hit us. We ended up getting about half that amount, but even that will enable us to start a useful campaign.

Marketing and promotion is an area in which one could spend a huge amount of money if it were available. At the moment we are not getting as

much money from the MLC as we would like. However, the MLC has been hit, just as we have been, by a severe shortfall in the levy moneys, because the animals culled in the foot-and-mouth outbreak do not attract a levy. Producers' income is dramatically reduced this year and ours will be reduced proportionately. It is a difficult year in which to get money out of the MLC, although that is mostly for reasons beyond its control.

We have had sharp debates with the MLC about promotional moneys and those will continue. Our promotional budgets will increase over the next two to three years. QMS has just produced a three-year strategy. I have written to the committee clerk suggesting that we present that strategy to the committee. If we are given that opportunity, we will be delighted to go into detail about how we would want to see promotional funding taken forward and the sort of money that should be spent.

George Lyon: Do you expect to be in receipt of 100 per cent of the levy over the next few years? What are you aiming for? You obviously have ambitious plans to market produce throughout the United Kingdom and you will need funding to do that. What is your internal target? Is it 100 per cent within two years?

Neil Kilpatrick: No. In our strategy we have assumed an increase in the share of the levy funding that we get from the MLC on the basis that we would negotiate that anyway. If we were to get 100 per cent of the funding from the MLC—in other words, if we were to attract the whole Scottish levy—we might have a bit more money at our disposal.

The Convener: I will share a thought with you so that you can comment. During today's meeting, the possibility of more local retailing of the product was mentioned. The logic of that would entail more local slaughtering and shorter journey times, which you mentioned. It is easy to say that, but the outcome would be a smaller, locally based operation and the economies of scale that the current system provides would be lost, which goes in the opposite direction from the cheap food policy that we have pursued for many decades.

Neil Kilpatrick: There has been a lot of argument in the press about going back to small local abattoirs and about how that would solve all our problems. Sadly, that is not true. Small abattoirs are extremely difficult to run profitably in today's world. The amount of inspection that is required, the number of vets that must be around and the oncosts of running an abattoir sadly mean that a high volume must go through it before it is economical. There is a huge economic argument for larger, centrally placed abattoirs. Under present legislation—and I can only see legislation getting tighter—it would be difficult, economically,

to move back to small abattoirs.

Another factor is the process of getting animals to abattoirs, which is difficult for remote farmers because they are further away. Research suggests that the principal stress on the animals—which has an impact on the eating quality—occurs when the animals get on and off the transportation and is not dependent on the duration of the journey. There are limits—obviously, we are talking about journey times of hours, not days. Animals are not necessarily much more stressed when they travel long distances, but it does take longer and cost more to transfer them.

Chris Gilbert-Wood: We operate a regional abattoir base and some quite large abattoirs because, as Neil Kilpatrick said, we get economies of scale. There were many small abattoirs back in the days when a lot of animals were sold in balance. That is no longer the case. We do not sell whole beef, lamb or pig carcasses. Those are sold by the people with whom we deal, but they do not come to us, because we are not the best marketplace. It is difficult to differentiate breasts of lamb. They are not something that our customers are particularly interested in, so we would have to discount them heavily. It is better to send them to someone else to get the full return. There is an economy of scale, which is a good thing for an abattoir.

I wish to repeat my earlier comments. Buying local produce is a trend that will continue, but we have to be careful, particularly if we are talking about the economic prosperity of rural areas, because it depends what people think of as local. We sell Orkney salmon and Orkney beef throughout the UK, which is good news for the people who produce those products in the Orkney Islands. If consumers in the UK became so focused that they wanted only to buy the produce of their local county, the rural parts of the country would struggle. We must be careful where the trend goes.

The Convener: Members have asked the questions that they wish to ask, so I thank the witnesses for their time. It has been a useful and constructive hour and the points that you have raised, and the others that were made this morning, will be useful in relation to the questions that we are about to put to the Minister for Environment and Rural Development.

Without further ado I will move on. I welcome the Minister for Environment and Rural Development and Jan Polley to the committee. I am aware that the minister is short of time—he must leave at 3.15 for another meeting—so my introductory remarks will be brief.

As the minister will be aware, we have been taking evidence on the forward strategy for

agriculture. It would be useful to repeat the terms of reference for the inquiry:

"To identify whether the Scottish Executive's Forward Strategy on Agriculture, published on 26 June 2001, sets out the vision and level of commitment that is necessary to develop a prosperous farming industry, sustainable rural communities, and environmental protection and enhancement."

As I said, witnesses have given oral evidence and there is already a considerable amount of written evidence. I understand that the minister has seen the written evidence, but I am not sure how much of today's oral evidence he has been made aware of. Perhaps the minister would give a statement that is based on what he has gleaned so far.

14:30

The Minister for Environment and Rural Development (Ross Finnie): I thank the convener for the opportunity to speak about the strategy.

As the committee appears to be taking evidence from the same people whom I consulted, we should perhaps run down on one side what they say in response to the committee and on the other side what they said in response to me. We could then have a sort of Christmas parlour game and spot the difference. There seems to be an enormous read-across.

I want to put into context where I am and where the strategy is. Farming and agriculture have been in difficulty for some time—with Alex Fergusson as convener, I do not need to elaborate on that. From my perspective, there has been a growing sense that the traditional approach of providing emergency packets from time to time is not a long-term answer to farming and agriculture problems. Governments' reactions have to be slightly broader than that. The foot-and-mouth outbreak exacerbated problems and brought into sharp relief the extent to which all industries in rural Scotland are hugely interdependent. People in rural Scotland knew that, but many people in urban Scotland had forgotten it.

We tackled the issue by involving as many people as possible. We consulted widely, had five or six main public meetings and issued a consultative document. In trying to make the process more inclusive, I took the unusual step of setting up a steering group to develop the strategy. As the committee will be aware, the group was made up of people from crofting, food, consumer, enterprise and agricultural backgrounds—indeed, the very people from whom the committee is now taking evidence.

