RURAL DEVELOPMENT COMMITTEE

Tuesday 3 December 2002
(*Afternoon*)

Session 1

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† 31st Meeting 2002, 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)
*Richard Lochhead (North-East Scotland) (SNP)
*Mr Jamie McGrigor (Highlands and Islands) (Con)
Mr Alasdair Morrison (Western Isles) (Lab)
*John Farquhar Munro (Ross, Skye and Inverness West) (LD)
Irene Oldfather (Cunninghame South) (Lab)
*Mr Mike Rumbles (West Aberdeenshire and Kincardine) (LD)
*Elaine Smith (Coatbridge and Chryston) (Lab)
*Stewart Stevenson (Banff and Buchan) (SNP)

COMMITTEE SUBSTITUTES

George Lyon (Argyll and Bute) (LD)
Mr John McAllion (Dundee East) (Lab)
Alasdair Morgan (Galloway and Upper Nithsdale) (SNP)
John Scott (Ayr) (Con)

*attended

WITNESSES

Robin Harper (Lothians) (Green)
Kevin Hawkins (Scottish Retail Consortium)
Patrick Holden (Soil Association)
Dr Nic Lampkin (Organic Centre Wales)
Alasdair Muir (Quality Meat Scotland)
Drew Ratter (Crofters Commission)
Peter Stewart (National Farmers Union of Scotland)
Alex Telfer (Scottish Organic Producers Association)
David Younie (Scottish Agricultural College)

CLERK TO THE COMMITTEE

Tracey Hawe

SENIOR ASSISTANT CLERK

Mark Brough

ASSISTANT CLERK

Catherine Johnstone

LOCATION
Committee Room 1

† 30th Meeting 2002, Session 1—held in private.

Scottish Parliament

Rural Development Committee

Tuesday 3 December 2002

(*Afternoon*)

[THE CONVENER *opened the meeting at 14:00*]

Item in Private

The Convener (Alex Fergusson): Good afternoon. All mobile phones should be switched off. I have received apologies from Irene Oldfather and Alasdair Morrison.

Agenda item 5 is a claim for expenses from a witness under the Parliament's witness expense scheme, so it involves details of a named individual. Do members agree to take the item in private?

Members *indicated agreement*.

Organic Farming Targets (Scotland) Bill: Stage 1

The Convener: Agenda item 2 is to begin the committee's consideration of the Organic Farming Targets (Scotland) Bill. This is the first day of evidence at stage 1. Further meetings will be held on Tuesday 10 December and Tuesday 17 December. Today, the committee will hear from three panels of witnesses and, after opening statements from each panel, members will have the opportunity to ask questions.

Before we reach that stage, I welcome Robin Harper MSP, the designer of the bill, and congratulate him on bringing it to this stage. I am sure that it took a great deal of hard work and dedication. Given that, the committee felt that it was only right that he be allowed to introduce the bill. The minister will give evidence at the end of the process. That will be a more thorough session than today.

Robin Harper (Lothians) (Green): The bill has been three years in gestation. Three years ago, a meeting took place with more than 70 people from all parts of Scotland, representing stakeholders in farming and organic farming, at which the possibility of an organic targets bill was discussed. Subsequently, a proposal was submitted, which was modified to reflect the criticisms that were made of it, and we have spent the past two and a half years with a guidance group working on the detail of the bill.

I pay tribute to the enormous amount of work done by the non-Executive bills unit and the help that it has given us to produce a small but beautiful document, which will be an effective piece of legislation.

I have some major concerns. First, without the bill, it is the view of the majority of the bill's supporters that Scotland will be uncompetitive in the organic produce market. Secondly, we need a market-pull, Government-push balance, which the bill will provide. Thirdly, organic agriculture is the only market-driven part of agriculture at present and the Government and the Executive must meet the market half way.

An action plan could mean anything and it could mean nothing, but an action plan with targets will give everybody the confidence to make things happen. Scotland is a long way behind its European competitors.

On the market, 70 per cent of the organic food that is sold in Scotland is imported; only 30 per cent of it is grown here. There is continued growth, there is a market and there is market pull.

Members will have received lists of the benefits of organic farming and there is a consensus

throughout Europe and in this country that organic conversion has significant benefits for land management and the environment. A recent study presented to back up the English organic farming action plan found that of 11 measurements—biodiversity, nutrient pollution, pesticide pollution, energy efficiency, soil protection, carbon dioxide, ammonia, nitrous oxide, methane, controlled wastes and pathogens—organic farming gives significant benefit in most and there might be benefits in three, but research has not established that yet.

There is absolutely no doubt about the environmental benefits of organic farming. I hope that, by the time the committee finishes taking evidence, it will be persuaded that there is no question about the environmental benefits. We need to consider whether we need a target. I will argue very strongly—and I hope that, by the end, the committee will agree—that we need to set a target; having an action plan will not be enough.

I am happy to take questions at this point, before the committee hears from witnesses. I gave the convener a guarantee that I would keep my remarks to a minimum.

The Convener: Thank you very much. I am afraid that I was slightly remiss at the beginning. We are initiating the legislative procedure, so I should have asked whether members have interests to declare. Unless Stewart Stevenson's new field is for organics, I am not aware of any interests that members have to declare.

Mr Mike Rumbles (West Aberdeenshire and Kincardine) (LD): The bill is about changing agricultural land to organic production, so anyone with agricultural land surely has an interest.

The Convener: In that case, I am happy to declare an interest as an owner of agricultural land in south Ayrshire.

Mr Jamie McGrigor (Highlands and Islands) (Con): I declare an interest as an owner of a hill farm in Argyll.

Stewart Stevenson (Banff and Buchan) (SNP): For the avoidance of doubt, I own a three-acre field upon which another farmer puts sheep.

John Farquhar Munro (Ross, Skye and Inverness West) (LD): I declare my small interest in crofting. I am a poor deprived crofter. That is the extent of my interest.

Mr McGrigor: When we were talking about recycling, I came across a good deal of worry among various councillors in the Highlands. One of the things they said was that there should be no targets without markets. They were set targets, but were unable to market the products that they were recycling. Does Robin Harper see a way round that? As he said, we import 70 per cent of our organic produce. How will we get the markets and should there be targets before we have markets?

Robin Harper: The answer to that is clear: there is a market for organic food, and it is largely a matter of import substitution. If we grow organic food here, we can sell into a market that, at the moment, is flooded with imports from abroad. There is no reason why our farmers should not compete with those imports, which will usually be more expensive because of the transport costs involved, particularly if they come from our European competitors.

At the moment, there is an imbalance. Organic farmers from England are to get higher levels of support than is the case in Scotland. There will be even more competition in the Scottish organic market if we do not do something about it here.

The Convener: I welcome Elaine Smith back to the committee after a period of illness. It is nice to have you with us.

Elaine Smith (Coatbridge and Chryston) (Lab): Thank you, convener—that is very kind of you. I welcome Robin Harper to the committee. I imagine that it must be odd for him to be sitting at what is an unusual place at the table for him.

My question is basic. Will Robin explain why we need to legislate for targets? Do they have to be enshrined in legislation? Is that the case in other countries?

Robin Harper: I will answer the last question first. Twelve European countries have now set targets and have produced, or are producing, action plans. Austria, Denmark, England, Finland, France, Germany, the Netherlands, Norway, Northern Ireland, Sweden, Switzerland and Wales have targets of one sort or another and action plans. We need targets, first, for reasons of market competitiveness. Secondly, the countries that I have listed have adopted targets because that gives everybody—consumers, the retail market and farmers—confidence, as they know that the Government will back them.

Elaine Smith: So you think that it is absolutely necessary to legislate for targets.

Robin Harper: Yes. I think that it is safer and better to legislate, because one way or another, we have changes of Government every four years.

Elaine Smith: And—

The Convener: I point out that we are very short of time; if I may move on to other questions now, we could come back to you later. Do you feel that your question has been answered?

Elaine Smith: I do, but I would like Robin Harper also to tell us how he envisages achieving the targets, in the context of the proposed action plan.

Robin Harper: There is quite a lot of detail in the plan. I could provide the committee with our detailed advice and a list of all the things that we wish the action plan to include. We can also give the committee examples of other countries' action plans.

Fergus Ewing (Inverness East, Nairn and Lochaber) (SNP): Which of the countries that you mentioned have legislative targets?

Robin Harper: I do not know off the top of my head.

Fergus Ewing: Could you find that out, for the benefit of the committee?

Robin Harper: Yes.

Fergus Ewing: How will your bill make the industry more competitive, as you have said it will?

Robin Harper: I would say that the bill will encourage the industry to be more competitive. The supply chain is currently very inefficient. The bill provides a framework to aid the removal of barriers through a targeted action plan, which it will obviously be up to the Executive to produce.

We need further research, advice and development to refine organic production. Research has not been backed here to the same degree as it has been down south, and other countries back research even more than that. For example, privately funded research has been going on at the Rodale Institute in the United States, which is beginning to show huge on-going benefits: the longer a piece of land is farmed organically, the greater the benefit. We need research of that sort to be undertaken on Scottish soils. I hope that such research would prove that the same would apply here.

Supermarket contract agreements work against organic producers' long-term financial security because of short-term uncertainties and inappropriate sourcing standards, which often result in the rejection of the produce. The bill seeks to establish co-ordinating functions in Scotland between stakeholders to iron out such difficulties in the supply chain. That is all contained in the written submission.

14:15

The lack of on-going payments for environmental goods by the Scottish Executive puts all the costs of delivery on to the shoulders of consumers. The bill does not require the Executive to enter into on-going payments, but it provides a robust framework for that to be implemented effectively, should it choose to. The quality of what is produced by the bill will depend very much on what the Executive does to implement it. That is very clear.

The bill is deliberately non-specific about what should be in an action plan, because what needs to be in an action plan will change from year to year. That is why the bill is non-specific. It just defines the types of land that should be targeted for conversion. That is important, because there is an imbalance at the moment. Eighty-five per cent of organic aid goes to upland grassland and only 15 per cent goes to lowland land. As Fergus Ewing well knows, there are difficulties in finishing lamb organically in Scotland. We have stuck with the simple things in the text of the bill and left the production of the action plan very much up to the Executive.

The Convener: There may be a difficulty in finishing lamb, but is not there an equal difficulty in finding a market for it at any premium. That is also the case for milk. We have received a letter from a producer, which says:

"Last year, from 1 2/3 acres we produced 65% of the cauliflowers bought in Scotland by Organic Farm Foods … We also grew 10 acres of organic potatoes last year. Despite achieving a very acceptable crop, we could not sell these due to lack of demand and they were used as stock feed. At the same time, Tesco were importing Austrian organic potatoes."

How would the bill overcome that problem?

Robin Harper: We hope that it would iron out a lot of the difficulties, but we do not expect organic farmers to get extra protection from the same vicissitudes that all farmers face. Our view is that organic food gets a price, not a premium, and that price goes up and down. I hope that the bill would provide continuity for organic farming in the same way that conventional farming has continuity. Organic farming in Scotland is not allowed that continuity because of the rapid cut-off of supports—much earlier than in any other part of Europe.

My adviser has brought a couple of points to my attention. Organic milk is in over-supply in Scotland, but why is there no visible organic butter on sale? We source it elsewhere. If the Executive took the bill to heart and produced a proper action plan, there would be a market for organic butter in Scotland, because the Executive would do everything that it could to get people together so that there was sensible development of all organics sectors.

