House of Commons
Scottish Affairs Committee

The future of Scottish agriculture post–Brexit

Ninth Report of Session 2017–19

Report, together with formal minutes relating to the report

Ordered by the House of Commons
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The Scottish Affairs Committee

The Scottish Affairs Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Scotland Office (including (i) relations with the Scottish Parliament and (ii) administration and expenditure of the offices of the Advocate General for Scotland (but excluding individual cases and advice given within government by the Advocate General)).

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The current staff of the Committee are Ben Williams (Clerk), Bradley Albrow (Second Clerk), Ben Rayner (Committee Specialist), Chloe Freeman (Senior Committee Assistant), Robert McQuade (Committee Assistant), and Nina Foster (Media Officer).

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Summary

Scottish agriculture is at the forefront of the food and drink industry, which is worth over £3.18 billion to the Scottish economy and supports over 75,000 businesses in Scotland. The UK’s departure from the EU will mean for the first time in decades Scotland’s agricultural policies will not be set within the framework of the EU’s Common Agricultural Policy (CAP). This presents new opportunities for policies which reflect Scotland’s needs, but also new challenges with possible changes to tariffs as well as reduced access to labour.

Leaving the CAP provides an opportunity to revisit how farm support is distributed within the nations of the UK. We call on the government to depart from the outdated method of allocating funding on the basis of historic values, which has failed to reflect Scotland’s unique agricultural conditions and practices and introduce a new system where a nation’s proportion of Less Favoured land is a central criterion in determining how much funding it receives. This would ensure that those farmers and crofters working in the most challenging environment receive the most support and be likely to lead to an increase in the proportion of the agricultural budget allocated to Scotland.

After Brexit, the Scottish Government must have at least the same flexibility over agricultural payments and policy as it currently does. We therefore welcome the UK Government’s assurance that Scottish specific farming support, like coupled payments, will be able to continue under the UK’s new WTO commitments and that agricultural common frameworks will not be imposed but agreed by consensus between the two governments. However, there’s been a lack of detail about what those common frameworks will contain and a worrying confusion about whether the Scottish Government has the power to continue to make support payments to farmers after Brexit. We recommend that the UK Government publish its draft agricultural frameworks and, alongside the Scottish Government, issue a joint statement on the future of farm payments.

Scotland’s agricultural sector is highly dependent on non-UK labour. However, it has faced increasing difficulties in recruiting sufficient labour in recent years, which is likely to get worse when EU free movement ends, leading to concerns about produce being left to rot in fields. The Government has responded by piloting a new Seasonal Agricultural Workers Scheme. While this is welcome, 2,500 workers a year will be incapable of meeting Scottish agriculture’s labour needs let alone the rest of the UK. To ensure there is an adequate supply of workers, the Government must increase the pilot to 10,000 workers, expand it to cover more sectors and commit to a permanent version of the scheme from 2020.

The Government is keen that all sectors, including agriculture, look to technology to reduce their reliance on foreign labour. While we believe there are major limits to the extent technology can replace labour in the agricultural sector, it can play a key role in improving productivity more generally. We recommend that the Government use its research and development budget to encourage new technologies and innovations to be developed with their practical application in mind, with bids for UK agricultural research having to include proposals for trialling and demonstrating the technologies they produce.
1 Introduction

1. Farmers and crofters are the bedrock of Scotland’s booming food and drink industry, the largest manufacturing sector in Scotland. In 2018 it supported over 75,000 businesses, employed over 8% of the rural workforce and contributed £3.18 billion to the economy.\(^1\) Scotland’s agricultural sector has supported this remarkable industry despite the fact that the vast majority of its farming land is classified as being a “Less Favoured Area”.\(^2\) This means that the land’s condition makes it less productive, with much of its use restricted to lower-value farming practices such as livestock grazing.\(^3\) However, this land is an essential part of Scotland’s iconic landscape with farmers and crofters playing a critical role in stewarding the environment.\(^4\)

2. Agricultural policy is devolved in Scotland, but the Scottish Government must exercise its powers within the overarching framework set by the EU’s Common Agricultural Policy (CAP). Under the CAP, the UK Government allocates agricultural funding to the Scottish Government, who then implement the policy in Scotland. This provides some flexibility in how support payments are designed and for some policy differences across the UK. When the UK leaves the EU, this will create the potential for greater policy differentiation between Scotland and the rest of the UK. We decided to hold an inquiry to look at the challenges and opportunities for Scottish agriculture as it leaves the CAP.

Our Inquiry

3. We received 30 pieces of written evidence and held eight oral evidence sessions hearing from: academics, farmers, trade associations, think tanks, and the UK and Scottish Governments. We also met with crofters on the Isle of Lewis and held a roundtable with researchers at the James Hutton Institute to explore the future of agricultural innovation. We are grateful to all those who contributed to our inquiry.

4. We begin this Report by examining the broad principles which should underpin future allocations of UK agricultural funding across the devolved nations. We then turn our focus to: agricultural payments to farmers and crofters; common frameworks for agricultural policy; and trade in agricultural goods. Finally, we consider the labour requirements of Scottish agriculture and the role of technology and innovation in addressing labour needs and improving productivity.
2 Agricultural funding

5. The UK currently receives around €4 billion from the European Union each year to deliver the Common Agricultural Policy (CAP).\(^5\) As agriculture is devolved, this money is distributed amongst the devolved administrations by the UK Government for them to implement agricultural policy in their respective jurisdictions. CAP funds can be split between two strands of payments:

- **Pillar I:** Direct payments to stabilise farmers’ income from market volatility. Payments are based upon the number of hectares farmed rather than production or income

- **Pillar II:** Payments to support rural development activity and tackle environmental and societal challenges.\(^6\)

For the current round of CAP funding (2014–2020), Scotland has been allocated over €500 million a year, 17% of the UK’s CAP budget.\(^7\)

6. The level of CAP funding that each devolved administration receives is based on historic values, reflecting what each nation received in previous allocations dating back to the early 2000s.\(^8\) NFU Scotland have been a longstanding critic of this method, arguing that historical allocations have failed to reflect the different agricultural conditions within the four UK nations, such as their proportion of Less Favoured Areas or the socio-economic challenges their agricultural community faces.\(^9\) The disparity over the UK’s LFA split is shown in the following table.\(^10\)

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5. UK Government, *Agriculture Bill Explanatory Notes*, 2018
9. FSA0003, Q200, Q203 Scottish Government, *Agriculture facts and figures*, 2019
Some of the challenges of allocating farm support on the current historical basis can be seen in the on-going dispute between the UK and Scottish Governments over the convergence uplift.

Convergence uplift and the Bew review

7. The convergence dispute arose from the EU decision in 2013 to introduce a new method to distribute CAP funding across Member States - the external convergence mechanism. Its aim is to support countries with low agricultural output, by awarding countries with low average payments per hectare additional funding. The UK qualified for a £190 million uplift in funding because Scotland had one of the lowest payment rates per hectare in the EU, which brought the UK below the qualifying threshold. However, as the Government allocated the 2014–20 CAP budget the same way as it had in previous budgets, between all four nations. Scotland was allocated £30 million.

8. At the time, the UK Government explained this on the basis that Scotland already received more funding per farm than other part of the UK. The Scottish Government however argued that the money was intended solely for Scotland, and that it is owed £160 million. When we heard from Fergus Ewing MSP, Cabinet Secretary for the Rural Economy, he said this equated to a deficit of £14,000 for every hill farmer and crofter in Scotland. National Sheep Association Scotland share this view, telling us that Scotland had been “tragically” underfunded as a consequence.

9. Most of our witnesses agreed that this dispute highlighted the need for a clearer and more objective allocation of funding within the UK post-Brexit. The Royal Society of Edinburgh said a new funding arrangement needed to be developed at the “earliest” opportunity, be fair and transparent and consider a number of factors including the “distinctive” regional and local needs of each devolved nation. Professor Michael Keating, Centre on Constitutional Change, said that this would need political agreement within government and amongst the devolved administrations which he felt would be difficult given the current impasse between the UK and Scottish Governments.

<table>
<thead>
<tr>
<th>UK Nation</th>
<th>Total agricultural land area (000ha)</th>
<th>Percentage of land designated as LFA (%)</th>
<th>Total percentage of UK LFA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scotland</td>
<td>6,184</td>
<td>86%</td>
<td>56%</td>
</tr>
<tr>
<td>Wales</td>
<td>1,903</td>
<td>81%</td>
<td>16%</td>
</tr>
<tr>
<td>Northern Ireland</td>
<td>1,058</td>
<td>69%</td>
<td>8%</td>
</tr>
<tr>
<td>England</td>
<td>9,575</td>
<td>18%</td>
<td>18%</td>
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</tbody>
</table>
10. Allocating CAP funding within the UK on historic values does not reflect Scotland’s unique agricultural conditions and practices. This has resulted in Scotland losing out on much needed funds and led to criticism of the UK Government’s handling of the EU convergence uplift. We recommend that the Government work with the devolved administrations to develop a new fair and transparent funding arrangement which meets the needs and individual circumstances of all the UK nations post-Brexit.

The Bew Review

11. When it committed to maintaining the same cash total for UK farm support until the end of this Parliament, expected to be in 2022, the UK Government also commissioned an independent review into the future funding of UK agriculture. This will recommend factors that should be considered to ensure there is an equitable allocation of convergence funding till 2022. Most of our witnesses welcomed this as a sign of the Government taking a new approach to intra-UK funding. However, some were critical of the scope of the review and the fact it would not comment on the Government’s current CAP budget allocation or make recommendations on agricultural funding post-2022.

12. Fergus Ewing MSP, Cabinet Secretary for the Rural Economy, told us that the Scottish Government had initially been informed that the Bew review would look back at UK funding decisions concerning the 2014–20 allocation, but that this had been “overruled” by the Treasury. Jonnie Hall, Director of Policy, NFU Scotland, meanwhile was concerned about the review’s legacy, saying it would be “beyond comprehension” for Lord Bew to make recommendations about funding allocated within the 2020–2022 period and then have those recommendations ignored after 2022.

13. However, when we heard from the Rt Hon Michael Gove MP, Secretary of State for Environment, Food and Rural Affairs, in June, he stated that the review could consider previous funding decisions and that its recommendations would now apply to funding post-2022, stating:

The whole point about the review is that it is there to look at a wide variety of factors. Of course, I cannot pre-empt the outcome of future spending reviews, but the whole point about asking this group of very distinguished people to look at the past and to take account of Scotland’s unique geography [...] is to make sure that we have informed basis on which to make judgements in the future.