When I set up the steering group, I expected it to act in an advisory capacity. I was pleased when

we achieved the end-product. Each person on the group was prepared to put their name to the strategy and therefore give it a degree of credibility that it might not otherwise have had.

Broadly speaking, the strategy has been fairly well received. Three thousand copies have been distributed on request and 20,000 farmers received a summary of the document directly. I think the committee is familiar with the strategy's broad thrust of creating a more prosperous sector and developing farming's role as an integral part of wider rural development. Farming has a crucial role in protecting and enhancing the environment.

I do not see the document as the endgame. The intention was to draw together huge strands of opinion and set out broad areas and some specific action points. The objective was to make the document live. Shortly, I intend to establish a different body, which might include some of the same people—I have to decide on that—to try to turn the written word into something that takes shape and uses the overarching framework. The body should engage with the diverse range of people in the industry, in broader rural development and in the environmental field and use the document as an overarching strategy rather than as a finalised policy document. The strategy is the beginning of the work rather than the end.

I am under some pressure, as I must attend a Cabinet meeting—I would need a death certificate to avoid it. I must leave fairly promptly, but I am happy to answer members' questions.

The Convener: We do not want to issue a death certificate. I will try to get you away on time.

Elaine Smith (Coatbridge and Chryston) (Lab): I thank the minister for coming along. I would like to pursue a few lines of questioning.

The forward strategy is to be welcomed, in particular what it says about sustainable rural development, environmental features and assisting rural communities. I believe that the minister has said—he will keep me right on this—that he is considering setting up a different body to take the place of the agricultural strategy steering group. How was it decided how the agricultural strategy steering group would be made up in the first place? For instance, was there any consideration of equality of opportunity and gender balance on the group?

Ross Finnie: The group was established by taking the temperature somewhat. We tried to find people who would be suitable. They were judged entirely on their ability and on the contribution that they would make. It is right that Elaine Smith should pursue the questions of equality and gender balance, but because of the history of the agriculture industry, the agricultural community is

sadly wanting in that regard. I do not for a moment suggest that that may be anything other than entirely wrong.

The people who served on the steering group were chosen for their ability. There were one or two obvious choices. For example, it would be almost impossible to have such a group without including the director of the Scottish Crofters Union or the president of the National Farmers Union of Scotland. Broadly speaking, the members of the steering group had experience of the supermarket trade, the food industry, land management, co-ordinated land development or—so that we could get a financial perspective—the joint-stock banks. The membership was chosen based on a range of issues, in particular people's ability to contribute to the make-up of agriculture and rural development.

Elaine Smith: When you set up the other body, will you consider the mainstreaming of equalities across the Executive?

I take slight issue with your remark at the beginning that the committee is consulting the same people whom you consulted. At a previous committee meeting, I asked that the committee take evidence from the Food Standards Agency, the Convention of Scottish Local Authorities and the Scottish Trades Union Congress. I know that COSLA had an input to the Executive's document. It is obvious that the committee's time is limited, so when it was decided during the summer who would be called to give evidence, the STUC—for whatever reason—was not among them.

The STUC has submitted written evidence in which it makes the point that there was a major debate on agriculture, which the STUC feels strongly about, at its annual congress in April. Although the STUC welcomes the fact that the steering group that informed the Scottish Executive reflected a wide range of interests, it was extremely disappointed that no trade union representatives were invited to participate. Will the minister comment on that?

Ross Finnie: Sorry, I did not mean to be flippant when I mentioned that I thought that we had consulted the same people. I merely read the papers that were handed to me. I apologise to the convener and to you. The first eight names I read were the same people. I apologise if I gave the wrong impression.

I am always happy to consider equality and it will be considered when the group is set up. There will be some difficulties, not least of which is that we need continuity and we have people with genuine expertise who have made huge contributions to taking the industry forward. If we can find alternative people, we will do so, but that is not simple. It is the Executive's policy to mainstream

equality, so I am bound to take that into consideration.

Fergus Ewing: Good afternoon. I want to pursue two issues that arose from this morning's evidence.

Donald MacRae suggested that there were two significant omissions from the strategy document. The first omission was an assessment of the strengths, weaknesses, opportunities and threats in relation to the Scottish agriculture industry—a SWOT analysis. Secondly, he pointed to a dearth of international comparisons. I know that for the minister there will never be a shortage of criticism; that comes with the job. In this case, does the minister accept the criticism as constructive? If so, will he address those points with the new body that is to be formed, by giving a specific instruction that the gaps—a SWOT analysis and international comparisons, which could be extremely useful pointers for the future—should be filled?

Ross Finnie: I am sorry that I do not have the benefit of having heard what Donald MacRae said. I do not want to get into a dispute with Donald, for whom I have a high regard.

The strategy document is not intended to cover everything. A SWOT analysis was included in the preceding document that went out for consultation. We listed some of the strengths and weaknesses of Scottish agriculture as we saw them and used that as the basis for inviting comment, so that persons who came to the consultation meetings or who made written submissions could base their responses on an analysis of the strengths and weaknesses in Scottish agriculture rather than fashion them from a standing start. I agree that that analysis is not repeated in the strategy document. The strategy document is a distillation of all that work.

On international comparisons, as part of the process we took soundings in three specific areas. We took soundings in New Zealand, where a lot of work has been done, not only in the sheep sector. We also considered work that we have heard of through our contacts with the machinery rings in France. Among other things, we came across the fact that they were pursuing, in a slightly different form, the kind of land management contracts in which the committee and others have been extremely interested. I am reminded that the third country that we considered was Austria. We were keen to know more about Austria, because it is without doubt the leader in the European Union on agri-environment development and, somewhat perversely, continues to get the largest share of EU support in that sector.

The work that we did was not devoid of international comparison, but we were keen to produce a document that was fairly readable

without having too many appendices. We have not published all the submissions that we received—perhaps that was a mistake. We tried to concentrate on the conclusions and what we were trying to drive forward. We may be able to pick up on international comparisons as we drive the strategy forward. It will be important to consult other countries to see whether we can do things better or in a different way. We have dealt with looking backwards at strengths and weaknesses.