The Convener: I shall stop you there, as I am keen to hear from other members, but I am sure that we shall return to those points later on.

Robin Harper: I am sure that you will.

Rhoda Grant (Highlands and Islands) (Lab): My point is along the same lines. I am wondering whether it would be better to have a robust action plan rather than targets. Organic upland hill farms need to put stock on to lowland farms for finishing,

so they need to find an organic farm to take that stock. The way that the market works just does not allow for that at the moment. Would not it be better to make the effort to create such networks and those lines of buying and selling, rather than setting a target that the Executive may put in place but which might not lead to increased availability of local organic produce?

Robin Harper: The bill requires the Executive to produce an action plan. The action plan is absolutely crucial to the success of the bill. The bill is not just about a target. It requires the Executive to produce an action plan and to update it regularly. Having an action plan is central to the bill. You are absolutely right to say that we need a robust action plan.

I hope that the committee concludes, at the very least, that we desperately need a robust action plan for organics in Scotland. I also hope that, in the end, the discussion will focus on whether targets are needed to support the continued action plan. I would argue that we need such targets.

Stewart Stevenson: I want to consider the position of the consumer. Can you point us to objective research on consumer preferences that shows the extent to which they are derived from perceived health benefits, flavour and taste, and the greater scepticism in modern times about mainstream products being of a relatively generic quality? Are consumers of organic produce particularly influenced in their buying decisions by the country of origin of those products?

Robin Harper: According to Mintel, far more consumers are positive about organic foods. As Stewart Stevenson knows, Mintel is one of the major research organisations. A higher proportion of the people whom Mintel researched cited the safety and better taste of organic produce than said that they worried about the non-uniform nature of some fresh organic fare or believed it to be unsafe. Anybody who has bought organic carrots knows the difference. Twenty per cent more consumers said that they regarded organic food to be safer than took the contrary view.

That is the viewpoint from one consumer survey. I am not saying that it is totally backed up by the science, but scientific studies have been conducted that give a fairly robust amount of evidence. One example is that the dry weight of organic foods is considerably greater than the dry weight of conventional foods. That means that people are getting more nutrients per pound from organic food. There is also some evidence from the Soil Association to show that organic produce contains more vitamins, especially vitamins A and C and trace elements.

Stewart Stevenson: Can the committee have access to that information?

Robin Harper: Yes. It is in the Soil Association's report, "Organic farming, food quality and human health: a review of the evidence", which was published in 2001.

Mr Rumbles: Let us assume that the Scottish Executive has decided, in its wisdom, that targets are a good thing. Ross Finnie, the minister in charge, would produce an action plan to achieve those targets in the same way that targets are set for renewable energy. If my understanding is correct, the bill is designed to place a legal requirement on the minister to set 20 per cent targets and produce an action plan. I was not happy with your answer to Elaine Smith's question. You did not seem to be able to tell us whether the full force of the law applied in European Union countries. What penalties will the full force of the law that you propose impose on ministers who fail to reach their target? Do we need to go down a legislative route, which is quite different from the routes that have been followed before?

Robin Harper: I will answer the last part of the question first. The need comes from the fact that we are so far behind the rest of Europe. We are about 12th in the league of developed European countries. Our organic farmers are really missing out. They do not need the Executive saying that it will do something for organics, which tails away after an initial start; they need something robust.

As far as penalties on ministers are concerned, we could not conceive of one. We will not know until 2010 that the target has been reached. By then, we might have a different Government and we will certainly have a different minister. How is it possible to penalise ministers along the way?

If we have reached a conversion figure of only 10 per cent across all sectors of land use when the term that the bill specifies runs out—10 years after publication of the targets—it will be incumbent on successive Governments to make attempts to reach the targets. That is the meaning of the bill.

Mr Rumbles: That issue is important and goes to the nub of the bill's raison d'être.

The Convener: I ask Mr Rumbles to be as brief as possible.

Mr Rumbles: I will try. My question hits the nub of the issue. If Ross Finnie said tomorrow, "Right—we'll have 20 per cent targets and an action plan," would you drop the bill? I see no penalty or onus, and I do not quite understand the bill's raison d'être. Is not the decision for the Executive?

Robin Harper: I thought that I explained that perfectly clearly at the beginning. Between now and 2012—when the targets will run out, if the bill

is passed this year—we will have elections in 2003, 2007 and 2011. If the bill is passed in its present form without amendment, the onus will be on successive Governments to reach the targets.

Mr Rumbles: However, the targets can be ignored without penalty.

Robin Harper: That is clear, because the bill includes no penalty. The bill places a duty on Governments. A penalty could be imposed on a Scottish Government only if the target were European.

John Farquhar Munro: There is undoubted interest in and demand for organic produce in all its shapes and forms. Do you agree that it would be better to allow the organic sector to achieve its potential based on consumer demand, rather than setting a target? If the target is not achieved, the organic farming industry will be in difficulty.

Robin Harper: I disagree. In Scotland, it is clear that the only effect of the market—which is big—has been to draw in imports. That is because organic farming does not have enough support to allow it to compete effectively against those imports. The situation will worsen with the added help that is being given to farmers just south of the border. Leaving the situation to the market is not enough—that has landed us with our current problems. Organic farming needs support, an action plan and targets to back that action plan.

Richard Lochhead (North-East Scotland) (SNP): I congratulate Robin Harper on placing the matter on the agenda. It is good that our committee is turning its attention to the sector. I know that some people have gone organic then converted back to conventional farming. Do we know why people do that? Could an organisation sue the Government if the Government did not meet its targets?

Robin Harper: That possibility had not occurred to me. Perhaps we should take legal advice between now and when I next appear before the committee, which might allow me to answer that question and Mike Rumbles's questions.

Organic farmers fail for the same reasons as other farmers fail. Farmers fail and succeed all over the country. Someone might choose the wrong organic market to enter or their farm might be relatively small and not permit the rotations or diversity that would allow them to survive. People make mistakes. Some people who farm organically in parts of their estates might farm land elsewhere conventionally, to be on the safe side. There is no one reason.

I would argue strongly that there are many organic farmers who convert back because they do not get enough support for a long enough period of time. There is a serious problem. With a small, stretched team, the Scottish Agricultural College gives an enormous amount of help to organic farming throughout Scotland. It is not able to offer the same amount of support that is offered in England, where one can get an expert on one's farm for up to one and a half days—the process is not done over the telephone.

14:30

The Convener: Thank you for a brief exploration of your bill. As you are aware, we will have two more days of oral evidence on the bill. I hope that you will feel free to join us for all or some of that exercise. We look forward to seeing you again at the end of the process.

Robin Harper: I hope to be here for every minute of the evidence. I look forward to seeing members again in three weeks.

The Convener: I ask our first panel of witnesses—Alex Telfer, Patrick Holden and Dr Nic Lampkin—to come forward. Good afternoon, gentlemen, and welcome to the Rural Development Committee. I hope that we do not come over as frightening as we might appear from your angle. We try not to be frightening. You make up the first of three panels from which we will hear today on the Organic Farming Targets (Scotland) Bill.

Alex Telfer is a former chair of the Scottish Organic Producers Association, Patrick Holden is director of the Soil Association and Dr Nicolas Lampkin is from the Organic Centre Wales. The format is that each witness will make a brief opening statement. The briefer they are, the more questions we can ask. The purpose of the session is to allow us to get information from our questions. We will proceed in the order that I have indicated.

Alex Telfer (Scottish Organic Producers Association): As the convener mentioned, I am past chairman of the Scottish Organic Producers Association. I come here not as an academic, but as a practising organic farmer. We produce organic beef and organic sheep in the southern uplands of Scotland, down in the Scottish Borders. I will give evidence on behalf of SOPA. I hope that members will have read our written evidence, which states our case. We support many aspects of the bill.

The Convener: That was commendably brief.

Patrick Holden (Soil Association): I would like to start by congratulating Robin Harper on his work in producing the bill. We do not have a Robin Harper in the Westminster Parliament or in the Welsh Assembly—Nic Lampkin will confirm that. His work is tremendously important.

The bill could produce much fruit for Scottish agriculture and public health, because agriculture

is in a state of crisis and a new direction is needed. One of the most important benefits of the implementation of the bill is that it would give every Scot the right of access to an improved quality of diet and better, healthier food. That should be the birthright of every Scot. In my opinion, the bill will facilitate that.

Scotland is particularly well suited to a significant increase in organic farming. In my experience, Scottish agriculture is the best practised agriculture in Britain. The country has a fantastic, clean image. Quality should be the hallmark of Scottish produce. Scottish agriculture will never compete in the global market; it has to go for quality. Scotland is at an important strategic moment in its history.

Dr Nic Lampkin (Organic Centre Wales): Thank you for the invitation to give evidence. I am here partly in my capacity as director of the Organic Centre Wales, which is an initiative for information dissemination that was set up by the National Assembly for Wales as part of the Welsh action plan. Under that plan, a target of 10 per cent for organic output has been set for 2005.

I am here also as a researcher who is involved in research into organic farming policy at the European level. I co-ordinate European-funded projects on the subject and work on the European Commission's expert working group on the European organic action plan. I also have experience in relation to the establishment of the English and Welsh action plans. I bring that policy-making expertise to the committee. It is useful to examine the experience in other countries and I hope to be able to offer some insights on that during the session.

The Convener: I thank the witnesses for being so brief, as that allows us to maximise the number of questions, which I will start. Patrick Holden mentioned that there is no Robin Harper in England or Wales—or Northern Ireland, I assume. Despite that, those parts of the United Kingdom have, I think, organic action plans. Those action plans seem to have gained a degree of acceptance without legislative targets being written into them. Where do you feel that they fall down?

Patrick Holden: The action plan that was agreed recently in England is a major step forward. I will pick up on several of the points that have been made in criticism of having an action plan. It has been suggested that growth should be left to the market. There is a great danger in that: the market alone cannot deliver to society the wider benefits that come from agriculture with improved-quality food. Organic farming delivers a range of much wider benefits.

If we have an action plan that, as Robin Harper said, successive Governments do not own, there is a danger that the momentum will not be kept up. That is a weakness of action plans.

The other specific criticism of an action plan that overstimulates supply is that it does not pay enough attention to the public side—the demand. That is a criticism of the English and Welsh action plans. We cannot assume that demand will automatically grow in line with supply. More effort must be put into increasing demand. In that respect, the Scottish action plan could learn from the weaknesses of the English and Welsh action plans.

The Convener: You mentioned market forces. Do you agree with SOPA's written evidence to us, which states that, to be effective, targets have to respect market forces?

Patrick Holden: I agree only partly. I am a dairy farmer, although I am very much part time these days. I currently receive 18p a litre for my milk, which is probably a minimum of 30 per cent less than the cost of production. However, I am in favour of further stimulating conversion to organic dairy production in England and Wales because it is in the strategic best interests of the agriculture of those countries that there should be more organic dairy farming. It would bring environmental benefits, employment benefits, animal welfare benefits and public health benefits.

I am acutely aware that there is a short-term market over-supply. To tackle that, the action plan in England—and in Scotland, if there was one—should address the need to stimulate more demand through public information and education programmes and through public procurement. If that were done adequately, the limited short-term surpluses, to which some of those who have made submissions on the bill have referred, would be soaked up and become a thing of the past.

The Convener: Although I directed that question to one witness, if other witnesses feel that they have a contribution to make, they should just catch my eye and I will ensure that they are able to say anything that they wish to say. That will apply to other questions as well.