14. We welcome the commissioning of an independent review into intra-UK farm support post-Brexit and are pleased that the Government has clarified that the review’s conclusions will inform funding post-2022. The rest of this Chapter will set out some of the principles which we feel should underpin and manage future funding arrangements in more detail.
Future funding principles

15. While it is still unclear how much money the devolved administrations will receive post-Brexit, there was a clear consensus from witnesses that future funding not be subject to the Barnett Formula, which is used to allocate funding for many devolved services in Scotland and does so based on a nation's population share. NFU Scotland said this would have a severe impact on agricultural support in Scotland and likely result in a substantial reduction in funding as demonstrated in the graph below.26

These concerns were shared by the Secretary of State, who assured us that future funding post-2022 would not be Barnettised.27

16. Throughout this inquiry several suggestions were made about which factors should underpin future funding arrangements. These involved having funding allocations reflect the proportions of different types of land in each nation and the benefits they provide, and other challenges nations face such as the need to encourage sustainable food production and to attract new entrants into the sector. The following land types were mentioned as possible criteria:

- **Utilised agricultural area (UAA):** The total area of land taken up by arable farming, permanent grassland and permanent crops. Scotland has approximately 32% of the UK’s UAA;28

- **Less Favoured Area (LFA):** The total area of land where agricultural production is more difficult because of natural constraints such as difficult climate conditions, mountainous terrain or low soil productivity. Scotland has over half of the UK’s LFA,29 and

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26 Scottish Parliament, *Funding of EU competencies post-Brexit: NFU Scotland submission*, 2018
27 Q581
28 NFU Scotland, *Submission to the Bew review*, 2019
The future of Scottish agriculture post-Brexit

- **Grassland/Farm Woodland/Organic Farm Area**: The total area of land consisting of either grassland, woodland or used for organic farming.\(^{30}\)

The graph below illustrates how the UK’s current allocation of farm support would look if these criteria were used. It shows that Scotland would gain under every indicator.\(^ {31}\)

17. NFU Scotland’s Jonnie Hall, told us his preference would be for future allocations to be underpinned by the designation of LFA across the UK. This he said would be an objective criterion, ensure that farmers and crofters in the most challenging topography were appropriately recognised and secure a sizeable increase in Scotland’s share of agricultural funding.\(^ {32}\) While UAA was also seen as a good non-historic allocation, NFU Scotland say it is a “blunt measure” in that it does not differentiate between broad land types and their ability to deliver economic, environmental and social benefits for the people working and living near that land. In addition, they say there is little rationale behind the idea that the more potential farmland there is the more support a nation should receive.\(^ {33}\)

18. Russell Smith, Scottish Crofting Federation, argued that by using LFA as an allocation criterion, funding would reflect the benefits farming LFA land provides other than agricultural output.\(^ {34}\) One benefit is population retention, as many remote communities are dependent on income from farms and crofts to support the wider local economy.\(^ {35}\) If the number of farms and crofts declined in these areas people would be likely to leave these communities. Such land abandonment would also have environmental consequences as LFA land is the richest source of biodiversity in Scotland and failing to manage this could see a dramatic decline in certain species.\(^ {36}\)

\(^{30}\) Scottish Parliament Finance and Constitution Committee, *Call for evidence on Funding of EU Competences: Written response from NFU Scotland*, 2018

\(^{31}\) FSA0003, Q207

\(^{32}\) NFU Scotland, *Submission to the Bew review*, 2019

\(^{33}\) Q209

\(^{34}\) FSA0019

\(^{35}\) FSA0021, FSA0019 and Scotland’s Rural College, *Farming’s Retreat from the Hills*
19. However, Russell Smith had concerns about the fact that there are only two categories of LFA, Severely Disadvantaged or Disadvantaged. Smith argued that these LFA areas were drawn too widely and took in some areas that were “less favoured or more favoured.”  
This issue was raised by crofters we met in the Outer Hebrides, who argued that poor quality crofting land was often treated the same as better quality land on the mainland.  
Scotland’s Rural College said this was not helped by the fact Scotland was operating on LFA mapping from the 1970s which was now outdated.

20. When we heard from the Secretary of State, he confirmed that a new funding system would consider factors such as the spread of LFA land in the UK and Scotland’s high proportion of livestock and upland farming:

   I have said to the Department, and indeed to the Treasury that we need to recognise that Scotland, because of its particular geography, because a high proportion of its agricultural land is in less favoured areas, because a high proportion of farming is livestock and upland farming, we do need to take specific account of that in thinking about funding in the future.

21. The distribution of agricultural funding within the UK must be based on objective criteria that reflects each country’s conditions and situation. This should reflect the fact that Scotland has a much higher proportion of LFA land and recognise the social and environmental benefits farming this land provides. We recommend that the proportion of a nation’s LFA land be a central criterion in determining intra-UK agricultural funding. While we do not know the total amount of funding available, this should result in a significant increase in the proportion of agricultural support allocated to Scotland.

22. We recommend that the Government consult on increasing the number of LFA categories used to make funding decision, to reflect the diversity of LFA land across the UK. This should ensure that farmers and crofters working in the most difficult and challenging landscapes get the support they need.

Funding cycles

23. In addition to establishing the principles by which the devolved administrations will be allocated a share of the UK budget, the Government will also need to determine the length of new budget cycles. Under the CAP, funding for Member States are set in seven-year periods due to the EU’s Multi-Annual Financial Framework. We heard this had provided certainty to farmers and crofters in Scotland allowing them to make long-term investment decisions.

24. The UK Government has not decided how long funding cycles will be post-Brexit, however we heard concern that it might choose to set agricultural funding on an annual basis. Scott Henderson, Vice-Chair, Scotch Beef Association, told us this would be incompatible with the beef industry which operated on a three-year production cycle.

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37 Q186
38 Scottish Affairs Committee, Visit to the Isle of Lewis presentation, 2019
39 FSA009
40 Q581
41 Q369
42 Q206
43 Q321
NFUS’ Jonnie Hall shared this concern, telling us that a yearly budget would be very difficult for farmers and crofters to plan for and would provide no long-term certainty.\textsuperscript{44} Instead he suggested that funding be set on a five-year basis, arguing that this would provide a degree of certainty to the sector in Scotland and suit most production cycles.\textsuperscript{45} This was welcomed by Willie Campbell, First Milk, who said a five-year budget would encourage more farms to invest in new farming practices and innovative technology.\textsuperscript{46}

25. While all witnesses were opposed to annual budgets, there wasn’t unanimous agreement that a five-year cycle was best. John Kinnaird, National Council for Rural Advisers, argued that funding be set for longer than five years to avoid budgetary decisions coinciding with parliamentary elections and thus becoming politicised. For consistency, he proposed the UK maintain the EU’s seven-year cycle.\textsuperscript{47} Whatever length of funding was decided, John Fyall, National Sheep Association of Scotland said it was important that the Government commit to a review mid-cycle to ensure it was still meeting the needs of farmers and crofters within the devolved nations:

\begin{quote}
I understand the complications, but for [the] agriculture budget, it should be a cross-Parliament thing where there is a commitment given to help or review if changes [are needed] between Parliaments.\textsuperscript{48}
\end{quote}

26. Farming is a long-term industry, and the sector needs a financial settlement that gives farmers and crofters the certainty to make investments that will not see returns for several years. \textit{We therefore recommend that the UK Government set agricultural budgets on a seven-year basis and commit to a review half-way, to ensure it is still meeting the needs of Scottish agriculture.}

\section*{Rural development funding}

27. Under the current CAP framework, Scotland has been allocated €478 million via Pillar II till 2020, which can be used to support rural development activity and tackle environmental and societal challenges. Unlike Pillar I funding however, this is co-financed by the Scottish Government, who provide an additional €675 million through the Scottish Rural Development Programme, and €367 million by transferring over 9.5% of their Pillar I budget.\textsuperscript{49} The following graphic shows how this is spent across Scotland.\textsuperscript{50}
The future of Scottish agriculture post-Brexit

Common Agricultural Policy 2014-2020
€4,574m

Pillar 1
2014-2020
European Agricultural Guarantee Fund
€4,096m

Fully EU Funded

Basic Payments
£262m in 2018/19
Annual payments for holding land based on 3 payment regions

Greening Payments
£131.5m in 2018/19 (30% of pillar 1)
Mandatory component for taking action for climate and environmental benefit

Other pillar 1 payments £44.5m in 2018/19
- Scottish Suckler Beef Support Scheme
- Scottish Upland Sheep Support Scheme
- National Reserve (*Young Farmers Scheme and *New Entrants Scheme)

*Schemes closed


Co-funded by EU and Scottish Government

Pillar 2
2014-2020
Agricultural Fund for Rural Development
(€478m) +
Scottish Government
(£675m) +
P1 Transfer 9.5% (£367m)

Scottish Rural Development Programme
2014-2020
approx. £1.3bn

2014-2020
Less Favoured Area Support Scheme:
£419m
Agri-Environment Climate Scheme:
£308m
Forestry Grant Scheme:
£266.8m
LEADER:
£82m
Food Processing, Marketing and Cooperation:
£56m
Beef Efficiency Scheme:
£25.4m
*New Entrants:
£22m
Advisory Services:
£19.5m
Crofters Agricultural Grant Scheme:
£12m
Broadband:
£8m
Knowledge Transfer and Innovation Fund:
£5m
*Environmental Co-operation Action Fund:
£4m
Small Farmers Grant Scheme:
£2m
28. Once the UK leaves the EU, the UK will no longer be able to use this funding mechanism. While the UK Government has pledged to maintain Pillar II till the end of this Parliament, expected to be in 2022, the Scottish Government told us that some rural development schemes such as forestry support and LEADER were set to terminate at the end of 2020. It is unclear if this funding will be maintained in the future. John Fyall, National Sheep Association Scotland, said this was a concern for farmers in remote areas who depended on Pillar II funding to stay in business. Without such support, he feared there would be a rapid decline in their numbers creating socio-economic problems for the communities they supported:

\[ £500 \text{ million} \text{ is the worth to Caithness and Sutherland just by having farmers in those areas. Those farmers have been penny pinching and hanging on to LEADER, hanging on to rural development grants, anything they can get to try stay in there. They are disappearing at a great rate, so in any allocation of funding going forward we need to recognise the socioeconomic but also the many other aspects of keeping people in these remote communities.} \]

29. Post-2022, the UK Government has stated that rural development funding will be merged into a UK-wide Shared Prosperity Fund which will seek to “reduce inequalities between communities.” The Royal Society of Edinburgh however said there remained a lack of clarity from the Government on how this will operate in practice. At the moment there are still questions about:

- What the priorities and objectives of the fund will be;
- How much money will be allocated and how this will be split across the UK, and
- Who will be responsible for administering the fund in Scotland, Westminster, or the devolved administrations.

30. We also heard additional concern about the extent to which the fund would have an impact in rural communities across Scotland, given the focus on City-Region deals as vehicles for both Government’s economic interventions. When we hosted a roundtable at the James Hutton Institute, we were told that such funding was failing to reach remote areas of Scotland, which as a result were lagging behind in terms of infrastructure and investment. Steven Thomson, Scotland’s Rural College, said this could be addressed by “rural proofing” the Shared Prosperity Fund, to ensure money was specifically targeted at remote communities.
31. When we raised these concerns with the Secretary of State, he said DEFRA was working alongside the Treasury and Ministry of Housing, Communities and Local Government to make sure that the fund recognised the specific needs of Scottish Agriculture:

One of the points that I have made in discussion with Treasury is that the Shared Prosperity Fund must in particular take account of the needs of rural communities [such as] improved access to broadband […] The aim of the Shared Prosperity Fund would be to ensure that people from St Ives to Lerwick benefit.61

32. Rural communities in Scotland have benefited from the rural development funding provided by EU schemes. We therefore welcome the Government’s intention to use the Shared Prosperity Fund to help replace this valuable source of funding. However, the Government must provide more clarity on the purpose of the fund, how it will operate in practice, which existing EU funds it will replace and how much will be made available for rural development projects.
3 Agricultural policy

33. Currently Scotland, and the rest of the UK’s, agricultural policies are set within the EU’s overarching Common Agricultural Policy (CAP). This provides EU-wide rules, while allowing Member states some flexibility, this means that while there are some differences in Scotland’s agricultural policy compared to the rest of the UK there is a limit to how different they can be. However, when the UK leaves the EU this will stop applying, which might allow for more policy differentiation between Scotland and the rest of the UK. During this inquiry we explored what impact this would have on:

- Agricultural support payments;
- Continuity of farm support payments post 2019, and
- Agricultural standards and regulations.