Fergus Ewing: I thank the minister for that answer. I hope that further work will include close consideration of what happens in countries such as Austria and France, which various witnesses referred to this morning.

Jim Walker raised another matter in his evidence this morning. He expressed in characteristically trenchant terms the necessity of having a direct voice in Europe to implement any strategy. He made strong remarks to the effect that he would prefer the minister to deal directly with Europe rather than having Margaret Beckett seek to represent Scotland. Would the minister prefer that he undertook that role?

Ross Finnie: Just as I have to abide within the law, I must stick to the constitutional settlement. One does not have to be Einstein to see where you are coming from, but we are one member state, which means that there is one representative. The present arrangements appear to give us every opportunity to prosecute Scotland's case. We have meetings at official level prior to every meeting of the council and we have meetings of agriculture ministers at which we have the opportunity to rehearse the particular matters that we, from our different perspective, wish to raise. That is at the council level. At the Commission level, things are rather different. I can think of a number of occasions on which—providing that we have agreed at ministerial level which matters are to be pursued—Scottish officials have been free to make common cause with members of the Commission to prosecute a Scottish case.

I understand that there are frustrations with the process, because it makes it slightly more long-winded and occasionally it would be helpful to deal directly. However, we have only one representative to cast the votes.

14:45

Fergus Ewing: I understand the position that you set out, but I am bound to reflect that your counterpart in Northern Ireland, Brid Rodgers, sought and obtained dispensation to argue Northern Ireland's case directly in Europe and so secure a lifting of the export ban for Northern Ireland. Was there anything to prevent you from

seeking a similar dispensation to argue the case directly for Scotland?

Ross Finnie: The fact that I have conversations directly with the commissioner without having my telephone listened in to by the Department for Environment, Food and Rural Affairs might indicate that I have an equal opportunity to speak directly to the commissioner. We must not get the issue with Northern Ireland out of perspective. It was hugely important for Northern Ireland, in the context of its being part and parcel of a range of matters that get wrapped up in the peace process. That was one representation in relation to three cases of foot-and-mouth. We are prosecuting the Scottish case. I do not speak to David Byrne about anything but Scotland.

The Convener: With a bit of luck, we might return to the subject of the forward strategy.

Dr Murray: I have three sections to my question and will be as brief as possible.

First, the evidence we heard this morning raised questions about how this strategy links in with other strategies of the Scottish Executive, particularly the tourism, forestry, rural development and cultural strategies, although you do mention rural development in the document. Could you say a bit about how those strategies, which are all important in rural areas, come together?

Secondly, representations were made that our application of the rural development regulation—in particular the fact that we do not apply article 33—should perhaps be reviewed after a year. I wondered whether you would be prepared to consider that.

Thirdly, we heard representations that the organic aid scheme should be separated from other agri-environment schemes because it tends to use up a fair amount of the money, and there is often insufficient funding for other agri-environment schemes.

Ross Finnie: Before I answer that, can I clarify whether, in your second point, you were saying that we do not apply the diversification?

Dr Murray: The impression is that some parts of the rural development regulation that are used south of the border are not applied in Scotland.

Ross Finnie: There are many things south of the border that are not applied north of the border, but I do not think that you are asking me that question.

One question that causes me—and, I am sure, members of the committee—great anxiety is that, although we are hamstrung in the way in which the instruments of the CAP are delivered, our overriding problem is that here is an industry that,

whether or not it deserves it, nevertheless receives well in excess of £500 million of public support. Two things were not at all clear to me: first, exactly how farmers were benefiting directly in terms of developing their businesses; and secondly, exactly what the Government and the public understood the strategy to be. I did wonder whether it was sensible to have a number of separate strategies. However, at the end of the day, a single strategy was justified.

Having set that in train, I recognise—wearing my rural development hat—that there are huge overlapping and interlocking mechanisms between forestry, tourism and agriculture. One of my jobs is to ensure that those overlapping parts interlock, and it is a job that both of us have to do, convene, because that is what those industries need.

I shall ask Jan Polley to deal with the more technical question about the rural development regulation. As for whether the organic aid scheme should be separated out, I have some difficulties with that question. Although I wish that there were a greater preponderance of organic aid, if the whole thrust of the document is that we must become less dependent on subsidy and more attuned to receiving our income through the market, it would be rather silly of me to argue that there should be an increased direction from Government in the organic sector. I am not aware of us having had to turn down organic aid scheme applications in the past few years or at present.

Dr Murray: The suggestion was that the other agri-environment schemes suffered from being thrown in the same pot as the organic aid scheme.

Ross Finnie: I would be happy to look into that, but I am not aware that that is a general problem. I shall ask Jan Polley to answer the question on the rural development regulation.

Jan Polley (Scottish Executive Environment and Rural Affairs Department): Between 20 and 30 different measures are available within the rural development regulation, and each country has picked up on its own menu. Article 33 includes two measures that we are using in Scotland. The main one that we are using is diversification, to help farm businesses diversify into other activities. We are planning to spend around £70 million on that over the next six years. That may be a slightly different mix from the approach taken in England, but it is certainly a key part of article 33.

Dr Murray: Do you have plans for a review of the way in which the rural development regulation has been applied?

Jan Polley: There is provision for relatively small changes to be made on an annual basis under the European regulations. There is also the mid-term review, which is due for 2003. The Commission has made arrangements with each

member state to evaluate how the plans are going and whether the measures that are being used represent the best use of the money. We would make that kind of assessment at that review.

Mr Rumbles: I would like to focus on the strategy document. I shall preface my question by saying that I think that having 54 action points is a first-class way to proceed. I would like to focus on two action points in particular. Action point 29 says:

“Local Enterprise Companies, local authorities, the Executive and other local agencies must identify and develop the economic potential from better links between farming businesses and other rural businesses in their area.”