Mr Rumbles: As I see it, there are two issues. One is whether Scotland should have targets and an action plan to achieve them. Having read the written evidence and heard what the witnesses have said, I am sympathetic to that. The other issue is whether the Scottish Parliament should, as Robin Harper wants, put on the statute book laws to force the Executive to have targets and an action plan and to force the Executive to reach those targets. In your written evidence, none of you alluded to or commented on that second issue, which to me is far more important. Do you

believe that legislation is the right way to go about achieving the targets and action plan?

Dr Lampkin: To answer a question that came up earlier, from my knowledge, the Swedish target was set by the Swedish Parliament, with the ministry of agriculture being responsible for following it up. I could not tell you what form the decision took—whether it was by regulations or a parliamentary vote—but it was a Swedish Parliament decision. The Danish action plan is within the framework of the Danish law on organic farming that was passed in 1987, so again it is in the context of a legislative base. Those are two key European examples in which a legislative approach applies.

The English action plan came about only because of similar initiatives to try to get an organic targets bill through Westminster. Although Patrick Holden said with due compliments to Robin Harper that there was no equivalent to him, Joan Ruddock, Simon Thomas and the others who attempted to steer a similar bill through Westminster deserve credit for creating the political circumstances that led to the English action plan. A case can clearly be made that a legislative base will guide and encourage the hand of future Governments, whatever political complexion they may have, and the officials working in the Scottish Executive.

Mr Rumbles: So you think that the bill's purpose is to guide and encourage the Executive to take action?

Dr Lampkin: I would have thought that there is a case for a parliamentary indication, as in the Swedish example, to say to the Government that we want action to be taken, especially in situations in which it is not being as proactive as it could.

Mr Rumbles: I want to develop this. You mentioned the Swedish and Danish examples of using the legislative process, although you are unsure of whether either Parliament passed a law. I would be interested to find out a bit more about that. Assuming that we go down the route of legislation, you said that you want to guide and encourage the Executive, but the point of having a law is to ensure that something is enforced. There is no point in having a law without any enforcement action or penalty. Will you comment on that?

Dr Lampkin: I cannot comment in detail about what forms of censure might be appropriate. It seems to me that if a parliamentary decision is made or a law passed, some form of censure should be possible on the Government for deliberately not achieving the targets. However, we cannot get into a situation in which we force farmers to become organic in order to achieve a target. That is unrealistic and would work the wrong way round. Targets are important in encouraging strategic thinking about the role that organic farming can play in the overall agricultural policy mix. That is very important at the European level. Targets are also important in ensuring that resources are allocated to make it possible for change to take place in response to farmers' desire to convert and consumers' desire to purchase organic products.

We need to avoid getting into situations such as we have experienced in England, in which the level of interest in conversion meant that resources ran out and many farmers were disadvantaged in trying to take those steps forward. Ensuring that resources are available and committed is important, but we cannot force farmers to convert.

Mr Rumbles: Do you think that there would be a danger that any legislation would be ignored if there were no penalty?

Dr Lampkin: I cannot comment on the way that the Scottish Parliament would deal with the issues.

Patrick Holden: I agree with Nic Lampkin. It is good that there is not a penalty. If the bill were passed, it would change the tone of the debate and move it out of narrow party politics into a challenge that every party would have to address. It would make organics a central part of the agenda for the future of food and agriculture in Scotland, rather than a marginal niche issue, as it is at the moment.

The bill would also increase the confidence of the farming community in the future direction of Scottish agriculture. Many thousands of farmers are faced with the worst economic crisis for a century and are wondering what the hell to do. They need strong signals on the direction in which society wants farming to go. If the bill were passed, I think that it would increase confidence in the farming community, as that community would rightly expect more action, whichever party was dominating the Scottish Parliament.

14:45

Alex Telfer: From the outset, we in SOPA have been supportive of the bill and many concepts in it. However, if I put on my practical farming hat and think about the setting of targets, two words spring to mind: "commercial" and "suicide". There will always be a difficulty in setting down in law that 20 per cent of something needs to be produced, for example. Such targets can be set for renewable energy and recycling, but how can there be legislation on what people consume?

As Patrick Holden said, one issue that needs to be addressed is education. Perhaps local authorities need to be encouraged to use

wholesome organic food in hospitals and schools, for example. The public should begin to be educated at an early age through being fed nutritious food. Setting down percentages in stone with a legal stamp is difficult.

Mr McGrigor: If we stimulate organic production without stimulating the market, the price premium of organic produce could be eroded. If we stimulate the market without stimulating home production, the market will be taken up by imports. What has happened to the price premium in countries that have targets? Does the bill address such issues?

Dr Lampkin: There are two aspects to the matter—I will return to your specific questions later.

One issue that concerns me is putting the market in an appropriate context. Organic farming is an approach to agriculture that has been developed not to exploit a market niche, but to pursue specific objectives relating to environmental protection, human health, food quality, animal welfare, social justice and so on. Many people share broader political targets in their policy goals.

The market developed when there was absolutely no policy support for organic farming as a way of supporting farmers who wanted to pursue those broader goals. Keeping the market as a means to an end rather than an end in itself is an essential part of developing organic farming policy.

Again, I would like to highlight the Swedish experience. There, in policy terms, organic farming is supported like any other agri-environment scheme. There is no formal link to the market in the Swedish Government's organic farming policy—it is just like any other agri-environment scheme. Farmers can choose to be certified, but do not have to be. That means that there is involvement in the market where that is appropriate, but production—which is where the environmental benefits come from rather than from the marketing of the organic product—can be pursued as far as farmers are willing to go and the Government is willing to pay. It is important to distinguish between broader objectives and the contribution that the market can make as a means to an end.

In answer to the specific questions, the premium for organic products varies considerably from country to country over time. There are periods of rapid growth that lead to periods of over-supply of some commodities. Those periods are followed by periods of consolidation, in which the premium stabilises again. There can be turmoil in parts of the UK market, but it would be a big error to say that there are premium problems everywhere. Against a background of continuing growth in demand, which can be supported as part of the policy mix, the assumption that, because supply is encouraged, prices will fall, is not necessarily true. There has to be a careful approach and an appropriate mix.

Patrick Holden: Dairy farmers in Denmark have been receiving on-going support for some years. Every Danish kroner of support from the public purse is money that does not have to be passed on to the consumer, which makes the price of organic milk more accessible to Danish consumers. As a result, 30 per cent of the liquid milk market is now organic, compared to less than 3 per cent in the United Kingdom.

Because of the on-going support, Danish dairy farmers have a competitive advantage over British dairy farmers, who have no on-going support. That means that Danish dairy farmers can export their products more competitively than would otherwise be the case. Danish dairy farmers still get a significant premium, but it is less than they would need if they did not receive state support.

Mr McGrigor: In the Highlands and Islands, the majority of livestock goes through auction markets. If a farmer sells his lambs or store calves at a market, the only way that they will remain organic is if they go to an organic fattener. Do you see the present system of auction markets lasting or will growers and producers have to find buyers who are organic themselves to achieve a premium?

Alex Telfer: That is happening currently. SOPA is trying to put finishers in touch with buyers. That is where the imbalance has been in the conversion of organic producers. In fact, the Scottish Executive has issued criteria by which it can pre-select the farming that needs to be selected for the organic aid scheme grant. We can begin to redress the terrible imbalance by which it has all been hill farmers and not enough low-ground farmers.

The imbalance arose because many hill-farming producers dived into organic production to get the organic aid scheme grant. They were absolutely squeezed to the limit, and the threat of poverty drove them to organic production. It was a case of any port in a storm. They went into organic farming with no real means of finishing the livestock because, quite honestly, hill farming had not been receiving the support that it needed at the time. Those farmers went into organic production, and perhaps there has been an imbalance in that there have not been enough low-ground farmers.

It is vital that producers in Scotland are given some form of on-going payment. There is a temporary imbalance and a temporary blip in the market. We are trying to explore options for exporting finished lambs. Unless there is enough

production, we cannot even consider looking for an export market, but until there is an export market, more production cannot be encouraged. It is very much a chicken-and-egg situation. To protect the investment that has been made in the five years of conversion to organic production, an on-going payment would be a small price to pay. If the organic strategy group can produce an organic action plan, it will have done a great job. All those aspects are interwoven, and there are many different problems.

The Convener: We are discussing a more sustainable type of farming, but the current length of questions and answers is entirely unsustainable. I ask that answers be confined to one witness, if possible.

Elaine Smith: My problem is that I have two specific questions for two different witnesses. My first question is to Patrick Holden about something that he said earlier. I do not think that support for organic production is necessarily narrow party politics. The principle could, and will, be a cross-party issue. Personally, I would certainly not suggest that anything be left to the vagaries of market forces. Are you saying that you believe that targets enshrined in law would influence the market? That would make it the opposite way round. Is changing the law the only way to do that?

Patrick Holden: Nic Lampkin said that there are good strategic reasons, which are not related to the market, for encouraging much more organic production. Many public benefits would arise from more organic production, regardless of whether the market took up all the products. As I said, I have a personal interest in not being the victim of an over-supplied market.

An action plan would have to invest almost parallel amounts of effort and money to ensure that the market grew in parallel with the increase in supply. If that were done, there would not be a problem, because many people are latent organic eaters—they are just not aware of how beneficial it would be to change the way that they eat and perhaps to pay a little bit more for their food. We have to tackle that. We are a collection of nations that are obsessed with cheap food. We need to do something about that.

Elaine Smith: I have a brief question for Alex Telfer, because I am not quite clear about something that he said. In your paper, you welcome the establishment of the

"10 person Organic Stakeholders Group to advise the Minister on the production of a Scottish organic action plan."

So you are saying that an action plan will be produced. You go on to say that

"SOPA supports the introduction of the Bill"

but I was not clear from your last comments whether you categorically support the bill. Could you clarify that for me?

Alex Telfer: We support the introduction of the bill.

Elaine Smith: So you think that legislation is the way to proceed.

Alex Telfer: We see the introduction of the bill as the best catalyst for the Government to take action on a proper strategic action plan for the industry.

Elaine Smith: But do you not say in your paper that action is being taken anyway, because the group has been set up?

Alex Telfer: Yes, the group has been set up. We feel that the introduction of the bill will focus the Government's attention on the matter even more.

Elaine Smith: I am still not clear, but I will leave it at that because of the time.

The Convener: As convener, I am allowed a small supplementary question on this issue, because it is important. Paragraph 3 of the submission states that SOPA notes the use of targets

"elsewhere in reinforcing Scottish Executive policy to deliver other aspects of sustainable development such as waste minimisation / recycling and the expansion of renewable energy sources"

yet I think that I am right in saying that Mr Telfer, in an answer a few moments ago, said that organics could not be treated in the way that those sectors are treated. Could you enlighten us on that?

Alex Telfer: It is much easier to legislate for the end users of recyclable materials and renewable energy than it is to legislate for the consumers of organic food.

Richard Lochhead: I have two quick questions, the first of which is for Alex Telfer. You keep referring to the introduction of the bill. Do you mean the bill becoming legislation to get action from the Government, or do you mean just having the debate and having the bill before Parliament and getting the debate on the agenda—in other words, using it for pressure?

Alex Telfer: We support the bill going forward for legislation at this stage.

Richard Lochhead: You seem a bit hesitant.

Alex Telfer: That is because I have personal difficulties with percentages. I find making them law difficult.