Agricultural support payments

34. Under the CAP, the Scottish Government has been able to design its own farm support payments to meet the needs of farmers and crofters. There are some differences between support payments in Scotland from the rest of the UK, including:

- **Coupled Payments**: Scotland is the only UK nation to use coupled payments, a form of financial support linked to production. These include the Suckler Beef Scheme and the Scottish Upland Sheep Scheme, and

- **Support for Less Favoured Areas**: Alongside Wales and Northern Ireland, Scotland uses Pillar II funding to support farmers and crofters in remote and constrained areas through its own Less Favoured Area Support Scheme (LFASS).

35. Most witnesses agreed that these differences in farm support were essential to the agriculture sector in Scotland and provided a “vital injection of funding” to farmers and crofters. Scotland’s Rural College (SRUC) told us that payments such as LFASS were a “lifeline” to rural communities and helped to sustain agricultural activity in Scotland’s most fragile areas. Without these form of subsidies we heard that many hill farms and crofts would become unsustainable, which could lead to land being abandoned. We were told by crofters in the Outer Hebrides that this would have a detrimental impact on the local environment and risk breaking apart communities. Fergus Ewing MSP, Cabinet Secretary for the Rural Economy, told us coupled payments and LFASS had been essential in sustaining rural communities with sparse populations, and that it was the Scottish Government’s intention to maintain these payments post-Brexit through its own Agriculture Bill.

36. The extent to which Scotland will be able to maintain these payments will depend on the UK Government’s post-Brexit schedules for agricultural support being accepted...
by the World Trade Organisation. The WTO Agreement on Agriculture places limits on agricultural subsidies which could distort global trade. These payments fall into different categories, with the most restrictions being placed on "Amber Box" subsidies.69

<table>
<thead>
<tr>
<th>Green box</th>
<th>Description</th>
<th>WTO constraint</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Support with no, or minimal, trade distorting effects or effects on production, and that meets policy-specific criteria. (e.g. research programmes, pest and disease-control measures, agri-environment schemes. Also, the EU claims, decoupled income support including, the Basic Payment Scheme and its Greening component)</td>
<td>No expenditure limits apply</td>
</tr>
<tr>
<td>Blue Box</td>
<td>Direct payments under production limiting programmes (e.g. area payments or livestock payments … made on a fixed number of head)</td>
<td>Currently no expenditure limits</td>
</tr>
<tr>
<td>Amber Box</td>
<td>Price support (e.g. milk will be sold at £X per litre) and aid coupled to production (e.g. a farmer will get £X for each beef cattle)</td>
<td>Support in this category must be within de minimis limits, unless the WTO member has negotiated additional entitlement, as the EU has.</td>
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</table>

The Agriculture and Horticulture Development Board said it would be likely that Scotland’s coupled payments will be classified as an Amber Box payment as these payments are linked to production.70 SRUC’s Senior Agricultural Economist, Steven Thomson warned the Scottish Government would be “hamstrung” if this prevented them from using coupled payments at current levels.71

37. When we asked the UK Government for an update on its WTO obligations, Defra’s Guy Horsington, Deputy Director for Future Farming Policy, sought to alleviate concerns, stating that the Scottish Government would be able to maintain both coupled and LFASS payments:

We do not envisage any circumstances where the freedoms that the Scottish Government have to continue the LFASS scheme would not continue. […] the voluntary coupled support [meanwhile] is categorised and classified at the moment as a blue box, which therefore does not fall within the amber box. As long as we classify it and as long as the WTO does not change its agreement on agriculture, we should continue to ensure that Scotland can direct its support on the basis of the topography and the farming requirements of Scotland.72

This was echoed by the Secretary of State, who said this would allow the Scottish Government to allocate its agricultural budget “as it sees fit for the specific interest of Scottish farmers”73

69 World Trade Organisation, Domestic support in agriculture.
70 Agriculture and Horticulture Development Board, The WTO and its implications for UK Agriculture, 2017
71 Q256
72 Q504
73 Q506
38. **Direct payments have an important role in supporting agriculture across Scotland. Without this support many farmers and crofters will become unprofitable causing economic, environmental and social problems for their communities. We welcome the unequivocal assurance from the UK Government that the Scottish Government’s existing direct payments will not be restricted by the UK’s WTO obligations.**

**Continuity of Payments**

39. The Common Agricultural Policy provides the current legal mechanism through which the Scottish Government makes farm support payments. However, a new mechanism to make these payments will be needed after Brexit. In October 2018, the UK Government published its Agriculture Bill which would, amongst other things, give the Secretary of State powers to create a new system for delivering agricultural support payments in England.\(^\text{74}\) When drafting the Bill, the Government offered to include a schedule for each of the devolved administrations to give them the powers to develop their own payment scheme. The Wales and Northern Ireland administrations accepted this offer, but the Scottish Government chose not to accept a schedule due to their ongoing dispute with the UK Government over legislative consent motions.\(^\text{75}\) Instead they announced their intention to introduce their own Agriculture Bill through the Scottish Parliament.\(^\text{76}\)

40. Without these powers there was concern about whether the Scottish Government would be able to deliver agricultural support payments beyond 2019. In October 2018, NFU Scotland told us clarity was needed on which legal framework would be used to enable these payments:

> The concern of Scottish farmers and crofters is that at this moment in time the Agriculture Bill sits here in Westminster and the Scottish Government have declined to take a schedule within that Bill […] therefore, without anything clear coming from the Scottish Government themselves as to what they will do as an alternative approach, that is giving significant cause for concern.\(^\text{77}\)

This view was shared by Vicki Swales, Scottish Environment LINK, who told us that it was “increasingly urgent” the Scottish Government set out their intentions of how payments would proceed, arguing that without this it would be difficult for farmers to make plans for the future.\(^\text{78}\)

41. The Scottish Government initially told us it would have the legal ability to continue CAP payments in 2019 through either the European Union (Legal Continuity) (Scotland) Act, which intended to retain EU law and create powers for Scottish ministers to make amendments outside the EU, or the European Union (Withdrawal) Act,\(^\text{79}\) with the Cabinet Secretary for the Rural Economy telling us that “existing powers under devolution” provided the legal mechanism for farmers in Scotland to receive payments from 2020.\(^\text{80}\) This would give the Scottish Government the power to make payments, but not adjust or change CAP rules.\(^\text{81}\)

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\(^\text{75}\) BBC News, *Agriculture bill a missed opportunity Scots ministers say*, 2018


\(^\text{77}\) Q3

\(^\text{78}\) Q4

\(^\text{79}\) Correspondence from Cabinet Secretary Fergus Ewing MSP to the Committee, 2018

\(^\text{80}\) OS2

\(^\text{81}\) Q4 and Scottish Affairs Committee, *Correspondence from Fergus Ewing MSP*, 2018
42. Following the UK Government decision to refer the Scottish Government’s Continuity Act to the Supreme Court, and the ruling that one section was not within Holyrood’s remit, there was some uncertainty about whether this would impact the Scottish Government’s ability to make farm payments. Scott Henderson, Scotch Beef Association, told us this could have been avoided if the Scottish Government took a schedule in the UK Agriculture Bill.

43. In March 2019, we asked Michael Clancy, Director, Law Society of Scotland, to provide an update on the situation. He confirmed that payments would be possible as a result of the Common Agricultural Policy (Direct Payments to Farmers) (Amendment) (EU Exit) Regulations 2019, a piece of UK secondary legislation introduced via the EU Withdrawal Act. The explanatory memorandum for this states that it will:

ensure that retained EU legislation relating to CAP Direct Payments will continue to operate effectively throughout the UK after EU Exit [...] agriculture policy is a devolved matter in Scotland and Wales and a transferred matter in Northern Ireland. These instruments will apply across the UK in order to provide a common approach to the retained EU Direct Payments

This was echoed by the Secretary of State, who told us in June that farmers across the United Kingdom would continue to be able to be paid as a result of this secondary legislation.

44. To date neither Governments has made significant progress with their respective pieces of primary agriculture legislation. The Scottish Government has not yet published or introduced an Agriculture Bill, and while the UK Government’s Bill completed its Committee Stage in the House of Commons in November 2018, no dates have been scheduled for its remaining stages.

45. The uncertainty about the legal basis for continuing to make agricultural support payments to Scottish farmers after Brexit has been a cause of great concern. This has not been helped by the lack of a clarity from both the UK and Scottish Governments on when their respective Agriculture Bills will be passed. We recommend that the UK and Scottish Governments work together to agree a joint statement on the future of these payments to provide clarity about the future of these payments and announce timetables for the passage of their respective pieces of agricultural legislation.

**Agricultural standards**

46. Scotland operates within a framework of EU legislation, which regulates agricultural and environmental standards. While the Scottish Government must meet these standards, it has the flexibility where matters are devolved to exceed EU standards, such as in setting more rigorous air quality standards. Additionally, regardless of other UK nations’ approaches, it can utilise any flexibilities provided to regions under EU rules in

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82 Supreme Court, The UK Withdrawal from the EU Continuity (Scotland) Bill judgement, 2019
83 Q323
84 Q359
85 Q582
86 House of Commons Library, Brexit and air quality briefing, 2019
order to meet Scottish priorities, such as prohibiting the cultivation of GM crops.\textsuperscript{87} Most of our witnesses agreed that this principle of flexibility was beneficial for Scotland, as it allowed policy to be tailored to meet the needs of Scottish agriculture and its unique set of circumstances. Sheila George, WWF Scotland, argued it was important this flexibility remain post-Brexit.\textsuperscript{88}

47. If the UK leaves the EU, there will be potential for further policy differentiation within UK agriculture. However, both the UK and Scottish Governments have agreed that there will be a need to maintain a degree of alignment to: support the UK internal market, ensure the UK meets international agreements, manage common resources and deal with cross-border issues.\textsuperscript{89} This will be achieved via UK-wide common frameworks.

48. Common frameworks are intergovernmental commitments to abide by common goals, minimum standards, harmonisation, limits on action, or mutual recognition of standards.\textsuperscript{90} Similar arrangements already exist between the UK and Scottish Governments in relation to animal and plant health and forestry research.\textsuperscript{91} In April 2019, the UK Government published its most recent assessment of where common frameworks might be needed, identifying 160 areas where EU law intersects with devolved competence.\textsuperscript{92} Of these, legislation may be required in 21 areas (mostly related to agriculture and the environment), while in 78 areas its proposed that non-legislative measures (like concordats or Memorandums of Understanding) can be used to underpin these new frameworks.\textsuperscript{93} Legislative frameworks are proposed to cover agricultural support, animal welfare, pesticides, food labelling and GMO cultivation.\textsuperscript{94}

49. All our witnesses agreed that frameworks were needed in these areas to ensure effective environmental protection and to preserve the integrity of intra-UK trade. NFU Scotland said this must not allow “unconstrained policy divergence”, arguing that this would likely cause internal market distortions.\textsuperscript{95} However, Professor Julie Fitzpatrick, Royal Society of Edinburgh, said it was crucial that frameworks not be too rigid and prevent the Scottish Government from developing a framework of regulation that is “bespoke to Scotland.”\textsuperscript{96} Without this flexibility, she feared it would be impossible to develop a “Scottish vision for the agricultural sector.”\textsuperscript{97} Aoife Behan agreed this was the best outcome for Scotland:

The ability to diverge within a broader common framework is absolutely key for all four nations. All four nations have different sets of challenges […] so we need a policymaking capacity to allow for that to happen.\textsuperscript{98}

\begin{itemize}
  \item \textsuperscript{87} Brexit and Environment, \textit{GMO cultivation in the UK: Brexit, the devolved administrations and international trade}, 2018
  \item \textsuperscript{88} Q279
  \item \textsuperscript{89} HM Government, \textit{Joint Ministerial Committee (EU Negotiations) Communique}, 2017
  \item \textsuperscript{90} Institute for Government, \textit{Brexit, devolution and common frameworks}, 2017
  \item \textsuperscript{91} Q543
  \item \textsuperscript{92} UK Government Cabinet Office, \textit{Revised Framework Analysis: Breakdown of areas of EU law that intersect with devolved competence in Scotland, Wales and Northern Ireland}, 2019
  \item \textsuperscript{93} UK Government Cabinet Office, \textit{Revised Framework Analysis: Breakdown of areas of EU law that intersect with devolved competence in Scotland, Wales and Northern Ireland}, 2019
  \item \textsuperscript{94} UK Government Cabinet Office, \textit{Revised Framework Analysis: Breakdown of areas of EU law that intersect with devolved competence in Scotland, Wales and Northern Ireland}, 2019
  \item \textsuperscript{95} FSA0003
  \item \textsuperscript{96} Q363
  \item \textsuperscript{97} Q363
  \item \textsuperscript{98} Q307
\end{itemize}
50. The UK Government has said the process for agreeing common frameworks will respect the devolution settlements.99 The Rt Hon Michael Gove MP, Secretary of State for Environment, Food and Rural Affairs, told us he could not envisage a situation where the UK Government would use its position to impose common frameworks upon the Scottish Government without their consent.100 However, the European Union (Withdrawal) Act 2018 does contain powers for the UK Government to temporarily freeze devolved competence and maintain the current limits mandated by the EU law (so-called “section 12 powers”), which could be used to prevent the devolved administrations legislating if no agreement is reached on common frameworks.101 While both governments told us there was a high degree of cooperation between officials working on common frameworks, no agreement has yet been reached.102

51. Several witnesses suggested that the Joint Ministerial Committee (JMC), the main formal mechanism for ministerial discussions between the UK Government and the devolved administrations, could provide a forum to manage and agree common frameworks. Improving the effectiveness of the JMC was the focus of our recent Report on *The relationship between the UK and Scottish Governments*, where we made several recommendations to improve the current JMC system, including:

- a) The creation of a JMC sub-committee on Common Frameworks to facilitate the agreement of common frameworks, and
- b) An improved JMC dispute resolution, which provides all governments the right to initiate dispute proceedings.103

The Rt Hon Michael Gove MP told us that the Government was exploring how a reformed JMC could be used manage these agreements, including dealing with disagreements, saying that:

> There are mechanisms that we are developing under the JMC principles where we can try to ensure that if there isn’t agreement then there is a cordial means of reaching that agreement.104

52. **We welcome the firm commitment from the Secretary of State that agricultural common frameworks will not be imposed upon the devolved administrations but agreed by consensus on the basis of mutual and meaningful engagement from all parties. These frameworks must ensure that the Scottish Government has at least the same flexibility over agriculture policy as it currently does under the CAP. We believe that a reformed JMC, as recommended in our Report on intergovernmental relations would provide a suitable forum for frameworks to be agreed and managed.**

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100 Q608


102 Q606 and Q544

103 Scottish Affairs Committee, *The Relationship between the UK and Scottish Governments*, 2019

104 Q611
Common framework’s content

53. Although the UK and devolved administrations have broadly agreed where common frameworks are needed, there is less clarity about what they will contain or when they will be published. Professor Julie Fitzpatrick said that stakeholders urgently needed more detail, so they could start planning for the future.\textsuperscript{105} Scottish Environment LINK agreed and said this needed to be addressed through a transparent and open process.\textsuperscript{106} Similarly, Michael Clancy, Law Society of Scotland, said the Government needed to reach out and engage with relevant groups and farmers and crofters as they would be directly affected by the agreed frameworks.\textsuperscript{107}

54. In the Government’s update in April, it said work had been split into five phases, the first of which had been completed March 2018:

- Phase 1 (Completed): Establishing common framework principles;
- Phase 2 (in-progress): Detailed policy development on the areas of EU law which intersect with devolved competencies and how they will be incorporated into common frameworks;
- Phase 3: Stakeholder engagement;
- Phase 4: Preparing final frameworks for final publication, and
- Phase 5: (expected end of 2020) Implementation of final frameworks across the UK.\textsuperscript{108}

However, there are no details of when each stage within this programme is likely to be completed, and the process has been stuck in phase 2 for 16 months.

55. While progress has been made on the governance and development of common frameworks, it has been difficult to obtain detail about their contents. We therefore urge the Government to publish its draft agricultural frameworks and set out a timetable for their agreement so Scottish farming groups can help shape their final form and start preparing for any changes they introduce.
4 Trade post-Brexit

56. Scotland has a global reputation for high quality food and drink, which is dependant on its agricultural sector. In 2017 the manufacture of food and beverages was the largest single exporting sector in Scotland worth £5.9 billion and accounting for 18% of all international exports.\(^{109}\) While most of these exports are whisky, the export of other food and drink goods is worth £1.5 billion.\(^{110}\)

57. The importance of these agricultural exports to the Scottish economy was a major theme in our "Scotland, Trade and Brexit" Report, which we published in March 2019.\(^{111}\) In that Report we made several recommendations aimed at securing the future of agricultural exports including:

a) Calling on the UK Government to ensure that, when negotiating new trade deals, sectors of vital importance to the Scottish economy such as food and drink are not traded away to secure preferential agreements for other industries;\(^{112}\)

b) Recommending that tariff-free trading for the food and drink sector with the EU be maintained - as the introduction of the EU’s WTO tariffs would make some sectors “uncompetitive overnight”;\(^{113}\)

c) Welcoming the Government’s commitment not to lower safety, environmental or animal welfare standards for imported food products;\(^{114}\)

d) That the UK Government must minimise non-tariff barriers trade with the EU, particularly for the trade in perishable products. Where the Government wants to deviate from EU standards it must clearly explain it reasoning and consult with business ahead of any changes being made;\(^{115}\)

e) That “every effort” should be made to ensure that the return of powers to Westminster and Holyrood does not lead to any new barriers being created to trade between Scotland and the rest of the UK,\(^{116}\) and

f) That the Government should creating a register of UK Geographical Indications so that iconic Scottish products continue to benefit from the protection this status offers, and that protection of UK GI’s must be a “red line” in future trade negotiations.\(^{117}\)

\(^{109}\) Export Statistics Scotland 2017 (published 30 January 2019)

\(^{110}\) Ibid

\(^{111}\) Scottish Affairs Committee, Scotland, Trade and Brexit, Seventh Report of the Session 2017–19, HC 903, 10 March 2019

\(^{112}\) Scottish Affairs Committee, Scotland, Trade and Brexit, Seventh Report of the Session 2017–19, HC 903, 10 March 2019, para 10

\(^{113}\) Scottish Affairs Committee, Scotland, Trade and Brexit, Seventh Report of the Session 2017–19, HC 903, 10 March 2019, para 40

\(^{114}\) Scottish Affairs Committee, Scotland, Trade and Brexit, Seventh Report of the Session 2017–19, HC 903, 10 March 2019, para 84

\(^{115}\) Scottish Affairs Committee, Scotland, Trade and Brexit, Seventh Report of the Session 2017–19, HC 903, 10 March 2019, para 46

\(^{116}\) Scottish Affairs Committee, Scotland, Trade and Brexit, Seventh Report of the Session 2017–19, HC 903, 10 March 2019, para 70

\(^{117}\) Scottish Affairs Committee, Scotland, Trade and Brexit, Seventh Report of the Session 2017–19, HC 903, 10 March 2019 para 88 and 95.
As we looked at these issues in detail during that inquiry, we have not done significant new work on these issues during this inquiry. However, there have been some new developments since then which we explore in this chapter.

**Impact of post-Brexit tariffs and UK’s domestic tariff schedules:**

58. On 13 March, the Government announced the tariffs it would apply to imports into the UK if the UK were to leave the EU without a deal. This regime would apply for up to a year, while a consultation on a permanent tariff regime takes place. While there will be no tariffs on the majority of products, a mixture of tariffs and quotas\(^{118}\) will be applied to beef, lamb, pork, poultry and some dairy products to support farmers and producers who have historically been protected through high EU tariffs.\(^{119}\)

59. Responding to the tariff announcement, NFU Scotland said this “further exposed the catastrophic impact that a no deal would have on the nation’s farming; food and drink sectors and the wider rural economy”.\(^{120}\) In particular they were concerned about agricultural products, such as cereals, fruit, vegetables and eggs, which would receive a lower form of protection than under the current EU regime.\(^{121}\) Willie Campbell, First Milk, meanwhile expressed concerns about the impact on the dairy sector:

> Dairy is perhaps unique in the respect that we have many end products. It is not just milk—we have many end products. If we put varying tariffs on different end products, what we actually do is bring down the price that will reach the farmer to the lowest common denominator.\(^{122}\)

60. Under the Government’s no-deal regime, tariffs on imports of wheat, barley, maize and oilseeds will be set at zero. Although imports of these products from the EU are currently tariff free, imports from other countries have to pay tariffs set by the EU. Lorne Watson, Seeds Committee Chair, Agricultural Industries Confederation, gave a worrying assessment of the impact this change would have on the arable sector:

> Maize is probably the biggest threat to UK agricultural production. Maize production in continental Europe, and now elsewhere in the world, is significantly cheaper than home-produced barley or wheat and that is imported. That is going to be a huge threat to the whole of the arable sector. Even contentious issues like the Scotch whisky industry. Already some of the grain distilleries have switched from wheat back to maize.\(^{123}\)

61. John Fyall, Former Chairman, National Sheep Association Scotland, described the Government proposal for tariff for the sheep sector as “an absolute joke”.\(^{124}\) While the Government is proposing an average tariff of 40% on imports of sheep meat on imports from the EU, its proposals for tariff-rate quotas after Brexit would mean that, imports from New Zealand and Australia will continue to be imported tariff-free:\(^{125}\)

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\(^{118}\) Quotas are limits on the amount of a product that can be imported. A tariff rate quota imposes a tariff (tax) on any good imported above the quota, rather than preventing further imports.

\(^{119}\) House of Commons Library, *Brexit: trade tariffs if there is no deal*, Briefing Paper Number 8518, 13 March 2019.

\(^{120}\) NFU Scotland, "Tariff Reduction Proposals Undermine UK Food Security", 2019

\(^{121}\) NFU Scotland, "Tariff Reduction Proposals Undermine UK Food Security", 2019

\(^{122}\) Q 333

\(^{123}\) Q 335

\(^{124}\) Q 336

\(^{125}\) AHDB, *No deal tariff announcement*, 13 March 2019
How is it that we can accept 137,663 tonnes into the country when at the moment they only fulfil about 120,000 of that in a good year? If the pound was to strengthen again, the sheep industry will be facing an onslaught we could not stand.126

62. While the introduction of tariffs for some sectors should protect those industries from competition from cheaper exports, in a no deal scenario those sectors would also face tariffs on their exports to the EU. As we heard during our Trade inquiry, this is particularly concerning for the Scottish food sector as 70% of their exports go to the EU. The EU’s WTO tariffs on food range from 10% for fruits and vegetables, to 35% on dairy products and up to 50% for certain red meats.127 Sarah Baker, Strategic Insight Manager at the Agriculture and Horticulture Development Board, warned that the impact of these tariffs could result in Scottish industries such as the red meat sector becoming uncompetitive in the EU overnight:

There are not many products that could take a 40% tariff and still remain competitive, so at the stroke of a pen a lot of those industries will really struggle.128

63. When we raised these issues with the Secretary of State, he said that the UK’s domestic tariff schedule recognised the needs of specific groups such as upland sheep farmers.129 If a sector did encounter difficulties however, he said that the UK Government was willing to intervene with financial support,130 and that provisions had been made for this in Defra’s budget.131

64. We are alarmed by the negative reaction Scotland’s farming sector has had to the Government’s temporary no-deal tariffs, which appear to provide significantly less protection than the current regime and give industry very little time to adapt. The Government must address these concerns during this consultation period on its permanent tariff regime. The Government should also provide more detail on the financial support it will make available to farmers and crofters to offset the impact of the EU’s high no-deal tariffs on their exports.