Action point 2 says:

“The Executive, in partnership with the industry, will review over the next six months the business advice currently available to farmers”.

How is that review proceeding? The document was published in June, so we are almost halfway through that process.

Ross Finnie: Yes, we are almost halfway through that review period. I am bound to say that my department is still slightly struggling with a thing called foot-and-mouth disease—whisper it gently. We have had consultation with all the network agencies and a joint forum is to be held. We are concerned that, until now, there has been great unevenness across the Scottish Enterprise networks in the delivery of genuine business advice, with farmers being set apart as if they did not quite qualify under the general heading. I know that Mike Rumbles has been pursuing that fairly vigorously.

We were fortunate to have Jim McFarlane in our group. Having looked at the evidence and at the presentation, and having considered the discussion that took place, he did not take too long to realise that that was a fact, and that we should therefore be seeking a commitment from the enterprise networks to a different, more even-handed approach to agricultural businesses across those networks. We will be holding what I think is called a seminar, at which representatives from the enterprise networks will be present. We want to ensure that they all sign up to even delivery of service to the agricultural community.

Rhoda Grant: In the light of the pressures from the WTO on the CAP, specifically against production-based subsidies, an opportunity to consider social, economic and environmental factors appears to present itself. What research has been carried out on the benefits of agriculture in terms of those factors, and what research would the Scottish Executive environment and rural affairs department hope to carry out on that?

Ross Finnie: Rhoda Grant is right about that

opportunity to consider those factors, although I would sound a note of caution. Although we can broaden the scope of the inquiry, and despite the great importance of the economic and social factors, we should recognise that we will almost certainly be dealing with, at best, a fixed cake and, at worst, a much reduced cake. We have to balance the formation of the new policies against the persons who are currently in receipt of support.

One of the main reasons that we saw huge potential in the land management contract in Scotland was not just because it could deal with the huge diversity of farming enterprise, but because it could do the very thing that Rhoda Grant has referred to in her question: it could embrace elements of socioeconomic and environmental policy.

The Executive's work on the incidence of deprivation in rural Scotland will link in with and be informed by socioeconomic trends. We can also tap into other resources but, in our environmental and other policies, the main missing element consists of serious, evidence-based studies on the impact of deprivation in rural areas.

Rhoda Grant: When do you hope that the study to which you refer will be complete?

Ross Finnie: In the next few weeks. It has been in final form for some time, and the group producing it do not seem to have been able to come to a conclusion, but I understand that it is imminent.

Richard Lochhead: When you speak to smaller farmers, do you find as I do, minister, that they believe that the future of farming in Scotland should comprise lots of thriving farms, whereas bigger farmers tend to think that Scotland should comprise lots of larger farms that are able to compete in a global market? There is a perception that the Executive perhaps favours the latter over the former. The strategy does not delve into the issue to any great degree. If we want a thriving rural economy, that means jobs, which, in agricultural terms, means many farms rather than a few. In your vision for the future of agriculture in Scotland, minister, do you favour having a few large-scale farms or many family farms? That is not really addressed in the document.

Ross Finnie: The problem with trying to keep a document fairly crisp is that things are not gone into in great detail. I would refer Richard Lochhead to the clear—I think—statement of our belief in the place of co-operative and other collaborative structures.

The Scottish Executive provides substantial financial support to the work of the Scottish Agricultural Organisation Society. We have promoted a huge range of innovative structures,

the whole intention of which is to ensure that smaller owners can remain in place while obtaining the benefits of collaboration or working in a co-operative, thereby reducing their input costs, improving their output and increasing, through machinery rings and other means, the efficient management of their fixed capital. Doing that has made a huge contribution to Scottish agriculture and I hope that that will continue.

Given the long-term and medium-term trends in agricultural prices—which Donald MacRae doubtless talked about—the only way in which larger numbers of people can be sustained is for those people to act in a collaborative and co-operative way. That has been clearly spelled out in the strategy.

15:00

Richard Lochhead: In his submission to the committee, Donald MacRae says that consideration of the implications of reduced numbers of farm businesses and farmers, and of less farm employment, is absent from the strategy. When considering the strategy, does the minister keep such issues to the front of his mind? Is the Government trying proactively to sustain the number of farms in Scotland?

Ross Finnie: Yes, we are. As I have said, we are the largest single contributor to the Scottish Agricultural Organisation Society. The society's most recent annual report is most interesting. It is unusual in that it contains a list of all the organisations to which the society has given assistance to ensure that smaller units can remain in the ownership of individuals and can survive in this increasingly competitive world by engaging in a whole raft of co-operative and collaborative work.

We support that approach because we firmly believe that it represents the way forward for Scottish agriculture. That is especially true in Scotland because of our dependence on the livestock industry, which needs people. Without such an approach, we could drift towards ranch farming such as that found in New Zealand. That would have serious ramifications for the numbers of people in Scottish agriculture and for the nature of Scottish agriculture.

George Lyon: This morning we heard evidence from a large number of individuals and organisations. Almost to a man, with one notable exception, their long-term view of agriculture in Scotland was of an industry that was multifunctional and not just about food production. The future industry would deliver broader public goods. What is the Scottish Executive's view of the future of agriculture? The strategy document is silent on that.

Ross Finnie: I find that surprising. I did not hear the witnesses this morning, but if they were saying that every farm in Scotland will have a multifunctional role, I would find that rather an odd view. The multifunctional role will appear across the whole of Scotland, so one of the purposes of the strategy was to point out what the options might be for individual farmers in particular places. In certain sectors, some farmers will not be able to produce a volume and range of goods that the consumer wants. That will result in a huge change in outlook among certain people. However, that is not to deny that, across Scotland, agriculture contributes to more than just the primary function of food production. The document says that agriculture also has roles in socioeconomic and environmental issues. Those roles must be acknowledged. We also have to acknowledge that, if people are to move away from production, support mechanisms will have to move swiftly and will have to support multifunctional farms.