Richard Lochhead: My second question is also for you, because you alluded to it. Should the bill refer to specific targets, or should it just ask the Government to publish targets?

Alex Telfer: It would be helpful to aim to have targets, but the setting of specific targets is difficult. There needs to be some flexibility in the various commodities and types of farming. To state that the target is for 20 per cent of agriculture to be organic is tricky, but targets need to be set in legislation to keep up the momentum, as has been stated.

Richard Lochhead: I accept that you say we should set targets, but I do not understand what your view is. Are you saying that the target should be stated in the bill, or that the bill should just state that the Government should publish targets?

Alex Telfer: It should legislate that the target should be set.

Richard Lochhead: In the bill, as in 20 per cent, 30 per cent or whatever?

Alex Telfer: The bill should state that targets should be set. Advice should be taken on targets being set. I think that setting out a percentage at the outset will be extremely difficult. I turn to Patrick Holden on that one because I find the issue of percentages difficult.

15:00

Richard Lochhead: This is an important point, on which we need further clarification. I am as confused as I was before I asked my question.

The Convener: It is confusing.

Patrick Holden: Two camps have obviously emerged in this discussion. I think that the views of those camps are simple. First, if farmers are worried about an over-supplied market and prices dropping, they might say that that situation is the typical result of Government interference with the market. That is a market-type view. I would say that it is the Thatcher-type view—that is not meant against the farmers concerned, but against the view that markets are sacrosanct. There is a lot of that view about.

The other view is that if farmers ensure that they deal with problems that relate to over-supply—which we are all facing and which are real problems—the problems need not arise. I suspect that the farmers who have doubts about the targets in the bill would have their fears allayed if there was evidence that uptake through public procurement and through education and information programmes was stimulated to take care of increasing output.

Rhoda Grant: My question leads on neatly from that. Given that the people whom you would be encouraging to convert to organics through the bill are individual farmers who tend not to be parts of big companies, what kind of support would they need to help them to convert? If farmers rush to convert and the result is over-supply, farmers will eventually go out of business and there might be less supply than there was at the start. That could turn farmers against converting, because they would see that it might be difficult for them. Moreover, farmers who had already converted might not be able to continue without significant support. Should there be a buffer to get over such a situation?

Patrick Holden: I tried to address some of those points in the answer that I just gave. A strong support package is needed to ensure that the farmers who convert are given good advice, not just on production, but on getting their products to sustainable markets. Therefore, alongside aid incentives for conversion and on-going support, there needs to be a parallel investment in the development of marketing infrastructure and consumer information programmes. Public procurement could be a huge element in that. It is apparently the case now that nearly 50 per cent of all food that is consumed is catered. An awful lot of that goes through schools, hospitals and various other programmes. If even a small percentage of Scottish public procurement came from organic production—I gather that European legislation has now cleared the way for that—it would have a tremendous impact because it would provide continuing, secure outlets for farmers who convert.

Rhoda Grant: How could you protect that? For example, as part of the action plan, targets could be set for public agencies such as schools and hospitals to cater with organic food. They could be told that they must use X amount of organic food. If that is not available, taxpayers' money will be supporting an import market from which we are trying to get away.

Patrick Holden: That is why the target is needed: to get the farmers providing the product. The Italians did exactly that. They set targets for schools to use local organic food, which is causing a revolution in the Italian schools catering sector. I am told that the average amount of money that goes into a school lunch is 35p. I think that that is the case in England and Wales, but I do not know whether it is the same in Scotland. In Italy, that figure has gone up to the equivalent of £1. That commitment is having a huge effect on the revitalisation of local food economies. I think that something similar could be done here.

Rhoda Grant: So you are saying that two targets should be set: one for conversion and one for purchase.

Patrick Holden: Yes, but I think that many targets are needed—targets within targets.

Fergus Ewing: If targets are imposed because of the bill, inevitably some farmers will eventually

be forced into organic production. That is the logical conclusion. Did I pick you up right when you said that you are a dairy farmer and that your costs for producing a litre of milk exceed the money that you receive for that milk?

Patrick Holden: That is correct.

Fergus Ewing: How can you advocate that as a long-term formula for success for other farmers, if you are making a loss?

Patrick Holden: It is not terribly sustainable, but the non-organic dairy sector is in an equally deep hole at the moment. Hardly a dairy farmer in the country is receiving a price that covers their production costs. That is part of the much deeper malaise that is affecting the whole of agriculture. However, if there were continuing support for organic farming and if the market-stimulating measures that we talked about were implemented, I think that that would move us away from the problem that we are currently in.

Fergus Ewing: You also said, quite rightly, that consumers who purchase organic food do so at a premium—they are paying a higher price. How can less well-off people have any organic food if they cannot afford it?

Patrick Holden: Public procurement is one mechanism. Providing on-going support for organic farming is another. Every pound that the state puts into a system of production is a pound that the market does not have to pay.

Fergus Ewing: Let us take that formula as a modus operandi. Obviously we in the Parliament have a limited budget and we have to decide how best to spend it. You mentioned children in school. I would love to see Scottish children getting free milk throughout their primary and secondary schooling. That would be terrific and it would do wonders for the future incidence of osteoporosis, for example. Would putting money into something like that not be better for the common weal than paying a premium price for the production of organic milk?

Patrick Holden: It depends on whether you see organic farming as being an integrated system of production that delivers a range of benefits, one of which would be high-quality milk. Those same dairy farmers would be improving biodiversity, landscapes, rural employment, animal welfare and a range of other outcomes, as well as providing a benefit for children at school. That is the kind of integrated thinking that is needed.

Fergus Ewing: I understand that as a theory, but not how to put it into practice. What is wrong with milk produced in Scotland and which milk producers are producing unhealthy milk? If you cannot answer that, is it not the case that milk is just a healthy drink that is already good for us? Some people might like to be able to choose organic food, but only a small minority of people will be able to afford the premium.

Patrick Holden: I did not come here to criticise non-organic dairy farmers, but I will say a couple of words. The price pressure on industrial dairy farming has forced farmers into practices that have compromised the quality of the milk—cows that produce high amounts of milk and are given long-acting antibiotics during the dry period, and which are stressed constitutionally because of how they are treated. There is a lot wrong with modern dairy farming and it is going rapidly down a road that is not in the public interest.

Fergus Ewing: I understand your views. If you have any evidence to substantiate those claims, we would be seriously interested to see it. It goes to the root of the debate. There is an assumption that organically produced food is better for the consumer and for the animal. I am not persuaded that that is the case, but I would like to see evidence. If you have evidence for the propositions that you have just made about animals being stressed and cows being forced to produce milk in a way that is unhealthy for them—and presumably against animal welfare—you should come forward with that evidence. Perhaps you could send a supplementary note.

Dr Lampkin: If organic farming is generating environmental benefits that accrue to society, there is a question as to whether you should expect a limited number of consumers to pay a premium as a means of paying for and supporting those environmental benefits for the rest of society. The environmental case for organic farming is well established. It has been accepted and evidence has been published in Europe. It has been accepted as part of the Department for Environment, Food and Rural Affairs action plan. If we are going to support the provision of school milk, there is a clear case for asking why it should not be organic; if it were, society would also get the environmental benefits.

Fergus Ewing: Would it cost more and if so, how much?

Dr Lampkin: In many of the public procurement projects, it could cost more. However, if you consider the premium that the farmer would be getting, by the time the whole process has been gone through and the milk has reached the consumer, it does not have to be that significant. We are not talking about very large percentages.

With a creative approach to public procurement, it is possible to find mechanisms that will bring costs down to an acceptable level. For example, the Viennese hospital system, which operates public procurement programmes, uses 100 per cent organic milk. The hospitals now use a much

higher proportion of organic food, but because they have adapted their menus, the overall expenditure on food is not much more than it was under the previous regime, which used conventionally produced food.

If a creative approach to public procurement is taken, mechanisms can be found to address the price issue. An action plan and targets could help to focus attention on such an approach.

Stewart Stevenson: To some extent, my question will plough the same furrow. From my knowledge of prisons, which is a subject in which I take considerable interest, I know that the cost of feeding prisoners is on average between £11 and £12 a week. Based on the illustration that was given for schools, the proposal would mean an uplift in the Scottish Prison Service's budget of around £8 million a year. What uplift might be involved throughout the public sector if we proceed on the basis that has been suggested?

Patrick Holden: I do not have the answer to that question, but the issue of whether it is worth investing in improving the quality of food in hospitals and schools and the diet of the general population is crucial. If it could be shown that the long-term results of an inferior-quality diet are health problems—which cost the health service money—or other social problems, matters might be seen differently. For example, my daughter, who teaches in a school in London, notices that when kids consume processed foods and drinks with additives, the effect on their behaviour means that they are unteachable for a couple of hours. There is evidence to show that the behaviour of prison populations can be affected by shifts in the quality of the food that they eat. An investment in diet might produce long-term savings in public health costs or other social benefits, although I realise that that is long-term thinking and that I have not provided the committee with figures.

Stewart Stevenson: We must be robust on the matter. I listened carefully to your answer, in which you used the phrase

"If it could be shown",

which suggests that it cannot be shown at present and that there is no objective evidence. The suggestion is that the Parliament should deploy large sums of money from its frugal resources—I exaggerate for effect—to support the bill's objectives through increased expenditure on public procurement. There will not be a consensus in the Parliament in favour of proceeding on that basis unless the mechanisms by which the economic benefits could be delivered—if not the economic benefits themselves—are shown. How close are we to doing that?

Patrick Holden: Robin Harper mentioned the report that we published in 2001, which is on our website, but I will furnish the committee with hard copies, if you wish. That report pulls together 400 pieces of research that quantify differences between organic and conventionally produced food. Robin mentioned some of the differences that were found.

I will cite one example of what I think is a hidden cost of intensive farming that affects society as a whole. Antibiotics have been used more or less routinely in livestock feeds—particularly for pigs and poultry—for the past few decades. It is now acknowledged that the use of those antibiotics, which form at least 50 per cent of all the antibiotics that are in use for humans and animals, has contributed substantially to antibiotic resistance, which has led to untreatable superbugs in hospitals. We might be on the threshold of a post-antibiotic era, the cost of which to society will be enormous. That is only one small example of the hidden cost to society of intensive agriculture. The shifts that we propose are in the public interest and could save money in the long term.

Stewart Stevenson: I will close by saying that those of us who might be prepared to support and speak for the bill must have robust arguments. If money issues are key to the arguments against the bill, it is in the interests of those of us who might be prepared to support it to have robust rebuttals and that requires the benefits to be clearly delineated.

The Convener: On that note, I bring the session, which has been informative, to a close. I thank the witnesses for giving us their time. They are free to join us for the rest of the afternoon.

I will suspend the meeting for five minutes, to allow the changeover of witnesses.

15:15

Meeting suspended.

15:19

On resuming—

The Convener: We move now to our second set of witnesses, who are David Younie, from the Scottish Agricultural College, Peter Stewart, from the National Farmers Union, and Drew Ratter, from the Crofters Commission. Each of them may make a statement.

David Younie (Scottish Agricultural College): I work as an organic farming adviser for the Scottish Agricultural College. In that capacity, I have been giving farmers advice for a number of years. We started doing research on organic farming in the 1980s and we have built up from there.