Geographical Indications

65. In our trade Report we also highlighted the importance of Geographical Indications (GIs) in protecting and promoting some of Scotland’s most iconic agricultural produce including Scotch Beef and Stornoway Black Pudding.132 A GI is a name that can only be used on products that have a specific geographical origin and possess qualities or a reputation due to that origin. GIs protect products by preventing imitation, aid consumers be giving them an assurance about the quality of a product and ensure the production is kept in local communities and attracts a higher price.133

126 Q336
127 Trade inquiry Q150 and Exiting the European Union Committee, EU Exit Analysis: Cross Whitehall Briefing, 2018
128 Trade inquiry Q163
129 Q 599
130 Q588
131 Q590
132 The full list of Scottish Geographical Indications is- Native Shetland Wool, Shetland Lamb, Orkney beef, Orkney Lamb, Bonchester Cheese, Traditional Ayrshire Dunlop, Orkney Scottish Island Cheddar, Stornoway Black Pudding, Scottish Wild Salmon, Scotch Whisky, Scottish Farmed Salmon, Scotch Lamb, Scotch Beef, Arbroath Smokies and Teviotdale Cheese.
133 Scottish Affairs Committee, Scotland, Trade and Brexit, Seventh Report of the Session 2017–19, HC 903, 10 March 2019, para 85–86
66. Since we published our previous Report, the Government has made progress establishing a UK domestic register for GIs. On 25 March the House of Commons approved The Food and Drink, Veterinary Medicines and Residues (Amendment etc.) (EU Exit) Regulations 2019. This instrument amends retained EU regulations establishing GI schemes for agricultural products and foodstuffs to create a UK GI scheme.

67. While it has not been possible to make progress on the recognition of the UK GIs within other countries as the UK has not yet left the EU, the Government has appeared reluctant to act on our recommendations to negotiate a mutual recognition agreement with the EU for existing and future GIs and ensure GI protection is a red line for all other trade negotiations. In response to our Report, the Government said it recognised the benefits brought to Scotland through the success of GIs but argued that a mutual recognition agreement with the EU would “undermine” the independence of the UK GI scheme in deciding what is and is not eligible for protection in the UK.

This is because the UK would be required to protect EU GIs which successfully gain protection under the EU scheme after we have left the EU, without the ability to assess the applications ourselves according to the guidelines set by the UK GI schemes.

Furthermore, they argue that such an agreement is not necessary in ensuring continued protection for UK GIs in the EU, as the protection is not dependent on the UK agreeing to continue protection for EU GIs in the UK.

68. This argument that UK GI’s would continue to receive EU protection without the UK reciprocating was criticised by the Scottish Government, who said it did not consider political reality:

While it is correct for the UK Government to say that there is currently no process for the EU to remove the UK GIs, if that asymmetry continued it would be very likely that the European Union would move to remove the UK GIs.

69. On the status of GIs in future trade negotiations, the Government has said it is committed to “celebrating the success of UK products and driving further market access to make sure they are enjoyed around the world” but did not go as far as saying their inclusion would be a red line. This may be related to the Government’s intention to negotiate new trade agreements with countries, such as the United States and Australia that are opposed to the EU model of GIs.

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134 Parliament Statutory Instrument tracker, The Food and Drink, Veterinary Medicines and Residues (Amendment etc.) (EU Exit) Regulations 2019
135 Parliament Statutory Instrument tracker, The Food and Drink, Veterinary Medicines and Residues (Amendment etc.) (EU Exit) Regulations 2019
136 Scottish Affairs Committee, Government response to Scotland, Trade and Brexit report, 2019
137 Scottish Affairs Committee, Government response to Scotland, Trade and Brexit report, 2019
138 Scottish Affairs Committee, Q495 Scotland, Trade and Brexit inquiry, 2018
139 Scottish Affairs Committee, Government response to Scotland, Trade and Brexit report, 2019
70. Geographical indications have been crucial in protecting the provenance of many iconic Scottish products, and we are pleased that the UK Government has acted on our recommendation and established a domestic register. While we are reassured that the Government is committed to continued recognition of UK products, the Government must provide more clarity on how it will ensure the future protection of Scottish GIs in the EU given that this may be revoked by the EU if a reciprocal arrangement is not reached. We also repeat our call for GI protection to be a red line in future UK trade negotiations.
5 Agricultural Workforce

71. A substantial proportion of Scotland’s agricultural workforce is made up of non-UK nationals, with a particularly high dependence in some sectors, such as:

- **Horticulture**: Up to 10,000 non-UK nationals are employed in seasonal positions in the soft fruit and vegetable sectors each year;
- **Veterinary**: Over 80% of vets in approved meat establishments come from outside the UK;
- **Meat processing**: 50% of staff in Scottish red meat processing are non-UK nationals;
- **Egg processing**: non-UK nationals make up over 40% of temporary and permanent egg sorters and packers in the integrated egg industry, and
- **Dairy**: 33% of permanent staff in the dairy sector are non-UK nationals.\(^{141}\)

The majority of these workers come from Eastern European countries which joined the EU in 2004\(^ {142}\) and 2008.\(^ {143}\) Employers have told us that non-UK workers are essential to their operations, with a survey by Scotland’s Rural College (SRUC) showing that nearly two-thirds of farmers would change their business model if they lost access to non-UK labourers.\(^ {144}\)

72. However, the number of EU workers in Scotland’s agricultural sector has been declining over the past three years, particularly for seasonal work. NFU Scotland have reported a 10–20% shortfall of workers in the soft fruit and vegetable sectors.\(^ {145}\) According to SRUC this was linked to an improvement in workers home countries and a depreciation of Sterling which saw some workers’ take-home pay fall by 20%.\(^ {146}\) Steven Thomson, a Senior Agricultural Economist at SRUC, told us this caused some farms to leave up to 30% of their crops in the ground last season.\(^ {147}\) The Agriculture and Horticulture Development Board have warned that Brexit risks exacerbating this, with the end of EU free movement making it even more difficult for farms to recruit new workers.\(^ {148}\)

73. The UK Government have acknowledged the importance of non-UK labour in “supporting a successful and effective agricultural sector” and have committed to ensuring a long-term strategy is in place to provide an efficient workforce to the food and farming sector post-Brexit.\(^ {149}\) This strategy currently centres around two initiatives:

- The introduction of a Seasonal Workers Pilot to ease shortages in the seasonal sector, and
- The creation of a new immigration system post-Brexit.\(^ {150}\)

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\(^{141}\) FSA003 and NFU Scotland, *Change: Why people matter to Scottish farming and food*, 2018

\(^{142}\) 8 countries joined the EU in 2004: Czech Republic, Estonia, Latvia, Lithuania, Poland, Slovakia and Slovenia.

\(^{143}\) 2 countries joined the EU in 2008: Bulgaria and Romania.

\(^{144}\) Scotland’s Rural College, *Farm workers in Scottish agriculture: Case studies in the international seasonal migrant labour market*, 2018

\(^{145}\) NFU Scotland, *Seasonal Workers Survey Identifies Labour Shortage Fears*, 2018

\(^{146}\) FSA0009

\(^{147}\) O258

\(^{148}\) FSA0006

\(^{149}\) FSA0022

\(^{150}\) FSA0022
The future of Scottish agriculture post–Brexit

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The rest of this Chapter will examine these proposals in more detail and explore if there are any alternatives to overseas workers.

Seasonal Workers Pilot

74. The Government announced in September 2018 that it would launch an agricultural seasonal workers pilot to “test the effectiveness of the immigration system at helping alleviate seasonal labour shortages during peak production periods.” The pilot launched in March 2019 and allows fruit and vegetable farms to employ up to 2,500 non-EU workers for up to six months in 2019 and 2020. Two scheme operators—Concordia and Pro-Force—have been licenced to manage the pilot and are responsible for identifying suitable workers, helping them apply for their Tier 5 (temporary worker) visa and matching them to UK farms. The operators have chosen to recruit workers from Moldova, Ukraine and Russia, and will each be able to allocate 1,250 workers. The table below shows how these will initially be allocated across the UK.

<table>
<thead>
<tr>
<th>Location</th>
<th>Concordia (1,250)</th>
<th>Pro-Force (1,250)</th>
</tr>
</thead>
<tbody>
<tr>
<td>England</td>
<td>824</td>
<td>962</td>
</tr>
<tr>
<td>Scotland</td>
<td>426</td>
<td>190</td>
</tr>
<tr>
<td>Northern Ireland</td>
<td>0</td>
<td>10</td>
</tr>
<tr>
<td>Wales</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

All our witnesses welcomed the decision to launch the pilot. However, those who have engaged with it since March, told us they had concerns regarding the scheme’s scope and as well as challenges with its operational delivery.

Size and scope of the scheme

75. Jonnie Hall, Director of Policy, NFU Scotland, told us the 2,500 quota “did not stack up”, and would struggle to meet Scotland’s labour demands let alone that of the entire UK agricultural sector. This scepticism was shared by John Kinnaird, National Council for Rural Advisers, who argued that the pilot was a short-term solution which would not fix Scotland’s long-term labour crisis:

I am not sure what has been proposed is a long-term solution […] I am not convinced it will deliver what it is trying to deliver and by the time we discover that, you will have the potential of fruit starting to rot in fields […] it is very much short-termism.

151 Defra, Seasonal Workers Pilot opens, 2019
152 Defra, Seasonal workers pilot opens, 2019
153 Defra, Seasonal Workers Pilot request for information, 2019
154 Pro-Force, Seasonal Workers Pilot, 2019 and FSA0027
155 Data provided to the Committee by Concordia and Pro-Force.
156 Q230
157 Q386
These concerns were shared by the pilot operators themselves. Matthew Jarret, Managing Director, Pro-Force, told us that the pilot was unlikely to alleviate labour pressures during peak periods of the growing season in its current form. James Porter, Angus Growers argued that the solution was to increase the size of the pilot immediately to 10,000 workers a year. This he claimed would fill the current shortfall of EU workers and test the operator’s ability to manage a larger scheme. Pro-Force and Concordia said they would welcome this and were confident that they could fill a 10,000 quota if asked by the Government.

76. The second issue concerned the scope of the pilot, with workers restricted to working in edible horticulture. SRUC and NFU Scotland queried why this was the case, with other sectors such as floral and meat processing also reliant on seasonal workers due to their labour-intensive nature. When we mentioned this to the operators, Pro-Force told us they had already raised this with the Government: I have been pushing fairly hard in terms of horticulture. I touched on daffodils and I have had a number of growers in Scotland requesting our services for next year, as they have struggled with labour this year. That is not part of edible horticulture but its field-based and labour-intensive and absolutely should be included.

77. When we pushed the Secretary of State on both issues, he acknowledged that there was opposition to the size and scope of the pilot but argued that the pilot aim was not to solve the labour shortages facing the sector but test how effective a seasonal scheme could be. He added that the pilot was also not the only source of labour available to the sector, with farms still able to recruit seasonal workers from the EU through freedom of movement. However, he said the Government would monitor the pilots’ process during the season and would be willing to make changes if needed.