George Lyon: Is that how you view the future then?

Ross Finnie: That is what we have set out in the document.

George Lyon: Will the Scottish Executive develop those kinds of support systems through the land management contracts? Will that be the vehicle used?

Ross Finnie: Yes. I would like Scottish agriculture, people in Scottish rural development and the Scottish Parliament to be in the van of making constructive suggestions at the next round of CAP reform talks. I despair when I think that, in recent years, we may have sat on the edges, waited on others to make suggestions and then been somewhat critical about the final output. In launching the forward strategy and the further work that is to be done on land management contracts, I am serious about selling those ideas not only in Scotland but down south and about trying to make that work a major contribution to the discussions on CAP reform at the UK level.

The great difficulties that we have with ad hoc changes to the LFA scheme serve only to illustrate the fact that one cannot move from a designed production support system that was well worked up simply by changing the rules in the middle. One cannot say, "Now it is a land-based system" and still hope to achieve a satisfactory result. One must change the delivery mechanism and I believe that land management contracts will offer us the opportunity to make such a change. For land management contracts to be fully effective, one would have to funnel through them almost all the CAP resources. Having that degree of flexibility and amount of resource at our disposal would allow us to construct a system that would meet some of the earlier concerns that were raised by

addressing the diversity of Scottish farming and the social, economic, environmental and other contributions that it makes.

George Lyon: We took evidence from Quality Meat Scotland earlier, when I asked Mr Kilpatrick, the chairman, whether he thought more spending on the promotion of specially selected Scotch meat products was needed. His view was that more money was needed to help that process. When he was asked whether more moneys should be retained in Scotland than is the case at present, he indicated that that was his wish. However, he also said that that was a political question. Minister, are you actively assisting QMS by ensuring that the maximum amount of money raised through the levy system in Scotland is retained in Scotland and is spent by QMS to promote Scotch meat products?

Ross Finnie: I am encouraged by the work that Neil Kilpatrick and his managing director are doing. They have established in the industry a high degree of credibility, which did not exist across the sector for the previous organisations. It is clear, both from the strategy that QMS produced and from the role that is envisaged for the organisation in the forward strategy document, that the work load of QMS is far greater than when it was launched. To that extent, I believe that it will require more funding from the MLC. Given the fact that I published the forward strategy document, I will pursue that matter with the MLC.

Rhoda Grant: I have a supplementary question on the land management contracts. I understand your comments on the difficulty of changing the way in which we fund agriculture and the difficulties that we have had in respect of LFAs. However, surely this is an opportunity to develop an overarching policy on what we want from agriculture. It seems to me that land management contracts would differ from farm to farm and that they would cover long, rather than short, periods of time, given the length of time that it will take to change practice and the like. Surely that offers the Executive an opportunity to change farming practice in a way that provides social, economic and environmental benefits. That change could be carried out in a way that would encourage people to move in the right direction: funding could follow them if they moved in that direction.

Ross Finnie: I agree. That is why—I repeat my opening remarks—the forward strategy is not intended to be the end point. I made it clear in the document that the public has to be much clearer in its own mind what it is prepared to fund in respect of agriculture, as funding causes great confusion. If we are clearer about the broad range of funding, we will have that opportunity when we develop the strategy. We have set broadly based ground rules, which are in a strategic form. There is an

opportunity to develop the range of issues that is set out in the document into firmer and more concrete policies.

I did not want to start with being prescriptive to industry and saying that not only are we going to have a strategy but we are going to spell out what the industry is to do for the next five, 10 or 15 years. That is a clearly accepted flavour of how we are driving the issue forward in harness and partnership with the industry. It is right to say that it is for the various parts of the industry in their various locations to change practice and to accept that. There are those who still believe that unless 100 per cent of their income is coming from selling produce, they have somehow failed. We have a big job to explain to those people that they make a huge socioeconomic and environmental contribution. The public values that.

Mr McGrigor: On occasion, I have heard you talking about getting value back up the chain from the market to the producer. It is an accepted fact among hill farmers and crofters that there is an enormous problem with marketing. Those people are not marketing experts nor, with increased paperwork, do they have the time to do it.

What information is available about local, national and global markets that would help Scottish farmers to compete? Is expertise and advice on those matters available throughout Scotland? Whose responsibility is it to develop those services? Could agencies such as HIE and Argyll and the Islands Enterprise have a hand in those services?

Ross Finnie: We made a modest start on that issue last year. You are right, Jamie. Either farmers are frustrated because they find the food chain somewhat complex or they have no exposure or expertise in that field. Last year, the department ran a series of seminars in different locations throughout Scotland. Those seminars aimed to give people a better understanding of how the food chain works.

That is part of a developing programme that is trying to make the farming community more market-oriented and to enable it to understand better what the producer wants. There are opportunities to get business support from those agencies. If one is not in farming, I suspect that HIE and the Scottish Enterprise network would be happy to offer appropriate marketing support. However, when it comes to dealing with marketing support for the food chain, it goes into a "too difficult" box. I hope that the undertakings that were extracted from HIE and the Scottish Enterprise network when we were putting together the strategy will allow those agencies to embrace the appropriate form of training and dissemination.

The Convener: As a supplementary question,

minister, how do you see the future role of the SAC playing alongside the increasing activity of HIE and Scottish Enterprise in the agricultural field?

Ross Finnie: All those organisations have a potentially huge role to play. Historically, the SAC underpinned the broadening out of developments and practices. My view is that the SAC and, to a lesser extent, the SAOS and Scottish Enterprise are part of the range of available agencies and support. On both sides of the chain, not only do the farmers have to adjust to the change in consumer demand but bodies such as the SAC have to refine their product to ensure that it is relevant to farmers' needs. We have had discussions with the SAC and they are cognisant that they need to bring some of their programmes up to date.

Stewart Stevenson: When you pay a farmer to look after the environment, how do you measure the outcome?