I agree with the bill's sponsor about the public good element of organic farming, particularly in

relation to the environmental benefits that can accrue from organic farming, especially in low-ground mixed arable units. Unfortunately, of course, a large part of the recent expansion in organic farming in Scotland has been in rough grazing.

I emphasise the fact that Scottish organic farmers are at a competitive disadvantage to their competitors in the rest of Europe. We have a high level of imported organic produce, which indicates that there is a market for it. What the ultimate size of that market might be, I do not know, but there is scope for replacing some of the imported goods with home-grown goods.

It is clear that organic farmers in other countries in Europe have competitive advantages. In many European countries, there appears to be more enthusiasm at a Government level for organic farming than there has been in Scotland and the rest of the UK. A coherent approach has to be taken to developing the organic sector in Scotland.

Peter Stewart (National Farmers Union of Scotland): As well as being the vice-president of the National Farmers Union of Scotland—not the National Farmers Union—I am a working farmer and am highly involved in the marketing of my produce. I know what marketing is like at the sharp end.

The introduction of the bill has placed the future of Scotland's organic sector firmly on the political agenda and we welcome that. However, we firmly believe that the setting of arbitrary targets for production is not the route to go down. It will not serve the interests of current or future organic producers. We believe that it is time for an organic action plan to be developed to tackle the factors that are currently holding back the development of the organic sector in this country.

The Scottish Executive launched "A Forward Strategy for Scottish Agriculture" last June. It is a positive strategy that is endorsed by all the major stakeholders in the food and farming industry and calls for farming to respond to market signals. It is important that the development of the organic sector works within the framework that was established through the strategy. The use of targets presents the obvious danger of driving an industry down a route of production although there is no demand for the end product. Choosing to convert to organic production should be an individual commercial decision. Organic production will be of benefit to some but not to others.

There is no doubt that there is scope for the organic sector to develop in this country. It has been said already that 70 per cent of the organic produce on our shelves is imported and we could clearly produce some of that here. There is scope for a greater Scottish supply to the market.

Rather than setting arbitrary targets, we could have an action plan to address the issues that have prevented the sector from reaching its potential. Strengthening the processing and marketing of organic produce and ensuring standards are appropriate for Scottish farmers would best serve the organic farmers and their customers.

We believe that the premise of setting targets is flawed. However, the bill and the minister's stakeholder group, on which the NFUS is represented, have created a momentum that we should take advantage of. The stakeholder group and action plans should form the catalyst for any future direction that we might take.

The Convener: Thank you. I must apologise for the error in my introduction. When I was a member of the NFUS, I always thought that it was the NFU.

Drew Ratter (Crofters Commission): I just want to say a little bit about who I am and why I am here. I suppose that I have been a crofter all my life, as were my parents before me. As a result, I have had quite a long time to study crofting and its development.

I have been involved in public life in the Highlands and Islands for the past 20 years, mainly in connection with land issues of one shape or another. The Crofters Commission and the Scottish Crofting Foundation were asked to field someone to represent crofting interests, which is why I am here this afternoon.

After watching the development of agriculture, crofting and land issues in the Highlands and Islands, I have reached two conclusions. First, we cannot compete in any form of production without support. I would prefer to receive support that was freely given from the public purse, since we are producing public goods.

Secondly, crofting is extremely responsive to policy instruments. That is why when agricultural policy—both European and national—seemed to suggest that the best course was to maximise the number of sheep we had, we did so. However, in Shetland, we reached the point where we had far too many sheep and found it difficult to support them and indeed to finish a reasonable number. That point is relevant to the organic argument. In the 1960s, Shetland was producing about 40,000 lambs, almost all of which were finished. By the late 1990s, when the store price and the sub were very high, we were probably producing about 120,000 and it was impossible to finish anything other than a tiny fraction of that number. Things changed in one direction; they can always change back again.

Many people would say that crofting is more about providing land for a house and a base for other opportunities. It is both those things, but the

agricultural component is also extremely important. In future, much of agriculture will consist of producing smaller amounts of high-quality food for markets that are as near as possible to the point of production. Organics can play a respectable part within a proper policy framework. However, although our written submission establishes that crofters are seriously interested in organic farming, it also points out that unless the right framework is in place they simply will not be able to pursue it.

Fergus Ewing: The previous witnesses referred to the market as if there were somehow a free market in agriculture in Europe. Of course, because of the common agricultural policy and subsidies, there is no such thing. David Younie mentioned that Scotland is at a disadvantage to other European countries; indeed, one of the submissions that we have received claims that farmers in Scotland and south of the border receive only a seventh or an eighth of the payment per hectare that is received in Sweden, which is £534 per hectare for five years.

I mention that because there might be some support for an action plan that is backed up by ministerial targets, although it would be essential to work out such targets with the industry. However, as long as some EU countries pay whopping big subsidies that are seven or eight times the amount that is paid in the UK, how can any action plan or targets, ministerial or otherwise, possibly succeed? If the CAP applies to general support payments, is it logical to argue that it should also apply to the extent to which EU states are allowed to assist organic farming, which is a method that we would all like to be used more?

15:30

David Younie: I refer back to the comments about organic farming being a public good. The decision is a political one about whether the Government of a particular country wants to support an environmentally friendly farming system.

Fergus Ewing: I understand that, but should there not be a common EU standard? As long as there is no such standard, Scottish farmers will continue to be paid a fraction of what is paid elsewhere—an eighth, in comparison with Sweden—for each hectare of land. Given that, how can any action plan or targets, no matter how worthy they are, succeed in replacing the 70 per cent of organic food that is imported with the produce that we can grow here? Should there be an EU standard to govern aid towards organic produce in general?

David Younie: That would certainly be a good thing. Nic Lampkin knows more about the subject than I do, but I know that steps are being taken towards creating a European action plan, which I believe will have targets attached to it. Clearly, we should try to move things forward on a European basis.

Peter Stewart: We have always been clear that the payments are an aid to cover income lost in the conversion process, but we have been keen for the industry to be market led from there onwards. At the moment, any aid that goes into the organic scheme takes money away from an underfunded rural stewardship scheme. However, if it were apparent that other countries are prepared to give aid to their organic producers, we would not like to see our producers underfunded or having to compete with one hand tied behind their back. I agree that our organic producers should be treated on an equal basis with those in other countries.

Fergus Ewing: In some EU countries, organic farmers receive assistance post conversion, but that does not happen in Scotland. I presume that that puts the Scottish farmers at a disadvantage.

Peter Stewart: It also serves to blunt the market signals. The whole thrust of agriculture now is to be as competitive as possible on the world stage. We need to respond to all market signals by looking at what consumers want and getting it in front of them in the form that they want. We need to set up the whole supply chain so that there are no gaps in the market and so that the whole process is controlled. For example, 80 per cent of all consumption is sold through supermarkets. Clearly, a professional set-up is required to be able to supply that outlet. That is what we should aim for, rather than setting arbitrary targets.

Drew Ratter: I would certainly like to see more of a level playing field in Europe. From a crofting point of view, agricultural support differs vastly across Europe. The UK has generally tended to support generic agricultural produce. Those who live in crofting areas, where stock is spread over extensive areas and the headage on a given area of land will be low, have always been and will continue to be disadvantaged by that kind of system.

What we are trying to produce needs to be broadened and extended so that it is seen as a public good. I have always believed that the average urban person would not mind paying a small amount extra if they thought that that would produce something in the way of a decent environment in the country. However, they might be reluctant to pay that amount if they thought that it simply produced yet more sheep in the Highlands and Islands.

David Younie: I disagree a little with what Peter Stewart said. I am not sure that we can leave everything to the market. I recently visited Canada

and eastern Europe and, quite frankly, what I saw frightens me as a Scottish person. I cannot see how Scottish producers can compete against the resources, such as the soil quality, that those countries have. The commodities that Scotland needs to encourage should be high-quality produce. We need to encourage Scottish consumers to buy a Scottish product, whether it is organic or conventional. We need to go down the line of high-quality, environmentally friendly farming systems. If that requires support, we should agree to that.

Elaine Smith: I have a few questions for Peter Stewart, although others may also want to come in. Mr Stewart, you will correct me if I am wrong, but I take it from your evidence that you do not support the bill, although you indicated that the introduction of the bill is to be welcomed because it has placed the future of the organic sector on to the political agenda. Will you clarify that point?

Secondly, both in your written submission and in this afternoon's evidence, you have said that you do not support the setting of arbitrary targets. Would you support targets if they were not arbitrary? What would that involve? For example, would that require achievable research or assistance?

Finally, I understand from other evidence that we have received that the organics stakeholder group, of which the NFUS is a member, held its first full meeting on 21 November. Can you tell us where the group intends to go from there?

Peter Stewart: Let me make it clear that I am not in favour of setting targets. As I said, organics offers opportunities for our members and for consumers, if they can buy Scottish organic produce. I have no difficulty with that.

The fact that the committee is talking about organics once more—members were interested in the issue when I gave evidence on another subject—means that we will have support if an action plan comes forward with positive ideas on where we should go. The strategy group does not meet very often, but NFU Scotland is keen for it to meet and to formulate positive ideas for the future of the industry. Clearly, the industry needs to invest in research and development on production methods that differ from those used in conventional farming. Moreover, the industry needs to commission research into how best to set up an effective supply chain, bearing in mind that it must meet the demanding requirements of the supermarkets. People in the industry need business advice so that they do not start producing organic produce without having a business plan and a target.

There are many issues that the strategy group should be investigating. Those issues should be built into the action plan because they, rather than production targets, are the way forward. The strategy must be market led.

Drew Ratter: A lot of today's discussions have centred on the need for targets. I am looking to a future in which we have a minister who wants to further organic farming and has an action plan and various strategies to facilitate it. I do not understand why we should not have targets. If we have a plan, we must have something against which it can be measured. We need to set targets and to see whether they can be achieved. I cannot understand why targets are perceived to be bad.

Elaine Smith: I presume that the minister intends to take forward the issue and, given the creation of the strategy group, agree an action plan. There are different opinions about targets—one of the tests of whether people support the bill is whether they believe that targets should be included. Peter Stewart said that the strategy group does not meet very often. How often does it meet? Does it have an action plan?

Peter Stewart: The group is developing an action plan. To return to the point about targets, we have information from other countries that use targets. Denmark and Austria have the highest organic share of the food total—Denmark has 6 per cent and Austria has 5 per cent. Therefore, even though targets are set, production levels out at what the market requires. Targets are not set in Scotland. Organic milk totals are included in the totals for normal milk production and organic lambs are sent to abattoirs with conventional lambs because there is no specific market for them. There is no way of setting a target without making reference to the market.

Elaine Smith: Could setting targets influence the market?

Peter Stewart: No, that is not possible.

David Younie: I should just add that the minister wants the stakeholders group to produce an outline plan by the end of January.

Elaine Smith: Mr Younie, do you think that targets could influence the market?

David Younie: I agree with Peter Stewart. I do not think that the setting of targets will in itself influence the market, although the measures introduced under the action plan could have an influence. By that I mean consumer education or any other actions that might increase demand.

Elaine Smith: So targets could influence the market, depending on what is behind them and what is involved in the action plan.

David Younie: I am not an expert in these things, but I guess that that is a possibility.

Mr McGrigor: My question is directed at the NFU and the Scottish Agricultural College.

The Convener: You mean NFU Scotland, not the NFU.

Mr McGrigor: Yes, NFU Scotland—I beg your pardon.