78. We welcome the Government’s decision to launch a Seasonal Workers Pilot Scheme, however there is overwhelming evidence that 2,500 workers will be insufficient to meet the demands of the agricultural sector in Scotland, let alone the rest of the UK. We recommend that the Government increase the size of the pilot to 10,000 workers next year. We also recommend that its scope be broadened to cover other sectors reliant on seasonal workers such as floral and meat processing.

79. It is clear to us that a permanent Seasonal Workers Scheme is needed to meet the demand for seasonal agricultural workers post-2020. We therefore recommend that the Government commit to running a version of the scheme on a permanent basis.
Operational challenges

80. When we explored the pilot in more detail we learnt that over 300 workers had failed to arrive in the UK on schedule due to a backlog of visa applications. Pro-Force and Concordia told us this was partly due to workers finding it difficult to book appointments at the UK Visa Application Centres (VACs) in Moldova and Ukraine to apply for their Tier 5 visa, with some applications taking over 30 days to process. We were told that this was due to a lack of VAC appointments.

81. To apply for a Tier 5 visa, workers in Moldova and Ukraine have to book an appointment at the UK VACs in Kiev and Chisinau before their visas can be sent to the UK for processing. This is managed by TLS, a commercial third party. Stephanie Maurel, Chief Executive, Concordia, told us that the VAC in Chisinau was only open two days a week, with applicants booking on the second day facing additional cost, and was experiencing a 2-week waiting period for appointments. In Kiev meanwhile, there was a 4–5 week waiting period. When we asked the operators what support they had received from the Government, Matthew Jarrett said it was limited:

They are supportive and understanding, but we are not able to make any real movement forward. Our biggest issue is that if we don’t get people on the ground quickly, we could miss the season.

Stephanie Maurel said this was not directly an issue caused by the Home Office, but an inevitability when over 2,000 people are processed through two visa offices.

82. Following these concerns, we wrote to The Rt Hon Caroline Nokes MP, Minister of State for Immigration, to request an update on the Government’s response. The Minister said TLS had been in touch with the operators and had offered to provide extra appointments in the relevant VACs and additional “bespoke” support through a “mobile visa service”, which would allow groups of workers to be processed together in one location. Since this intervention, Concordia told us workers were finding it quicker and easier to book appointments, particularly in Kiev where appointments can now be scheduled within five days. However, Concordia said there was less progress in Chisinau, where workers were being charged a minimum of €50 to book an appointment, with additional costs for extra services, such as group bookings, bookings on the second day of the week and different times of the day. Stephanie Maurel said this had created a recruitment problem in Moldova with the “excessive” fees being a deterrent for workers:

We are asking people who are students, who are trying to pay their termly fees and who are coming over here to earn a minimum wage, to pay out quite a lot of money to come over […] If you are paying £244 for a visa [you are then] almost doubling that with the extra fees for your appointment and getting your passport sent to you-we can’t ask that of people.

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165 Q423 and emails from Concordia
166 Q475 and 476
167 Q479
168 Q476 and Correspondence to the Chair from Concordia, 2019
169 Q477
170 Q479
171 Correspondence from Minister Nokes to Committee, 2019
172 Correspondence from Concordia to Committee, 2019
173 Correspondence from Concordia to Committee, 2019
174 Q479
As a result of these delays, Concordia told us they had moved over 150 requests for seasonal workers from Moldova to the Ukraine and Russia.  

83. Both Concordia and Pro-Force said additional application fees was a matter which needed to be addressed if the Government wished to maintain a competitive scheme. Matthew Jarrett warned that the UK risked pricing itself out of the market for workers, with similar schemes in other EU countries such as Germany not charging any fees on their workers. Stephanie Maurel shared this concern:

> Every worker accepts that they need to pay the £244 visa application cost, however the other surrounding fees are pricing many workers out of the market. We want to ensure we get the best and most motivated workers coming to the UK, not those who can afford to pay the visa processing costs.

When we raised this issue with the Secretary of State, he said that the Government would look at what could be done to ensure the scheme “works as effectively as possible.”

84. We welcome the additional support the UK Government has made available to the pilot scheme following our intervention. However, we are concerned that there remain difficulties in processing workers in Ukraine and Moldova to allow them to reach farms on time. This has not been helped by the additional costs expected of workers to book a visa interview on-top of the £244 visa fee, which could deter student workers. This is substantially more than comparative schemes in Europe and risks pricing the UK out of the market for agricultural workers. If the Government wants the best and most motivated workers, not just those who can afford to pay, we recommend it abolish visa interview fees and review the cost of Tier 5 visas, to ensure the pilot remains competitive internationally.

Perceptions of Scottish Agriculture

85. In addition to concerns about cost, Concordia and Pro-Force also told us they had heard anecdotal evidence about difficulties in attracting workers to Scotland due to some overseas workers having negative perceptions of what it was like to work in the Scottish agriculture sector.

86. After that evidence session Concordia spoke to their recruitment agents to get more information about these concerns and wrote to us explaining that there were four main issues that potential workers raised about coming to work in Scotland:

- **Cost**: Flights to Scotland are more expensive than to most English airports, with most Eastern European airports not having direct flights to Scotland. There is also very limited bus access from Eastern Europe to Scotland.

- **Distance**: Many workers ask for a farm near London as they wish to be in close proximity to the capital. There was also a perception that Scottish farms are more remote than in England.

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175 Correspondence from Concordia to Committee, 2019
176 Q480
177 Correspondence from Concordia to Committee, 2019
178 Q633
179 Q454, Q460 and Q461
• **Weather:** The belief that Scotland is “wetter and colder” than the rest of the UK, which has an impact on crops and this the hours worked. As a result, some workers felt they will earn less money in Scotland.

• **Accommodation:** Some workers said they had heard that the accommodation in Scotland was not as well kept as in the rest of the UK.\textsuperscript{180}

Concordia added that most concerns were based on “erroneous perceptions” provided by friends and family, adding that most workers who have spent a season working in Scotland are generally content to return.\textsuperscript{181} Pro-Force and Concordia told us that they are trying to tackle these misconceptions by creating educational videos and leaflets about the benefits of living and working in Scotland.\textsuperscript{182}

\textbf{87.} We were disappointed to hear that some foreign workers have expressed a reluctance to work in Scotland’s seasonal agricultural sector, based on preconceptions that we do not recognise. While it appears that many concerns are based on misconceptions, it is important that these are addressed to ensure that Scottish farms continue to attract the best workers. \textit{We welcome the work that Concordia and Pro-Force are already doing on these issues and recommend that the UK and Scottish Government work together to identify ways to address the concerns raised by Pro-Force and Concordia.}

**Future immigration framework**

88. The Seasonal Workers’ Pilot only addresses temporary workers in a small part of the agricultural sector. In December 2018, the Government published its plans for a post-Brexit immigration system for both EU and non-EU nationals, which all parts of the agricultural sector not covered by the Seasonal Workers Pilot will have to use to meet its non-UK labour needs. This does not include a specific low-skilled immigration route to the UK. Instead, the Government proposes lowering the current Tier 2 visa for skilled workers to include those at an intermediate skills level. In addition, a transitional scheme will run until 2025, which will provide a time-limited route for lower skilled short-term workers.\textsuperscript{183} Both proposals are subject to a year’s consultation.\textsuperscript{184}

**Skilled route**

89. Tier 2 visas are currently used for skilled workers and inter-company transfers and require employees to meet minimum skill and salary requirements. Since April 2017 Tier 2 applicants have needed to be qualified to graduate level and earn at least £30,000.\textsuperscript{185} Under the Government’s new proposals, the skills threshold for a Tier 2 visa would be lowered to incorporate more intermediate skilled roles, while the salary threshold would remain at £30,000.\textsuperscript{186}

\textsuperscript{180} Scottish Affairs Committee, \textit{Correspondence from Chief Executive of Concordia to Chair regarding seasonal agricultural workers}, 2019

\textsuperscript{181} Scottish Affairs Committee, \textit{Correspondence from Chief Executive of Concordia to Chair regarding seasonal agricultural workers}, 2019

\textsuperscript{182} Q454 and Q456

\textsuperscript{183} HM Government, \textit{The UK’s future skills-based immigration system}, 2018

\textsuperscript{184} HM Government, \textit{The UK’s future skills-based immigration system}, 2018

\textsuperscript{185} Scottish Affairs Committee, \textit{Immigration and Scotland report}, 2019

\textsuperscript{186} HM Government, \textit{The UK’s future skills-based immigration system}, 2018
90. Most roles in the agricultural sector are met through EU freedom of movement and do not meet the proposed Tier 2 criteria for skilled workers. Some witnesses were concerned that a £30,000 cap would prevent non-UK workers from being recruited into support roles within the agricultural sector such as veterinarians, whose typical salary is in the mid £20,000s. Kate Rowell, Quality Meat Scotland, said the meat processing sector would be put under extreme pressure if abattoirs could not hire EU vets. This view was echoed by the British Veterinary Association, who warned that if vets were not exempt from the £30,000 threshold it could lead to a “near-total wipe-out of veterinary surgeons” in critical public health roles in UK slaughterhouses. John Kinnaird, National Council for Rural Advisers, said this would have a “devastating” impact on the agricultural sector.

91. To adapt to the needs of the agricultural sector, Professor Julie Fitzpatrick called on the Government to create a more sophisticated way to make judgements on workers’ skills rather than focusing purely on “arbitrary salary figures” or whether a role requires a degree. We made a similar argument in our Report on Immigration and Scotland.

92. When we raised this with the Secretary of State, he told us that the £30,000 cap was based on recommendations from the Migration Advisory Committee (MAC) and was under consultation. However, he said he had raised with the Home Office the need for there to be a more flexible “sector-specific” approach to immigration which reflected the unique needs of the agricultural sector:

I think that this Committee would accept, as I do, that you need to take a more sector-specific approach. You can have people who are working in the meat trade who are skilled butchers who will be earning less than £30,000. You can have some people who are official veterinarians, who are critical for making sure that animal health is upheld, who might be earning less than that [...] We do need to take account of that and I have made that point.

According to media reports the Home Secretary has urged the MAC to “come up with fresh evidence justifying the proposals.”

93. We welcome the Secretary of State’s assurance that the Government will consider the sectoral needs of Scottish agriculture in its future immigration policy, but this is not reflected by the proposed £30,000 salary cap for skilled workers. This will have a detrimental impact on supporting professions like the veterinary sector which are reliant on non-UK workers. We recommend that the £30,000 salary cap be removed and welcome the fact the Government appears to be asking the Migration Advisory Committee to revisit this issue.
Transitional measures

94. While the Government’s long-term ambition is to have no dedicated migration route for low skilled and unskilled workers, it has recognised that sectors such as agriculture will find it difficult to immediately adapt to the changing circumstances and will require additional support. It has therefore proposed a transitional low-skilled route for overseas workers. This would allow workers to enter the UK for 12 months after which they would have to return home for a 12-month “cooling off period”. This will only be open to specified low risk nationalities and all entrants will pay a fee. It will be kept under review until 2025 to ensure it is meeting the UK’s economy needs and the Government have said it intends to engage extensively with businesses and stakeholders to help them transition away from low skilled non-UK workers during this period.

95. This transitional measure was strongly criticised by the Royal Society of Edinburgh, who argued that while a 12-month visa may help to address worker shortages in the near term, they are unlikely to be a sustainable solution to labour shortages in the agricultural sector. This they argued is because the short duration of the visas may deter potential applicants from applying for roles in the UK and with the 12-month cooling period, damage sectors that rely on returnee workers. James Porter told us the proposal would also increase employers overheads, with farms having to hire different personnel each year, “needlessly” increasing costs:

> If you put in a bit of effort and get somebody trained up in these jobs only then to have to tell them, “You have to clear off for 12 months”. That doesn’t fit any model that any business would seriously look at. You really need to kick that into touch straightaway.