Ross Finnie: That is a good question. You will be invited on to the steering group if you are going to ask good questions like that. It is a fair point. I am not ducking the issue, but since I took on the job as Minister for Environment and Rural Development six months ago, one of the matters that has bedevilled me is finding out what serious work has been done to measure the improvements to the rural environment. Matters that deal with pollution can be measured, but that is different from measuring improvements to habitat and other ecological trends.

If Stewart Stevenson's question is whether we need to have a series of measurements for such purposes, the answer is yes. Do we have them? No, we do not. It has not escaped my attention that there is a distinction to be drawn between matters of pollution and the improvement and enhancement of our habitat.

Stewart Stevenson: How do you intend to develop such a distinction?

15:15

Ross Finnie: We do not have to draw such a distinction strictly and purely with agriculture people. I have people in an environment department who should not be sitting on their own. They can engage with those on the agriculture side to examine what is necessary. I do not want such policies to be too prescriptive, but public money is being used and we must have some view about what outputs would warrant such payments.

Cathy Jamieson: I was just beginning to wonder whether I am invisible, convener. After a couple of weeks of not being in the committee,

everyone has forgotten me.

I refer to a point made by Elaine Smith at the beginning of our proceedings. I welcome the work that has been done on the strategy—as do most of the people who have responded to it—but the STUC has identified a couple of areas where it considers that an opportunity has been missed, particularly examining the experiences of agriculture workers and some of the issues that they have raised, such as health and safety at work.

It has been suggested that it would be useful if someone with an agriculture background were on the group that will continue to monitor the progress of the strategy. Can the minister assure me that that door is open and that consideration will be given to such a suggestion so that, in the spirit of true partnership with everyone who has an interest in ensuring that we have a sustainable future for agriculture in Scotland, no significant interest groups are excluded from the process?

Ross Finnie: I certainly hope that I can give such an undertaking. As the minister who managed to retain the Agricultural Wages Board against pressures from several interesting and diverse groups, I hope that my record on such matters is not entirely a blank. I certainly want to examine with care the criticisms, particularly those lodged by the STUC, of the composition of the group when it is reconstituted.

The Convener: Unfortunately, my questions will have to wait because we have passed our deadline. I do not want to be a contributory factor to your death certificate, minister. While I may disagree with you from time to time, I would not want such an ending for you. I wish to wind up this part of the meeting by thanking you very much for the way in which you answered questions. The whole committee agrees that the strategy is a useful first step and that it must be built on. Thank you for your attendance this afternoon.

Ross Finnie: Thank you, convener.

Subordinate Legislation

The Convener: I now move to item 5 on the agenda. We have six instruments to consider under the negative procedure. The Subordinate Legislation Committee has commented on five orders: SSI 2001/248, SSI 2001/249, SSI 2001/250, SSI 2001/261 and SSI 2001/276. A secondary committee will discuss the last order, SSI 2001/288, and we are therefore not required to respond to the Subordinate Legislation Committee's report on it.

Members will have received copies of the orders yesterday. That is later than usual but it was occasioned by the report not coming out until late on Friday evening. Prior to that, no comments had been made to the clerk to the committee but, bearing in mind the extensive report on some of the instruments, if members have any comments they wish to make or would like to seek clarification on any points, they may do so now. I will go through each order.

The first order for consideration is SSI 2001/248, the Control of Pollution (Silage, Slurry and Agricultural Fuel Oil) (Scotland) Amendment Regulations 2001. Does anyone wish to comment on it? It seems not. Good.

The second order for consideration is SSI 2001/249, the Plant Health (Great Britain) Amendment (Scotland) Order 2001. Does anyone wish to comment on it? There are no comments. Splendid.

The third order for consideration is SSI 2001/250, the Sea Fish (Specified Sea Areas) (Regulation of Nets and Other Fishing Gear) (Scotland) Amendment Order 2001. The Executive says that an amending instrument is expected to effect an amendment to article 6 of this instrument that has been suggested by the European Committee. We can simply note that in our report to the Parliament.

The fourth instrument for consideration is SSI 2001/261, the Foot-and-Mouth Disease (Control of Vaccination) (Scotland) Regulations 2001. Members have no comments on that instrument.

The fifth instrument for consideration is SSI 2001/276, the Processed Animal Protein (Scotland) Regulations. Members have no comments on the instrument—I am impressed.

The final instrument for consideration is SSI 2001/288, the Specified Risk Material Amendment (No 3) (Scotland) Regulations 2001. There is some urgency about this instrument, as any comments that the committee has would have to be issued today. We are not the lead committee on this instrument—the Health and Community Care Committee will consider it at its meeting

tomorrow morning. If any member wants to make representations on the issues raised by the instrument, that is the place to do it.

As no member has shown a desire to say anything about any of the instruments, I suggest that we deal with them en bloc. I take it from members' silence that we agree to take no further action on the instruments.

Members *indicated agreement.*

Protection of Wild Mammals (Scotland) Bill

The Convener: That takes us to the final agenda item. For the sake of members who were absent last week, I should explain that, following a division, the committee agreed to lodge an amendment to Mike Watson's motion on the Protection of Wild Mammals (Scotland) Bill, which is due for debate tomorrow. I have to bring this matter back before the committee because the wording agreed for the motion was questioned by the chamber desk. I do not doubt its reasons for doing that, but I did not feel able to lodge an amended version of our amendment without bringing the matter back before the committee. That is why the amendment has not been lodged.

In the meantime, I suspect that members have noticed that Elaine Murray has lodged an amendment of her own. Members may want to comment on that.

Mr Rumbles: I was one of the people who objected to the amendment that Elaine Murray suggested last week and thought it would be better to proceed with the amendment agreed by the committee. However, having read Elaine's amendment, which is slightly different from the one that she was proposing last week, I suggest that the committee support it. It has already been lodged and it is a reasoned and sensible amendment. I hope that other members of the committee take the same view.

The Convener: Do you mean that the committee should give formal backing to the amendment lodged by Elaine Murray?

Mr Rumbles: That would be helpful.

The Convener: I understand that that is procedurally allowed.