My question comes from a Highlands and Islands angle. Given that store lambs and store calves could be described as cash crops for most low-ground farmers and that marketing is currently all arranged through auction markets, which cater for a huge proportion of marketing in the Highlands, is it possible that the whole marketing system will have to be changed? I do not see how it will make the slightest difference to the low-ground non-organic farmer whether he buys organic hill lambs or not. Might the proposals mean the end of the current auction market system?

Peter Stewart: No. The auction markets that have been successful are those that have moved with the times. The one through which I sell knows what I am producing and can find buyers for it. That is why I deal with that market. Any method of selling has to evolve with the times. If there is a clear organic market, that will be highlighted to people and, as it has done before, the market will put buyers in touch with sellers.

We need a properly thought out marketing process, rather than having two or three farmers wondering where to market their finished organic store lambs. The whole thing has to be thought through and has to involve all parts of the chain. That could mean auction markets; it could involve producer groups. There are any number of ways of doing it.

Mr McGrigor: You mentioned finished organic store lambs; I was talking about lambs that come to the market as store lambs and are sold when they are not finished. Many Highland farmers have approached me asking whether they should go organic. How will the marketing work?

Peter Stewart: As I am sure you will know, finishers require an organic-status field with a clover mix in it and a supply of organic feed to finish the process. That all has to be thought through and the whole process has to be in place before the farmer starts the chain going. However, the chain has been started but the whole thing has not been thought through as far as the supermarket shelf.

Mr McGrigor: This question is to Drew Ratter. You say in your submission:

> "it must be remembered that organic crofts are low intensity units".

Does it not follow that farmers who go organic will produce less weight of meat than they would have done in the past? If they do not get a premium, they will be worse off. Is a future premium guaranteed?

Drew Ratter: The market for sheep in particular is not static. The situation has been catastrophic for some years, and even with the 2002 recovery, the price this year was just heading towards two thirds of the 1998 price. The store sheep market has mainly developed over the past 30 or 40 years. It has been erratic, but the trend has been down recently, and a change is required.

As for weight, I would say that a certain tonnage of grass will give a certain tonnage of meat. If that grass is all used for store lambs, the farmers will have more lambs to sell, but they will get a similar weight with finished lambs. The issue is about change and adaptation. I agree entirely with Peter Stewart that the successful auction marts have taken such factors on board and are trying to work them into what they do. Simply pursuing the current line is not a good long-term strategy.

Crofting in general—not organic crofting in particular—is inevitably a low-intensity activity. The support structure that has existed until now is not advantageous for crofting. That is the main point that I wanted to make.

Stewart Stevenson: We have heard from witnesses that the issue is about a process of change. A number of witnesses have talked about the resources that are required to effect and support the change. We have heard from at least one witness that public procurement should support the change through additional funding. Where should the money come from?

15:45

The Convener: To whom are you directing that question?

Stewart Stevenson: The light on Peter Stewart's microphone has come on, so let us start with him.

Peter Stewart: I am sure that you realise that I am not suggesting that the organic sector should be supported through the public purse by the purchase of organics for the prison population, for example. I do not think that there is any necessity for that type of huge public intervention. Consumers will choose whether they want to buy organic produce for whatever reason. That and nothing else should drive the whole process.

Stewart Stevenson: I just want to pursue the issue with Mr Stewart for a minute. I will come back to the others. What role is there for the Government?

Peter Stewart: We have made it clear that the aid that goes to the organic sector just now comes

out of a very limited purse. We would like funds to be left for the rural stewardship scheme, for example, which is grossly underfunded. If the Parliament decides that it would like to support the organic sector more, it should consider how it could do that efficiently, such as by developing an action plan to let the sector deal with its own problems.

Vegetable producers, for example, do not want Government support; they want the market forces to govern the process. I think that the position would be the same for organic fruit or vegetable growers. Government support dulls market forces. The action plan would require some sort of funding, but that would be a lot smaller than a huge Government purchasing scheme.

Stewart Stevenson: My party is very much looking forward to facing the dilemma of finding money for priorities when we are in government next year. In the meantime, we are interested in what we should stop doing and paying money out for.

Drew Ratter said that urban people should pay a small amount. Is he suggesting a rise in taxation or is he saying simply that the cost of food should rise to support what appears to be a perfectly reasonable and laudable objective?

Drew Ratter: I am tempted to say neither. A considerable amount of common agricultural policy resource and national Government resource goes into supporting agriculture already. I am more interested in a sort of shift in what people are paying for. If I were an urban taxpayer, I might be paying such-and-such a fraction of a penny to support agriculture. If I thought that the money was producing something that I wanted, such as an agreeable environment with plenty of birds singing in it, I might be willing to pay. If I thought that it was going to produce yet more sheep or yet more oil-seed rape, I might not be willing to pay it.

Stewart Stevenson: I understand your point very clearly and I am quite disposed to support it if the arguments are provided. You talked about a shift in resources, but where would that shift be from?

Drew Ratter: I meant within the current agriculture budget. That would be adequate. I do not think that extra resources are needed.

Stewart Stevenson: Given that we are spending the current budget and that we are considering putting money into organic farming, what is the lowest priority in the budget, on which we should stop spending?

Drew Ratter: Within the CAP—I am staggering over the edge of the cliff—arable aid would do for a start. That is not a crofting priority.

Stewart Stevenson: I suspect that we might have had a good go at that line of questioning.

Rhoda Grant: My question is for Peter Stewart. The NFUS is a large organisation with a lot of farming members. What support have you given to your organic members to help them to form the networks that we discussed earlier? How successful have you been in that?

Peter Stewart: We have invited organic representation on all our committees, so that our organic members have a voice in every sector, including on organic aid and the livestock subsidy schemes. They are represented and we hear their voice. We represent the whole body of agriculture, which is why we pointed out that a presumption in favour of organic aid takes money out of a limited pot. We feel that there has to be a limit on the amount that goes into the conversion schemes.

Rhoda Grant: So you have not established an organic committee, for example, to help people to come together.

Peter Stewart: No, because the best way for such farmers to get their voice heard is to be involved in the NFUS action committees. There would be a danger of organic farmers being isolated into their own ghetto if we set up an organic committee. At the moment, their views are taken on board by the committees on which they are represented.

Rhoda Grant: Has that been successful in allowing them to form the networks that they need?

Peter Stewart: The farmers have taken up their places and put forward their views. I have listened to them on numerous committees—they have the right weight of voice for the small sector of agricultural production that they represent. They certainly make themselves heard when I speak to them.

Rhoda Grant: You are in the unique position of being able to gather members from the whole sector. I am not saying that those farmers cannot sit on other committees but, if the NFUS had a committee solely for organic farmers, they would be able to discuss issues, advise new entrants to the sector and form the necessary networks.

Peter Stewart: Our environment and land use committee deals with organic issues and the organic farmers are represented on all the other major committees of the union. I assure you that their views are listened to. As I have said, we realise that organic production is an opportunity for some of our farmers and we are keen for them to get a chance wherever they require it.

Rhoda Grant: We are still importing 70 per cent of our organic produce.

Peter Stewart: You should bear in mind the fact that we have an unforgiving climate. We cannot grow a lot of the produce that is sold as organic. Organic production also means that the farmers have to use physical labour to haul out weeds. Is it cheaper and more competitive to produce crops in a country that correctly has a minimum wage or in a country in which people can get away with paying someone only £30 or £40 a week? That is why some of the organic production is imported. There is no getting away from the economic drivers.

David Younie: I should say that we have been farming organically for 15 years but have never pulled out any weeds by hand.

Peter Stewart: Sheep will eat the weeds, but with vegetables there is no option.

David Younie: That is true, but only with vegetables.

Rhoda Grant: I have a question for Drew Ratter. You mentioned that we needed the right framework to help organic farming. Will you give us an idea of what you mean by the right framework?

Drew Ratter: At the moment, the situation is ominous. The organic aid scheme was some help, but there are various technical difficulties for conversion, especially in a crofting area, because of the ways in which organic rules and regulations have developed. There is no denying that some problems can be overcome, but others take a long time to overcome. We are talking about an area in which there are many geographical and structural handicaps, so conversions take time. We need a support scheme that recognises that and has a decent conversion period. We also need support thereafter, because for some time the area has largely been devoted to nothing but store sheep. It will take a considerable time to build up the necessary infrastructure. Many things are required and they will not come quickly. If we are going to make any progress and decide that organic production is a priority, we have to recognise that the process will take a long time.

Mr Rumbles: I have two questions. One is for the Crofters Commission and the SAC and the other is for the NFUS. The written evidence from the SAC says:

"We agree with the broad thrust of the Bill and with most of the specific elements within the Bill".

The Crofters Commission evidence says that it would

"wish to assert that some form of organic targets bill is undoubtedly necessary".

The stakeholders will report by the end of January and Ross Finnie may, I hope, produce targets and an action plan in February. Would Drew Ratter and David Younie welcome that? If that happened, would the need of going down the legislative route be avoided? Would it not be far better for the Government to say clearly what it is going to do?

David Younie: As a member of the stakeholders group, I can say that there is no intention at all of having targets as part of that process—the group is simply involved in drawing up an outline action plan. After the end of January, Ross Finnie will implement further discussions to flesh out that outline, but there is certainly no intention to have targets.

Mr Rumbles: In that case, what is the purpose and remit of the action plan?

David Younie: It is essentially to support the future development of organic farming in Scotland.

Mr Rumbles: But there are no targets.

David Younie: That is correct.

Mr Rumbles: That answered my question.

Drew Ratter: By and large, I would have given a similar answer.

Mr Rumbles: Turning to the other side of the coin, I want to ask Peter Stewart whether he really is not supportive of the bill. As we have heard from other committee members, there is effectively a cap—there is only a certain amount of money to go round. Your members are fearful of moving a certain amount of money from one area that is currently receiving support to a different area, because there would be a worry about winners and losers. Does that have any bearing on your motivation for the way in which you are answering on behalf of the NFUS?

Peter Stewart: If I were an organic farmer, I would be terrified at the thought of being told that 20 per cent of production had to be organic. If I were struggling to find the premium that I require and a mechanism to market what I produce in an orderly manner, the thought of having to produce an entire further tranche—without the policy being thoroughly thought through—would probably mean that I would give up organic production tomorrow.

I honestly feel that we are going about things in the wrong way. When selling anything, we must identify the end market, set up an efficient way of operating and use all the modern demographics. Supermarkets can identify what they need. They no longer want commodities—they need product and ready-to-eat meals. They must answer to the modern population. To set a target of 20 per cent, just because it is organic, is totally wrong.

However, there is an opportunity for farmers to grow organic produce. That is done by considering the sticking points, developing the action plan and doing what is required to cultivate what is undoubtedly a growing sector of the market.

Mr Rumbles: Witnesses from the Scottish Organic Producers Association said exactly the same thing yet, as I understand it, they are in favour of the bill. How do you square that circle?

Peter Stewart: That was for them to justify. I listened to them and they did not justify it very well.

Mr Rumbles: Do you not think that targets and an action plan to meet those targets would stimulate the market for organic produce?

Peter Stewart: I do not think so and neither does the NFUS.

Elaine Smith: My point follows on from an issue that we explored earlier and from what Mike Rumbles said. Obviously, we are not going to start a debate about economic systems and command economies versus laissez-faire economies. Nevertheless, are you saying that there should be no intervention? You obviously do not want targets, as that is Government intervention. That being the case, market forces should just go their own way. Are you saying that there should be no Government subsidy at all? Can you finally clarify whether you are in favour of the bill, because I am still unclear?