Archie Gibson, Agrico UK, agreed with James Porter, but argued the Government could address these concerns by making the system more flexible and reflecting the timeframe that business operate on. By increasing the length of stay to 18 months, he argued more businesses could justify the investment.

96. The proposal of a temporary 12-month visa for low skilled workers will likely only increase training and recruitment costs for businesses and prevent them from relying on returnee workers. We recommend that the Government remove the cooling off period for temporary workers, at least for the broader agricultural sectors, and consult on how businesses can best be supported in reducing their dependency on overseas workers.

Alternatives to non-UK workers

97. As the sector tries to adapt to a future without low-skilled overseas workers, the Government’s immigration proposals suggest a greater emphasis on mechanising the industry. This was highlighted by the Migration Advisory Committee in its report on EEA migration into the UK, which argued that sector was becoming too reliant on migrant labour and needed to become more productive through investment in innovation.
98. However, a lot of our witnesses were pessimistic about automation replacing the sectors reliance on migrant workers, arguing that it is a long-term solution and cannot be considered a like-for-like substitute. James Porter said this was the case with the soft fruit sector, with technology not yet at the level to replace the need for workers:

In soft fruit, it is not a realistic proposition [...] If you look at this new raspberry harvester they are trailing. It can pick up the berries that it can see on the canes as it goes up, but somebody has to walk behind with a trolley and pick off all the ones that are hidden by leaves. They have to walk exactly the same ground as they would have before, so the solution is miles away [...] I do not see it ever replacing people picking fruit.  

Jonnie Hall, NFU Scotland, went further saying while automation could ease labour pressures in certain areas, it could never fully replace the expertise of an agricultural worker. Instead he said automation should help workers become more efficient not seek to replace them.

99. The Secretary of State was more optimistic about the role automation could play in reducing overseas labour dependency, however he agreed that it would not remove the need altogether:

It is certainly the case that in the future technology, automation, artificial intelligence and so on can potentially reduce the need for labour in some sectors, but again it is a matter of making sure that we invest in that technology but also recognising that there are different tasks that are more easily performed.

100. Automation and technology can help reduce Scotland’s reliance on non-UK workers in the future and help make the agricultural sector more productive, but this is not the silver bullet to solve the labour shortages facing the sector and there will still be a need for additional agricultural labour in Scotland for the foreseeable future. In the next chapter we will explore how investment in automation could improve the sectors productivity and make new innovations more accessible to farming communities.
6 Agricultural innovation

101. As we discussed earlier, Scotland’s agricultural land has the lowest productivity per hectare in the UK due to its challenging topography.\(^{206}\) One way to help address this is to use technology, innovation and automation to improve efficiency.\(^{207}\) During our inquiry we visited the James Hutton Institute, and heard impressive accounts of how technology ranging from robotic milking to vertical farming\(^{208}\) could transform the agricultural landscape. Innovation is not limited to technology however, new practices like benchmarking and data sharing can allow farms to can compare themselves to their peers and identify part of their operation that they can improve. However, while Scottish research institutes are at the heart of new research, there was consensus that more to be done to get new innovations adopted by farmers.\(^{209}\) We identified two main barriers to uptake:

i) Poor information sharing and a lack of knowledge exchange between researchers and farmers, and

ii) The cost of purchasing and training staff to use new technology.

Knowledge exchange

102. Most witnesses agreed that there was a lack of emphasis within agricultural research to get new research and technology implemented on the ground. Eleanor Kay, Scottish Land and Estates, blamed this on a “fundamental disconnect” between the research and farming communities:

I think a lot of farmers would actively want to get involved in research projects were they to know they were happening […] I hear a number of issues on a farm where I think, “There are seven-year projects going on about that. Why don’t they know the research is happening?”\(^{210}\)

Kate Rowell, Quality Meat Scotland, said this was a “stumbling block” for the sector, with some farmers feeling isolated by the technological advances coming from Scotland’s research institutes:

As Eleanor said, it is getting that research on to the ground. Things like the James Hutton Institute are fantastic, but your average farmer looks at that and it is a different planet. It has nothing whatsoever to do with them. It is that connection that we really need to foster.\(^{211}\)

103. Russell Smith, Scottish Crofting Federation, said this required a shift in the focus of agri-tech research, with a greater emphasis placed on who new technology will be used by, and ensuring it is tailored to their needs:

\(^{206}\) Scotland’s Rural College, Ten Key Facts about the CAP and Scottish Farming,
\(^{207}\) FSA006 and FSA0025
\(^{208}\) Summary notes from informal roundtable discussion on agricultural innovation with academics, scientists, technology companies and research institutes, 2019
\(^{209}\) Summary notes from informal roundtable discussion on agricultural innovation with academics, scientists, technology companies and research institutes, 2019
\(^{210}\) Q219
\(^{211}\) Q219
Farmers and crofters are very good at innovating, but they will only do it if it is proven that it is a benefit. Someone needs to get out there and say [...] if you do such-and-such, then you will see these positive benefits and then people will do it.212

This view was echoed by Aoife Behan, Soil Association Scotland, who told us that the most innovative research tended to be led by farmers, easily integrated into farm practice and able to deliver results quickly.213 This is being supported in Scotland through successful knowledge exchange initiatives such as monitor farms; which bring together farmers and researchers to trial new technology and research methods around a nationwide network of host farms.214 Professor Julie Fitzpatrick suggested these should be established regionally making it easier for farmers to attend and allowing innovation to be targeted to the issues affecting a particular region.215

104. Knowledge exchange is a component of the UK Government’s agricultural RandD programme. Since 2013, £160 million has been invested over five years in four centres of Agricultural Innovation aimed at “improving the flow of ideas and solutions from laboratory to farm.”216 These centres have set up 10 “satellite” farms in Scotland to allow new farming technologies and techniques to be developed, trialled and shared in commercial farming settings.217 The Agri-Tech centres told us this had been an effective initiative and urged the Government to provide more resources for it to be expanded further.218

105. The UK Government has also made available funding via the UK research councils and its Industrial Strategy. In 2017, £90 million was announced in a Transforming Food Production Challenge aimed at promoting technology and innovation in the agri-food sector.219 When we hosted a roundtable with researchers at the James Hutton Institute, it was suggested that more could have been done to utilise these funds for knowledge exchange initiatives, such as ring-fencing funding for knowledge exchange and allowing farmers and farming cooperatives to bid for funding to trial new practices.220

106. The Rt Hon Michael Gove MP, Secretary of State for Environment, Food and Rural Affairs, told us he was open to the idea of incentivising farmers and researchers to engage in knowledge exchange initiatives, stating the Government was committed to helping farmers “embrace the opportunities that new technology might provide.”221
107. We welcome the additional funding the UK Government has made available for agricultural research; however, it must ensure that the outcomes of this research lead to technologies and techniques that are of practical relevance to farmers. We recommend that the Government stipulate that bids for UK funding for agricultural research must include proposals for how the outcome of the research will be shared with agricultural businesses, including proposals to trial or demonstrate new technologies where appropriate. We also recommend that groups of farmers and farming cooperatives be allowed to bid for funding to trial new practices.

**Innovation grants**

108. While knowledge exchange can help ensure farmers and crofters are aware of new practices and technologies, the cost of adopting these improvements can be a barrier to uptake. Willie Campbell, First Milk, said the need to borrow money to invest in new technology was a major obstacle:

> There is no question that in the dairy sector there is huge potential for technology [but] the downside of it is the huge investment that is involved.\(^\text{222}\)

109. Archie Gibson, Agrico UK Ltd, said this uncertainty around returns was a deterrent for his own business and their attempt to find an automated solution to picking and cleaning seed potatoes. He told us that introducing new machinery would require an up-front investment of over £100,000, with no certainty that it would do an adequate job or be more efficient.\(^\text{223}\) Jonnie Hall, NFU Scotland, said the UK Government could help farmers in these scenarios by incentivising the uptake of new innovation and technology.\(^\text{224}\) The Royal Society of Edinburgh suggested that farmers could be paid via rural development funding, which the UK Government has said will be merged into the Shared Prosperity Fund post-Brexit.\(^\text{225}\)

110. However, not everyone favoured grants and government funded loans to encourage uptake of innovation. Soil Association Scotland argued that subsiding technology for all farmers could result in uptake that is not appropriate for all farms and could result in poor investment for farmers. Instead she argued funding should be focused on facilitating knowledge exchange:

> it is not about targeting money at technology necessarily. It is about targeting money at facilitating innovation. That is absolutely key. How do we put farmers at the forefront of this innovation? Many of them do not have the time to stand back and look at things, but when we facilitate farmers getting together and give them access to academics or business expertise, innovation falls out of that.\(^\text{226}\)

111. While the uptake of new innovations may not be right for all farm businesses the substantial costs associated with adopting new technology is proving a barrier to some. We therefore recommend the Government explore the option of using the Shared Prosperity Fund’s rural development budget to help farms purchase new technology and equipment through innovation grants.

\(^{222}\) Q350
\(^{223}\) Q439
\(^{224}\) Q221
\(^{225}\) FSA0026
\(^{226}\) Q313
Conclusions and recommendations

Agricultural funding

1. Allocating CAP funding within the UK on historic values does not reflect Scotland’s unique agricultural conditions and practices. This has resulted in Scotland losing out on much needed funds and led to criticism of the UK Government’s handling of the EU convergence uplift. We recommend that the Government work with the devolved administrations to develop a new fair and transparent funding arrangement which meets the needs and individual circumstances of all the UK nations post-Brexit. (Paragraph 10)

2. We welcome the commissioning of an independent review into intra-UK farm support post-Brexit and are pleased that the Government has clarified that the review’s conclusions will inform funding post-2022. (Paragraph 14)

3. The distribution of agricultural funding within the UK must be based on objective criteria that reflects each country’s conditions and situation. This should reflect the fact that Scotland has a much higher proportion of LFA land and recognise the social and environmental benefits farming this land provides. We recommend that the proportion of a nation’s LFA land be a central criterion in determining intra-UK agricultural funding. While we do not know the total amount of funding available, this should result in a significant increase in the proportion of agricultural support allocated to Scotland. (Paragraph 21)

4. We recommend that the Government consult on increasing the number of LFA categories used to make funding decision, to reflect the diversity of LFA land across the UK. This should ensure that farmers and crofters working in the most difficult and challenging landscapes get the support they need. (Paragraph 22)

5. Farming is a long-term industry, and the sector needs a financial settlement that gives farmers and crofters the certainty to make investments that will not see returns for several years. We therefore recommend that the UK Government set agricultural budgets on a seven-year basis and commit to a review half-way, to ensure it is still meeting the needs of Scottish agriculture. (Paragraph 26)

6. Rural communities in Scotland have benefited from the rural development funding provided by EU schemes. We therefore welcome the Government’s intention to use the Shared Prosperity Fund to help replace this valuable source of funding. However, the Government must provide more clarity on the purpose of the fund, how it will operate in practice, which existing EU funds it will replace and how much will be made available for rural development projects. (Paragraph 32)
Agricultural policy

7. Direct payments have an important role in supporting agriculture across Scotland. Without this support many farmers and crofters will become unprofitable causing economic, environmental and social problems for their communities. We welcome the unequivocal assurance from the UK Government that the Scottish Government’s existing direct payments will not be restricted by the UK’s WTO obligations. (Paragraph 38)

8. The uncertainty about the legal basis for continuing to make agricultural support payments to Scottish farmers after Brexit has been a cause of great concern. This has not been helped by the lack of a clarity from both the UK and Scottish Governments on when their respective Agriculture Bills will be passed. We recommend that the UK and Scottish Governments work together to agree a joint statement on the future of these payments to provide clarity about the future of these payments and announce timetables for the passage of their respective pieces of agricultural legislation. (Paragraph 45)