Cathy Jamieson: I was not present at the committee's previous meeting, so I would like clarification of what is meant by formal backing.

The Convener: I take that to mean—members may correct me if I am wrong—that I as convener would sign Elaine Murray's motion on behalf of the Rural Development Committee.

Cathy Jamieson: Are we absolutely certain that that is permitted under standing orders?

The Convener: I have taken guidance on the matter and have been told that it is procedurally allowable.

Mr Rumbles: I suggest that we give formal support to Elaine Murray's motion.

The Convener: How do other members feel?

Dr Murray: The amendment that is before

members is somewhat different from the off-the-cuff proposal that I made at our previous meeting. My suggestion is similar: that the evidence that we took and the issues that arose from it be forwarded to the Executive, with a view to dealing with those concerns through an amendment to the Wild Mammals (Protection) Act 1996. Following a discussion with the chamber desk, I reworked the amendment into a form that would be more compatible with standing orders.

I would appreciate support, but I am aware that some committee members would prefer the bill not to be withdrawn and to be amended at stage 2. I prefer my option, but I recognise that a substantial number of members feel differently. The other possibility is that some members could support my amendment and others who do not agree with it could take a different view.

Mr Rumbles: Last week, the committee agreed that it would lodge an amendment that all members could support. Despite what Elaine Murray says, I think that the committee's formally backing her amendment would have resonance and strength. If we do not do that, we will depart from the position that we adopted last week. If the committee will not adopt Elaine's suggestion formally, we should revert to our original idea of lodging a committee amendment. However, I would prefer it if all committee members backed Elaine's amendment.

Fergus Ewing: My recollection accords with that of Mike Rumbles. We decided that it would be preferable for the committee to lodge an amendment. We agreed the wording of an amendment, which was adjusted slightly in discussions through the usual channels.

Like Mike Rumbles, I agree with Elaine Murray's amendment, except its last subclause, which says:

"and to bring the legislation covering wild mammals into line with that which applies to domestic animals."

I do not fully support that proposal, because the committee did not have a body of evidence about that issue. It might not be sensible for us to make that proposal in a committee amendment without evidence.

If that subclause were deleted, I would be happy to support Elaine Murray's amendment on a collegiate committee basis. Deleting those words might allow more members to support the amendment as a committee amendment. That would be a desirable alternative.

The Convener: I have some sympathy with that view. I wonder how Elaine Murray feels about that.

Dr Murray: I accept that we did not take evidence on the Wild Mammals (Protection) Act 1996 or the legislation that applies to domestic animals.

In early discussions on the bill, Mike Watson referred to the fact that domestic animals are treated differently from wild mammals in terms of unnecessary suffering. When, yesterday, a journalist asked me whether it meant that foxes would have to be treated as if they were pets, I realised that the amendment was a bit confusing. It is obvious that the amendment does not mean that. I am driving at the fact that the definition of unnecessary suffering depends to an extent on the species of animal. Things that it would be acceptable to do to a horse would not be acceptable to do to a hamster.

The way in which animals are treated depends on the species and the reason for the activity. I tried to draw a parallel with legislation on domestic animals by including the words that Fergus Ewing mentioned. If those words are a major problem, they could be removed, but total removal would alter the balance of the amendment.

The Convener: So you do not intend to remove all those words.

Dr Murray: I do not.

Cathy Jamieson: I appreciate that Elaine Murray is trying to achieve consensus, but as I have said I do not think that consensus exists. I cannot support Elaine's position. Much as I respect the work that she has done to try to arrive at a position that will accommodate everyone, I do not feel able to support her amendment. I would prefer it if the committee did not submit a further amendment and if Elaine's suggestion of members signing up individually to the amendment if they support it were followed.

Rhoda Grant: I agree with what Cathy Jamieson says. Also, I do not think that we can take a different amendment forward from this meeting on the basis that we voted by a majority to have an amendment last week. You cannot suddenly change that amendment. We need to consider the amendment as something new and take a different vote. I do not know that we can just substitute one amendment for another.

15:30

Richard Lochhead: I will vote against any amendment to the motion tomorrow because I believe that, in a stage 1 debate on a member's bill, members should vote on whether to allow that bill to move to stage 2. That should be the focus of any such debate. Any amendments would be a distraction and they should not be allowed in those circumstances. The committee took its decision last week. I do not think that any third way should be introduced in tomorrow's debate—because that would be a distraction from the member's bill. That is why I will vote against any amendments.

The Convener: You make a fair point, but the

committee wanted to lodge an amendment so that it could draw attention to its report, on the drawing up of which it has spent a great deal of time over the past two years. The committee felt—by division, I accept—that the motion did not draw sufficient attention to the report and that, in the context of the debate, it was necessary to do that.

We are faced with a choice. First, we must decide whether we still wish to propose a committee recommendation.

Elaine Smith: Further to what Cathy Jamieson, Rhoda Grant and Richard Lochhead have said, I too could not support a committee amendment. I appreciate what Elaine Murray is trying to do, but I cannot support her amendment.

With due respect, I dispute what you say, convener. I think that there has been a lot of focus and a lot of media attention on the committee's report. People are well aware of the report.

The Convener: Perhaps I could clarify that. The intention was to allow focus on the report in the debate, not in the outside world.

Elaine Smith: I suggest that members who speak in the debate will probably refer to the committee's report anyway. I do not wish to support an amendment. Tomorrow should be just a matter of voting on whether the bill is allowed to proceed to stage 2. Amendments can be made to the bill at stage 2, if it proceeds to that point.

The Convener: Members have made it clear that we will not reach agreement on the issue, as Cathy Jamieson rightly said. Therefore, I must put a series of questions to the committee.

The first question is, that the committee supports an amendment to motion S1M-2078, in the name of Mike Watson, on the general principles of the Protection of Wild Mammals (Scotland) Bill. Are we agreed?

Members: No.

The Convener: There will be a division.