Peter Stewart: The Government support that we enjoy throughout the entire agriculture industry has well-known benefits in relation to the rural economy, if we take into account all the social, economic and environmental results and the huge production from the countryside. We are talking about whether a chunk of that money should be separated off and artificial targets set. We have already given substantial cash aid to help in the conversion process and money will be available in the future to those who convert to organic farming. We are talking about setting targets that relate to how far we should go down that route. It is wrong to keep a sector going artificially by continuing to plough funds into it post conversion. However, if that happens in parts of the continent, we would want equality here.

16:00

Elaine Smith: Surely one could make the same argument about the environmental and social benefits of organic farming. You might not agree with that argument, but it could be made.

Peter Stewart: Organic farmers get the same basic payments as farmers in the rest of agriculture do. We all get payments that allow us to produce in areas in which, as David Younie said, it would not be possible to compete with other types of farming, such as prairie farming.

Elaine Smith: Are you saying that Government intervention is all right sometimes, but that there are instances in which a laissez-faire approach is better?

Peter Stewart: Government intervention is all right for 100 per cent of agriculture. We are talking about putting more money into what some propose should be 20 per cent of the market. That would be wrong.

Elaine Smith: Who has proposed the figure of 20 per cent? Is that contained in the bill?

The Convener: The bill proposes a 20 per cent target.

Elaine Smith: So that is the bill's set target.

Drew Ratter: Agricultural support is not spread evenly across all types of agriculture, as I tried to explain. The vast majority of agricultural support in this country is based on current or past production, even though the wording is often rejigged to suggest something else. Therefore, areas where intensive production is possible get much higher payments than the extensive areas where intensive production is not possible.

Some of that support could have been balanced out through various environmental instruments, but there has been no such redistribution so far. The policy behind the rural stewardship scheme and an organic aid scheme, for example, which are box-checking schemes and which are the same for the whole of Scotland, in no way creates such balance. Its effect is to move everything east and south.

Peter Stewart: The last time that I gave evidence to the committee, we were talking about the Scottish Executive's discretionary spend, which amounted to £120 million. Of that, £60 million goes to the less favoured areas support scheme. I thanked the Executive for those funds. We appreciate the support that it has put into the remote areas—the less favoured areas—to help people there to keep farming. We will always support the provision of money by the Scottish Executive for those areas that could not survive without such support.

The Convener: On that note, we must bring the session to an end. I thank you for giving us your time and for answering the questions as capably as you have. You are welcome to stay with us.

Kevin Hawkins is the deputy chairman of the Scottish Retail Consortium and Alasdair Muir is the managing director of Quality Meat Scotland, although the agenda names Jan Polley as the QMS witness. I welcome both witnesses and thank them for making themselves available. You will know the form.

Alasdair Muir (Quality Meat Scotland): Quality Meat Scotland recognises and acknowledges the requirement for a sound organic strategy for Scottish agriculture. The world organic food market, of which there has been much talk, is worth approximately £15 billion. That represents

about 1 per cent of all agricultural land. The market for organic produce has increased, albeit from a small base, by about 30 per cent per year since 1986.

Organic produce is still quite a small niche market within household expenditure. That market amounts to £800 million per annum in the UK, which is equivalent to about £13 per year per head of population. However, there exists the potential for that market to grow as a profitable segment of the food and drink market.

Scottish organic livestock production comprises 9,000 cattle beasts, which represents about 2 per cent of the Scotch beef industry, and 250,000 organic lambs, which represents about 8 per cent of the Scotch lamb industry. Forty per cent of that production is marketed as organic.

Our agreed role is to support Scotch beef, lamb and pork brands nationally and internationally. QMS does, and will, support organic initiatives by way of integrated assurance assessments. Under the "Scotch" brand umbrella, we follow up on organic meat inquiries from home or abroad.

QMS welcomes supply chain initiatives and differentiated branding opportunities. My background is in brands and I am very much in favour of there being different products. The key requirement, however, is that each opportunity must be market and consumer driven. Successful brands are driven by profitable satisfaction of consumer requirements. That will not necessarily be accomplished by building a production base that does not respond to market needs of product, specification, pricing, positioning or distribution and supply issues.

The Convener: Thank you. I move straight to Kevin Hawkins.

Kevin Hawkins (Scottish Retail Consortium): All food retailers have their own strategies for responding to the market opportunities that the current growth of organics presents. At the moment, demand in most organic product groups is not a problem, although organic sales are skewed heavily towards social groups A and B and to regular organic produce consumers.

It is said that 10 per cent of all organic consumers drive 60 per cent of sales. That might lead the committee to think that there could be a long-term issue about growth in the organic market. If we are going to pull in the casual organic consumers who are deterred at present by what they perceive to be a price barrier, it is clear that something will have to be done to remove price as a barrier.

At present, problems relate to availability, continuity of supply and, in some cases, consistency of product quality. I have to say that we have, in one or two sectors, seen supply exceed demand. Someone mentioned that earlier; it is particularly obvious in the organic milk sector.

The Scottish Retail Consortium would like to see sustained increase in the output of organic products that can be grown, reared and processed in Scotland or in the UK generally. It makes good sense for a product that has a short shelf life and a relatively high level of wastage on the shelf to have the shortest possible supply chain.

The issue that is before the committee is not one of ends but of means. I have to say that there are differing views among the leading retailers on the setting of acreage targets: some are for a bill that includes targets on acreage, but I think that the majority are sceptical or are opposed to such targets. For the avoidance of doubt, I will say that I am with the latter group.

We all agree on principle that a national strategy for organics must be demand led. In recent years, we have seen how demand has been stimulated by a number of external shocks—one thinks of the BSE scare, genetically modified food, foot-and-mouth disease and the growing concern about the use of pesticides. The effects of those shocks on consumer behaviour has been quite sudden, whereas the response from the supply side has necessarily been delayed, partly because of the length of the conversion period and partly because of the low level of public support for conversion.

We cannot assume that demand will go on rising exponentially or at current rates, which is in my view what the acreage targets approach seems to do. Who knows where the market will be in 10 or even in 20 years' time? I do not know, the committee does not know and not even Patrick Holden knows. We know that supply follows demand, but we cannot assume that demand will follow supply.

The Convener: Thank you very much. We will move straight to members' questions.

Richard Lochhead: My question is for the Scottish Retail Consortium. Supermarkets often set aside small sections for organic produce. Do supermarkets ever go out of their way to promote the organic produce on those shelves? Do they run promotion days? Do they discount organic produce? I always think those shelves look like the wee posh bit of the supermarket—everything is always that bit more expensive and is displayed out of the way and all by itself.

Kevin Hawkins: There are two points to make about that. First, the demand for organic produce varies considerably according to the store and catchment area. I could compare stores in Glasgow or in Edinburgh which are only a couple of miles apart; one has good organic sales and the other does not, because their catchment areas are

socially very different. Their approach to merchandising will very much reflect the local customer profile.

That said, shelf space is limited. Shops have, especially in their fresh produce sections, a wide range of non-organic products to sell and it must be remembered that, in most cases, the customer base for organic produce is a small minority. It is growing, but it is small.

In some stores, demand can be expanded through a more aggressive approach to merchandising. However, if stores begin to cut prices, they immediately receive complaints that they are devaluing the product and undermining farmers' confidence in the security of the premium that they get from, for example, the Soil Association. Therefore, a balance must be struck. Stores are conscious of the need to promote organic produce, especially through imaginative merchandising. I agree, however, that that is not always apparent at local level.

Richard Lochhead: Is it worth while making any effort to make organic produce more mainstream?

Kevin Hawkins: As I said in my introduction, the only way to convert a large number of casual consumers would be to remove the price barrier. Our research and common sense tells us that the price of organic produce stops many consumers becoming regular organic buyers. We also, of course, run into the problem of the premium. If supply expands rapidly, the premium will decrease, which will reduce the incentive for farmers to start organic production. It is a catch-22 situation.

Richard Lochhead: Is the only concern economic?

Kevin Hawkins: As far as consumers are concerned, yes it is. Price is a major issue, not to committed organic consumers, but to casual consumers.

Richard Lochhead: You said that farmers are interested only in the price and getting the premium.

Kevin Hawkins: I did not say that they were interested only in the price. I said that the premium, which is the incentive to convert, is a major factor in a farmer's decision to begin organic farming.

Rhoda Grant: My question is for Alasdair Muir. You will have heard my questions about networks to the NFUS representative. Has Quality Meat Scotland considered setting up networks between organic producers?

Alasdair Muir: QMS has done that on a limited basis. It has not proactively promoted the organic sector; that is not because it does not want to but because, as I explained, only 2 per cent of Scottish beef is organic and it is therefore difficult to promote.

However, QMS was approached this summer by buyers from Switzerland who wanted organic Scottish lamb; Quality Meat Scotland, with Scottish Enterprise, arranged that sale. The results have not come through, but the process was useful, and the buyers were extremely interested. However, as I was driving them back from the farms, the Swiss buyer told me that when he saw the Scottish countryside he wondered whether it was necessary to buy organic meat. He assumed that all Scottish meat would be 100 per cent organic. Quality Meat Scotland will support organic produce, but given the amount of produce involved, its support is not as proactive as it could be.

Rhoda Grant: If targets were set, and if funding were attached to those targets, do you foresee that support developing?

16:15

Alasdair Muir: I am not an expert on the sort of targets that are set out in the bill, so I try to stay out of that sort of debate. How can I put it? Quality Meat Scotland tries to sit on the fence, as it were, because we are in a non-lobbying situation. As a marketer—having worked in the whisky industry and other industries in the past—I look to market only products on which I have done research to find out where the market opportunities for the products are. I would look at the market opportunity, see what the size of that opportunity is and then see what share of the market I might try to achieve. The target that would be set would be the target that I, as the producer, would set; it would not be a target that was set from outside by Government's saying, "We are going to try to achieve all of this, so you must go out and try to sell the product." Many products fail in the first place because producers did not identify the market that they had to sell into. Producers must establish that they are selling to the right marketplace before trying to satisfy it. You cannot just say, "We are going to produce X," and then go out and hope to find a market for it. That could be a dangerous precedent.

Rhoda Grant: Do you know whether any work has been carried out to examine the market and what could be supplied locally?

Alasdair Muir: Plenty of work has been done by the organic organisations on what can be achieved. Whether there is enough information to make such judgment calls is something that I am not qualified to comment on, but that is the sort of thing that we should certainly be looking at to develop the market. What market opportunities

exist is the sort of information research that should be done as part of a strategy for the organic market.

Fergus Ewing: We heard from a previous witness that there is no level playing field in Europe and that other EU states pay much more to farmers for producing organic food. I would like to ask Kevin Hawkins a few questions. You indicated that opinion is divided in the Scottish Retail Consortium regarding organic food and the effectiveness or otherwise of the bill. Are all the supermarkets behind the bill or against it, or could you explain which supermarkets are for it and which against?

Kevin Hawkins: Waitrose, which is not represented in Scotland, and Asda have gone on record as being for the bill. Tesco and we—Safeway—have gone on record as saying that we basically do not like an acreage target-led approach. We think that targets should be demand led. Others have either not spoken or have indicated support or scepticism towards a target approach. Because there is a division of views, there is no formal British Retail Consortium view or Scottish Retail Consortium view.