9. We welcome the firm commitment from the Secretary of State that agricultural common frameworks will not be imposed upon the devolved administrations but agreed by consensus on the basis of mutual and meaningful engagement from all parties. These frameworks must ensure that the Scottish Government has at least the same flexibility over agriculture policy as it currently does under the CAP. We believe that a reformed JMC, as recommended in our Report on intergovernmental relations would provide a suitable forum for frameworks to be agreed and managed. (Paragraph 52)

10. While progress has been made on the governance and development of common frameworks, it has been difficult to obtain detail about their contents. We therefore urge the Government to publish its draft agricultural frameworks and set out a timetable for their agreement so Scottish farming groups can help shape their final form and start preparing for any changes they introduce. (Paragraph 55)

Trade post-Brexit

11. We are alarmed by the negative reaction Scotland’s farming sector has had to the Government’s temporary no-deal tariffs, which appear to provide significantly less protection than the current regime and give industry very little time to adapt. The Government must address these concerns during this consultation period on its permanent tariff regime. The Government should also provide more detail on the financial support it will make available to farmers and crofters to offset the impact of the EU’s high no-deal tariffs on their exports. (Paragraph 64)

12. Geographical indications have been crucial in protecting the provenance of many iconic Scottish products, and we are pleased that the UK Government has acted on our recommendation and established a domestic register. While we are reassured that the Government is committed to continued recognition of UK products, the Government must provide more clarity on how it will ensure the future protection of Scottish GIs in the EU given that this may be revoked by the EU if a reciprocal arrangement is not reached. We also repeat our call for GI protection to be a red line in future UK trade negotiations. (Paragraph 70)
The future of Scottish agriculture post–Brexit

Agricultural workforce

13. We welcome the Government’s decision to launch a Seasonal Workers Pilot Scheme, however there is overwhelming evidence that 2,500 workers will be insufficient to meet the demands of the agricultural sector in Scotland, let alone the rest of the UK. **We recommend that the Government increase the size of the pilot to 10,000 workers next year. We also recommend that its scope be broadened to cover other sectors reliant on seasonal workers such as floral and meat processing.** (Paragraph 78)

14. It is clear to us that a permanent Seasonal Workers Scheme is needed to meet the demand for seasonal agricultural workers post-2020. **We therefore recommend that the Government commit to running a version of the scheme on a permanent basis.** (Paragraph 79)

15. We welcome the additional support the UK Government has made available to the pilot scheme following our intervention. However, we are concerned that there remain difficulties in processing workers in Ukraine and Moldova to allow them to reach farms on time. This has not been helped by the additional costs expected of workers to book a visa interview on-top of the £244 visa fee, which could deter student workers. This is substantially more than comparative schemes in Europe and risks pricing the UK out of the market for agricultural workers. **If the Government wants the best and most motivated workers, not just those who can afford to pay, we recommend it abolish visa interview fees and review the cost of Tier 5 visas, to ensure the pilot remains competitive internationally.** (Paragraph 84)

16. We were disappointed to hear that some foreign workers have expressed a reluctance to work in Scotland’s seasonal agricultural sector, based on preconceptions that we do not recognise. While it appears that many concerns are based on misconceptions, it is important that these are addressed to ensure that Scottish farms continue to attract the best workers. **We welcome the work that Concordia and Pro-Force are already doing on these issues and recommend that the UK and Scottish Government work together to identify ways to address the concerns raised by Pro-Force and Concordia.** (Paragraph 87)

17. We welcome the Secretary of State’s assurance that the Government will consider the sectoral needs of Scottish agriculture in its future immigration policy, but this is not reflected by the proposed £30,000 salary cap for skilled workers. This will have a detrimental impact on supporting professions like the veterinary sector which are reliant on non-UK workers. **We recommend that the £30,000 salary cap be removed and welcome the fact the Government appears to be asking the Migration Advisory Committee to revisit this issue.** (Paragraph 93)

18. The proposal of a temporary 12-month visa for low skilled workers will likely only increase training and recruitment costs for businesses and prevent them from relying on returnee workers. **We recommend that the Government remove the cooling off period for temporary workers, at least for the broader agricultural sectors, and consult on how businesses can best be supported in reducing their dependency on overseas workers.** (Paragraph 96)
19. Automation and technology can help reduce Scotland’s reliance on non-UK workers in the future and help make the agricultural sector more productive, but this is not the silver bullet to solve the labour shortages facing the sector and there will still be a need for additional agricultural labour in Scotland for the foreseeable future. (Paragraph 100)

Agricultural innovation

20. We welcome the additional funding the UK Government has made available for agricultural research; however, it must ensure that the outcomes of this research lead to technologies and techniques that are of practical relevance to farmers. We recommend that the Government stipulate that bids for UK funding for agricultural research must include proposals for how the outcome of the research will be shared with agricultural businesses, including proposals to trial or demonstrate new technologies where appropriate. We also recommend that groups of farmers and farming cooperatives be allowed to bid for funding to trial new practices. (Paragraph 107)

21. While the uptake of new innovations may not be right for all farm businesses the substantial costs associated with adopting new technology is proving a barrier to some. We therefore recommend the Government explore the option of using the Shared Prosperity Fund’s rural development budget to help farms purchase new technology and equipment through innovation grants. (Paragraph 111)
Draft Report, *(The Future of Scottish Agriculture Post-Brexit)* proposed by the Chair, brought up and read.

*Ordered*, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 44 read and agreed to.

Paragraph 45 read.

Amendment proposed, to leave out paragraph and insert:

“The uncertainty about the legal basis for continuing to make agricultural support payments to Scottish farmers after Brexit has been a cause of great concern. This has not been helped by the lack of clarity from both the UK and Scottish Government on when their respective Agriculture Bills will be passed nor the confused accounts we heard on the legal basis for continuing farm payments post-2020. We were particularly concerned by the Scottish Government’s account as, at the beginning of this inquiry, the Cabinet Secretary for the Rural Economy repeatedly told us that “existing powers under the devolution settlement” provided the legal mechanism for farmers in Scotland to receive payments from 2020. He was however unable to point to any specific provision which provided this legal mechanism. Given that these regulations that allowed for payment under the current legal framework were not passed until several months after this evidence session, we are concerned about the consistency of the evidence from the Cabinet Secretary for the Rural Economy. We recommend that the UK and Scottish Governments work together to agree a joint statement on the future of these payments to provide clarity about the future of these payments and announce timetables for the passage of their respective pieces of agricultural legislation.”—(John Lamont.)

Question put, That the Amendment be made.
The Committee divided.

Ayes, 2
John Lamont
Paul Masterton

Noes, 7
Deidre Brock
David Duguid
Hugh Gaffney
Christine Jardine
Danielle Rowley
Tommy Shepphard

Question accordingly negatived.

Paragraph 45 agreed to.

Paragraph 46 to 111 read and agreed to.

Resolved, That the Report be the Ninth Report of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available (Standing Order No. 134).

[Adjourned till Wednesday 3 September at 10:00am.]
Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the inquiry publications page of the Committee’s website.

Tuesday 30 October 2018

Jonnie Hall, Director of Policy and Member Services, NFU Scotland, Vicki Swales, RSPB/Scottish Environment LINK, John Kinnaird, National Council of Rural Advisers, Russell Smith, Scottish Crofting Federation, Fergus Ewing MSP, Cabinet Secretary for Rural Economy, Scottish Government via videolink

Q1–92

Wednesday 31 October 2018

George Eustice MP, Minister for Agriculture, Fisheries and Food, UK Government

Q93–183

Monday 28 January 2019

Jonnie Hall, Director of Policy, NFU Scotland, Eleanor Kay, Agricultural Policy Adviser, Scottish Land and Estates, Russell Smith, Chair, Scottish Crofting Federation, Kate Rowell, Chair, Quality Meat Scotland, Professor Michael Keating, Professor of Politics, University of Aberdeen and Centre on Constitutional Change, Dr Ann Bruce, Senior Lecturer, University of Edinburgh, Steven Thomson, Senior Agricultural Economist, Scotland's Rural College, Paul Flanagan, Director for Scotland, AHDB

Q184–262

Tuesday 26 February 2019

Bruce Wilson, Public Affairs Manager, Scottish Wildlife Trust, Sheila George, Food and Environment Policy Manager, WWF Scotland, Professor Colin Reid, Professor of Environmental Law, University of Dundee, and Aoife Behan, Director of Soil Association Scotland

Q263–313

Tuesday 19 March 2019

John Fyall, Former Chairman, National Sheep Association Scotland, Willie Campbell, Council Member, First Milk, Scott Henderson, Vice-Chair, Scotch Beef Association, Lorne Watson, Seeds Committee Chair, Agricultural Industries Confederation, Professor Julie Fitzpatrick, Royal Society of Edinburgh, John Kinnaird, National Council of Rural Advisers, Michael Clancy, Director of Law Reform, Law Society of Scotland

Q314–389
Tuesday 23 April 2019

James Porter, Angus Growers, Sir John Campbell, Glenrath Egg Farms Ltd, Archie Gibson, Agrico UK Ltd, Stephanie Maurel, Chief Executive, Concordia, Matthew Jaret, Managing Director, Pro-Force Ltd

Tuesday 14 May 2019

Fergus Ewing MSP, Cabinet Secretary for the Rural Economy, David Barnes, National Adviser on Agriculture Policy, Scottish Government, Andrew Watson, Deputy Director for Agricultural Policy Implementation, Scottish Government (via videolink)

Wednesday 5 June 2019

Michael Gove MP, Secretary of State for Environment, Food and Rural Affairs, Guy Horsington, Deputy Director for Future Farming Policy and the Agriculture Bill
Published written evidence

The following written evidence was received and can be viewed on the inquiry publications page of the Committee’s website.

FSA numbers are generated by the evidence processing system and so may not be complete.

1. Agriculture and Horticulture Development Board (FSA0006)
2. Angus Growers (FSA0032)
3. Bread for Good Community Benefit Society (FSA0005)
4. British Veterinary Association (FSA0033)
5. Carbon Gold Ltd (FSA0002)
6. Concordia (FSA0027)
7. Food and Drink Scotland (FSA0012)
8. Mr John Hunt (FSA0008)
9. Professor Michael Keating (FSA0004)
10. Law Society of Scotland (FSA0007)
11. Law Society of Scotland (FSA0023)
12. Moredun Research Institute (FSA0026)
13. National Council of Rural Advisors (FSA0017)
14. National Sheep Association Scotland (FSA0013)
15. NFU Scotland (FSA0003)
16. North West Regions of the Consultancy Division of the Scottish Agricultural College (FSA0019)
17. Quality Meat Scotland (FSA0015)
18. Quality Meat Scotland (FSA0025)
19. Professor Colin Reid (FSA0020) and (FSA0029)
20. The Royal Society of Edinburgh (FSA0011)
21. Scotland’s Rural College (SRUC) (FSA0009)
22. Scottish Association of Meat Wholesalers (FSA0030)
23. Scottish Environment LINK (FSA0018)
24. Scottish Land Estates (FSA0014)
25. Scottish Wildlife Trust (FSA0016)
26. SEFARI Gateway (FSA0024)
27. Shetland Islands Council (FSA0010)
28. UK Agri-Tech Centres (FSA0028)
29. UK Government (FSA0022)
30. WWF Scotland (FSA0021)
List of Reports from the Committee during the current Parliament

All publications from the Committee are available on the publications page of the Committee’s website. The reference number of the Government’s response to each Report is printed in brackets after the HC printing number.

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