FOR

Ewing, Fergus (Inverness East, Nairn and Lochaber) (SNP)
Fergusson, Alex (South of Scotland) (Con)
Lyon, George (Argyll and Bute) (LD)
McGrigor, Mr Jamie (Highlands and Islands) (Con)
Rumbles, Mr Mike (West Aberdeenshire and Kincardine) (LD)

AGAINST

Grant, Rhoda (Highlands and Islands) (Lab)
Jamieson, Cathy (Carrick, Cumnock and Doon Valley) (Lab)
Lochhead, Richard (North-East Scotland) (SNP)
Murray, Dr Elaine (Dumfries) (Lab)
Smith, Elaine (Coatbridge and Chryston) (Lab)

ABSTENTIONS

Stevenson, Stewart (Banff and Buchan) (SNP)

The Convener: The result of the division is: For 5, Against 5, Abstentions 1.

In my opinion, the casting vote should go to the status quo. The status quo, as agreed at the previous meeting of the committee, is that an amendment will be put forward by the committee. Therefore, it is agreed that the committee will put forward or support its own amendment.

The next question is, that the committee supports Elaine Murray's amendment. Are we agreed?

Members: No.

The Convener: There will be a division.

FOR

Fergusson, Alex (South of Scotland) (Con)
McGrigor, Mr Jamie (Highlands and Islands) (Con)
Murray, Dr Elaine (Dumfries) (Lab)
Rumbles, Mr Mike (West Aberdeenshire and Kincardine) (LD)

AGAINST

Ewing, Fergus (Inverness East, Nairn and Lochaber) (SNP)
Grant, Rhoda (Highlands and Islands) (Lab)
Jamieson, Cathy (Carrick, Cumnock and Doon Valley) (Lab)
Lochhead, Richard (North-East Scotland) (SNP)
Lyon, George (Argyll and Bute) (LD)
Smith, Elaine (Coatbridge and Chryston) (Lab)
Stevenson, Stewart (Banff and Buchan) (SNP)

The Convener: The result of the division is: For 4, Against 7, Abstentions 0.

Therefore, the committee does not support Elaine Murray's amendment.

The final question is, that the committee agrees to the wording of the amendment that we agreed to last week, as changed by the chamber office. Are we agreed?

Members: No.

The Convener: There will be a division.

FOR

Ewing, Fergus (Inverness East, Nairn and Lochaber) (SNP)
Fergusson, Alex (South of Scotland) (Con)
Lyon, George (Argyll and Bute) (LD)
McGrigor, Mr Jamie (Highlands and Islands) (Con)
Rumbles, Mr Mike (West Aberdeenshire and Kincardine) (LD)

AGAINST

Grant, Rhoda (Highlands and Islands) (Lab)
Jamieson, Cathy (Carrick, Cumnock and Doon Valley) (Lab)
Murray, Dr Elaine (Dumfries) (Lab)
Smith, Elaine (Coatbridge and Chryston) (Lab)

ABSTENTIONS

Lochhead, Richard (North-East Scotland) (SNP)
Stevenson, Stewart (Banff and Buchan) (SNP)

The Convener: The result of the division is: For 5, Against 4, Abstentions 2.

I will lodge the amendment, as reworded by the chamber office, for tomorrow's debate.

We have no further business. Thank you for your patience and attendance.

Meeting closed at 15:35.

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

No proofs of the *Official Report* can be supplied. Members who want to suggest corrections for the archive edition should mark them clearly in the daily edition, and send it to the Official Report, 375 High Street, Edinburgh EH99 1SP. Suggested corrections in any other form cannot be accepted.

The deadline for corrections to this edition is:

Wednesday 26 September 2001

Members who want reprints of their speeches (within one month of the date of publication) may obtain request forms and further details from the Central Distribution Office, the Document Supply Centre or the Official Report.

PRICES AND SUBSCRIPTION RATES

DAILY EDITIONS

Single copies: £5

Meetings of the Parliament annual subscriptions: £500

The archive edition of the *Official Report* of meetings of the Parliament, written answers and public meetings of committees will be published on CD-ROM.

WHAT'S HAPPENING IN THE SCOTTISH PARLIAMENT, compiled by the Scottish Parliament Information Centre, contains details of past and forthcoming business and of the work of committees and gives general information on legislation and other parliamentary activity.

Single copies: £3.75

Special issue price: £5

Annual subscriptions: £150.00

WRITTEN ANSWERS TO PARLIAMENTARY QUESTIONS weekly compilation

Single copies: £3.75

Annual subscriptions: £150.00

Standing orders will be accepted at the Document Supply Centre.

Published in Edinburgh by The Stationery Office Limited and available from:

The Stationery Office Bookshop
71 Lothian Road
Edinburgh EH3 9AZ
0131 228 4181 Fax 0131 622 7017

The Stationery Office Bookshops at:
123 Kingsway, London WC2B 6PQ
Tel 020 7242 6393 Fax 020 7242 6394
68-69 Bull Street, Birmingham B4 6AD
Tel 0121 236 9696 Fax 0121 236 9699
33 Wine Street, Bristol BS1 2BQ
Tel 01179 264306 Fax 01179 294515
9-21 Princess Street, Manchester M60 8AS
Tel 0161 834 7201 Fax 0161 833 0634
16 Arthur Street, Belfast BT1 4GD
Tel 028 9023 8451 Fax 028 9023 5401
The Stationery Office Oriel Bookshop,
18-19 High Street, Cardiff CF1 2BZ
Tel 029 2039 5548 Fax 029 2038 4347

The Stationery Office Scottish Parliament Documentation
Helpline may be able to assist with additional information
on publications of or about the Scottish Parliament,
their availability and cost:

Telephone orders and inquiries
0870 606 5566

Fax orders
0870 606 5588

The Scottish Parliament Shop
George IV Bridge
EH99 1SP
Telephone orders 0131 348 5412

sp.info@scottish.parliament.uk

www.scottish.parliament.uk

Accredited Agents
(see Yellow Pages)

and through good booksellers