Fergus Ewing: I am grateful for your candour; that is not something that we always get. Could you continue in that vein by explaining why Asda and Waitrose are enthusiasts and why Safeway and Tesco are opposed?

Kevin Hawkins: The reasons why Safeway is opposed were summarised in my opening remarks, but I am quite happy to repeat them. I guess that those who support the bill see an apparently chronic shortage of supply in most areas, with one or two exceptions. They see that farmers are reliant on an uncertain future, with no clear signals from the market place, and perhaps they therefore believe that a longer-term commitment on the part of Government to expand the acreage would provide some confidence for farmers to invest and to convert.

Fergus Ewing: Thank you. You did indeed explain why Safeway opposes the bill. I put to you the proposition that if supply were massively increased—which the bill aims to do through 20 per cent targets—over-supply would lead to prices in the supermarkets falling. Would it?

Kevin Hawkins: Yes.

Fergus Ewing: If Scottish producers are encouraged to increase production massively and if we continue to have competition from imports, what guarantee is there that supermarkets will not continue to purchase a large proportion, maybe 70 per cent, of organic food from abroad? Even if we had an action plan and targets, imported organic products might still undercut those of Scottish farmers, particularly because EU producers receive more EU support.

Kevin Hawkins: That is a possibility. Of course, if we had a sustained domestic output increase in the areas in which there is a shortage, if we continued to expand demand for those products while simultaneously increasing supply and if we had the quality that we need, the home team would have an advantage over the foreigners in those markets. That would be for the reason that I gave earlier, which was that there are advantages in our having a short supply chain for products that have limited shelf life and a high level of wastage.

Fergus Ewing: If that is the case—I am willing to consider that in theory—why do many of my constituents and local farmers say that they do not get a fair deal from supermarkets for supplying local produce? Do you expect me to believe that there will be a golden tomorrow and a new age after Robin Harper's bill becomes law?

Kevin Hawkins: When you refer to local produce, do you mean organic or non-organic produce?

Fergus Ewing: I mean primarily non-organic produce, but I guess that the same considerations apply to organic produce.

Kevin Hawkins: Local produce raises a slightly different issue, but I am happy to talk about it. We have for several years continued to increase our range of locally sourced products. Safeway does about £700 million of business with Scottish suppliers every year. The problem with encouraging small local producers is that the products have limited shelf life and, although we have some consumer interest, consumers will not compromise their normal standards of quality and value just because a product carries a local label.

However, several extremely successful case studies have been conducted, particularly of firms that have started in a small way in Scotland, such as the Cream O'Galloway Dairy Company, which supplied us with products locally and now supplies them nationally. Unfortunately for the Scottish supply base, there are not enough case studies of success.

Fergus Ewing: The situation is not all bad.

Kevin Hawkins: I know that.

Fergus Ewing: I give Safeway credit for supporting Scottish farming in that way. Since you opened the door by mentioning the overall Scottish figure of £700 million, will you tell us how much Safeway spends on non-Scottish food production?

Kevin Hawkins: Are you talking about the production of products that we sell in Scotland or nationally?

Fergus Ewing: Perhaps you could clarify what the £700 million refers to.

Kevin Hawkins: The answer is difficult to give, for the simple reason that much of that £700 million relates to products that are sold in English stores and many of the products that we sell in our stores in Scotland cannot be sourced in Scotland. For example, we identified 45 product categories last year for which we had no Scottish supplier. We declared a public objective of achieving one Scottish supplier in each of those categories in the next five years. That has been a struggle, because often, the suppliers do not exist or are too small to compete.

Fergus Ewing: I hope that the struggle will continue and I appreciate your remarks, but what is the total spend in Safeway's Scottish stores on non-Scotland-produced food products?

Kevin Hawkins: I will have to guess; I am not sure of the question's relevance to the topic, but I will answer it to the best of my ability. Our sales in Scotland are £1.5 billion. I guess that, if drinks are included, probably about half that or slightly less by value is made up by Scottish products. We would like to increase that figure.

Mr McGrigor: My first question is for Kevin Hawkins. If the economy experiences a down-turn, do you think, or does evidence from elsewhere show, that the number of organic purchases will decrease?

Kevin Hawkins: Yes. Since the organic boom took off in the late 1990s, we have not had a serious consumer recession. Common sense says that if we had such a recession and consumer confidence was badly shaken, growth in the organic market would slow. Committed organic consumers would continue to buy the food to which they have become accustomed. I think that the strong bias towards the A and B consumer groups would continue. However, quite a lot of casual consumers—who are put off by price anyway—might stop buying organic products.

Mr McGrigor: My second question is to Alasdair Muir. Would you advise Scottish hill farmers selling stores—calves and lambs—to go organic?

Alasdair Muir: I would tell such farmers to examine the market and get themselves into a chain of supply; they should identify the market that they want to go into. If that means working with and tying in with a lowland finisher or linking up with an auction mart or a co-operative, they would have to do that. That is the kind of information and advice that should be in the action plan that should be getting back to the hill farmers.

Mr Rumbles: It seems that, along with NFU Scotland, your organisation does not support targets. You both believe that market forces should prevail and Kevin Hawkins said that demand does not follow supply. The market is certainly not king in farming, is it? I can see the NFUS representative shaking his head, but in answer to a parliamentary question of mine, Ross Finnie said that of the schemes that are available to farmers, the average subsidy is £19,000 per year. Land management contracts are on the horizon and we are considering the importance to the taxpayer of environmental issues. If Government is going to spend many millions of pounds subsidising the people who look after Scotland's rural environment, surely it is reasonable to ask that targets be set for organic production if that is what the Government believes the population would support. Do you agree that the argument is not just economic?

Kevin Hawkins: Why set targets only for organic farming? Why not set them for other products?

Mr Rumbles: If you will forgive me, I am supposed to be asking the questions. The Government sets targets on all sorts of things in order to achieve policy objectives because it believes that that is supported by the majority of the people at the ballot box. We will have a ballot on 1 May—environmental issues are to the fore at the moment and it is not just Robin Harper who believes that. The Government might well decide that targets are important and that having an action plan to achieve those targets is important. Do you acknowledge that the issue is not just about economics?

Kevin Hawkins: Yes, of course, because having given evidence to the Curry commission and participated in those discussions, and having tried to follow the byzantine workings of common agricultural policy reform and failed miserably most of the time, I am very much aware of environmental issues.

To go back to Mike Rumbles's earlier point about subsidies, it now seems to be the orthodoxy in the Department of Environment, Food and Rural Affairs and possibly in parts of the Scottish Executive that the sole subsidy system has disconnected farmers from their markets. Whether you accept that argument, the future trend of Government policy is probably going to be to reduce subsidies for production and to target them on environmental support.

It is perfectly logical to argue that we should support organic farming purely or primarily for environmental reasons—because it is "good for the environment"—and to say that it is important that we shift acreage in that direction. However, it makes no sense to do so without reference to the market, to how customers are behaving and to the signals that are being flashed to farmers, who are the producers, after all.

Alasdair Muir: Part of Quality Meat Scotland's frustration is that we are keen to work on the word

"quality" and produce a quality product despite the background of BSE, foot-and-mouth disease and a smaller regular supply base, let alone the organic supply base. Much of the current subsidies work against that.

I am not a technical expert, but all the experts tell me that, because farmers wait for second payments, animals—especially cattle—are not necessarily killed at the right time. Such matters are frustrating and distort the marketplace from the consumer's point of view.

Whether we talk about agriculture, cars or whisky, a latent consumer demand for a product must first be identified, which a company will then satisfy. The company can go for it and set its targets and share-of-market aspirations. To put out a product without knowing what demand one is trying to satisfy might be folly.

Mr Rumbles: If I have not misunderstood, both the witnesses accept that the Government uses a massive amount of taxpayers' money to subsidise farming in Scotland. To achieve Government policy, that money could be used appropriately.

16:30

Alasdair Muir: I accept that a lot of money goes into farming, but I am not qualified to say whether it all goes to the right place.

Kevin Hawkins: Whether the taxpayers will continue to support that subsidy is a moot point.

Elaine Smith: Kevin Hawkins talked about what affects the demand for produce. He mentioned price, which is a major factor, but he also mentioned factors such as BSE. To take Mike Rumbles's question a bit further, should the Government try to influence demand because of big social issues such as the overuse of antibiotics, which might result in superbugs such as methicillin-resistant staphylococcus aureus becoming prevalent? That big public health issue is staring us in the face. If that issue influences demand surely you, as a retailer, would wish to satisfy the demand. If you cannot do so because there are no targets and the supply does not exist, where does that leave you? Given that Asda and Waitrose support targets and Safeway and Tesco do not, why did you feel obliged to offer input to the process? Do you represent your industry fully?

Kevin Hawkins: I claim to represent the majority of my colleagues, although I hesitate to speak for the mighty Asda and one or two other companies of that nature. However, it is important that the committee is aware of the views of some retailers. If you want the views of others, you must ask them directly to give evidence.

Elaine Smith: Will you clarify which organisations you represent?

Kevin Hawkins: I represent the Scottish Retail Consortium.

Elaine Smith: What organisations make up that body?

Kevin Hawkins: We are made up of a large number of non-food retailers, although some food retailers, including me, attend regularly.

The Convener: I point out that Mr Hawkins is here at our invitation and that we are grateful to him for coming.

Kevin Hawkins: Thank you. I was beginning to doubt that.

Elaine Smith: I do not want you to feel unwelcome—I was simply trying to clarify which organisations you represent.

Kevin Hawkins: I never feel unwelcome in this city. We are the Scottish arm of the British Retail Consortium.

Elaine Smith mentioned public health and safety issues. There is no question but that when the BSE crisis began and there were banner headlines about Frankenstein foods and so on, demand for organic food shot up in all stores. That was a result of the fear factor and the feeling that organic food is much safer. It is interesting that a large proportion of consumers who buy organic food buy it for their children up to the age of seven. When the children are older than that, they begin to lose interest. The feeling that organic food is good for the kids has been a powerful driver.

Such shocks come along rarely—thank God—although in the past few months and years we have had enough of them to last the food industry a long time. In conjunction with the Food Standards Agency—which, to be frank, has a more important role than any central Government department—we try to respond to scares in a way that consumers will appreciate. The idea of farm traceability began as a response to BSE, which shows that we respond to scares.

My point, on which Asda and Waitrose would agree, is that one cannot extrapolate current demand, project it indefinitely and say that supply must increase to meet it.

Alasdair Muir: Elaine Smith talked about influencing demand, but I do not believe that simply creating production would influence demand. There must be a consumer pull to make that work. To influence demand, we should influence what the consumer wants.

Elaine Smith: I think that I made the point that there are many ways in which to influence demand.

The Convener: On that note, I thank the witnesses for coming and for giving their time. I

repeat that they were invited and that we are grateful to them. I thank them for adding to the evidence. More evidence will be added as the process continues.

Subordinate Legislation

Pesticides (Maximum Residue Levels in Crops, Food and Feeding Stuffs) (Scotland) Amendment (No 2) Regulations 2002 (SSI 2002/489)

The Convener: Agenda item 4 is consideration of regulations under the negative procedure. No member has said that they wish to comment and the Subordinate Legislation Committee had no comment to make. Is it agreed that we make no report to Parliament on the regulations?

Members *indicated agreement*.

The Convener: As previously agreed, the meeting will now continue in private. I ask security to clear the room and I thank the press and the public for their attendance.

16:35

Meeting continued in private until 17:34.

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