

ARD Stakeholder Group Meeting

15 May 2018, SASA

Attendees:

Ian Davidson (Chair)	Head of Agriculture Policy Division – Scot Gov
Alison Milne	Scottish Tenant Farmers Association
Andrew Wright	Institute of Auctioneers and Appraisers in Scotland
Beth Webb	Soil Association
Brendan Callaghan	Forestry Commission Scotland
Claudia Rowse	Scottish Natural Heritage
Ian Cowe	Forestry Commission Scotland
David Michie	Soil Association
Deborah Roberts	Scottish Organic Producers Association
Jacqueline Green	Scottish Enterprise
Jamie Farquhar	Confor
John Raven	Historic Environment Scotland
Jonnie Hall	NFUS
Kathy Peebles	National Sheep Association
Kevin Mills	Agricultural Industries Confederation
Mark Aitken	SEPA
Patrick Krause	Scottish Crofters Federation
Sarah-Jane Laing	Scottish Land and Estates
Stuart Ashworth	Quality Meat Scotland
Billy Mackenzie	Agriculture and Rural Development division - SG
David Barnes	EU Hub - SG
Ewen Scott	CAP, GM & Agricultural Climate Change – SG
Helen Stanley	CAP, GM & Agricultural Climate Change – SG
John Brownlee	EU Hub - SG
Kirsten Beddows	CAP, GM and Agricultural Climate Change
Rachel Smith	CAP, GM & Agricultural Climate Change – SG
Richard Haw	RESAS – SG

Apologies (and/or organisations not represented at meeting): Agriculture and Horticulture Development Board, Agriculture Industries Confederation, Dairy UK, Deer Farmers, Game and Wildlife Conservation Trust, James Hutton Institute, Highlands and Islands Enterprise, Hutton, Nourish Scotland & SE Link, Royal Society Protection of Birds, Scottish Association of Meat Wholesalers, Scottish Beef Association, Scottish Tenant Farmers Association, SRUC, and SASA.

1. Welcome and introductions

1.1 Ian Davidson (ID) welcomed everyone and informed the group there would be two presentations, one from Alison Milne, providing a further update on the progress of the NCRA, and also from ID himself, on his recent trade mission in New Zealand. ID gave apologies from RPID colleagues, who were unable to attend to give the Pillar 1 update due to a cross-compliance audit taking place.

2. Minutes and actions of the last meeting

2.1 Minutes of the last meeting (20 March) had been circulated. There were no further comments and so these would be posted on the ARD SHG website.

2.2 There weren't many outstanding actions;

- o Para 3.9 – KB also added that we are working very closely with SNH and FCS, and was endeavouring to have information for the RDOC, which will then be shared with the ARD SHG. **Update: There was a discussion around SRDP and managing the SRDP until the end of the programme. KB stated that this work is on-going and is working on putting this together. Propose to carry this forward until the next meeting.**

ID explained that there were significant challenges. Within the EU/UK Withdrawal Agreement, as it currently stands, the rural development regulations will apply until 31 December 2020, and (Direct Payments regulation will apply until the end of 2019). However, the UKG funding guarantees are not in line with the end of 2020, they commit to replacing EU funds for Pillar 2 contracts entered into before exit day. Officials are working with Ministers to get a steer on how to take this forward as it's a very tricky area, SG cannot commit money that we're not sure we'll have. Stakeholders understood but were frustrated by this matter, especially what is meant by 'future farm support'. It's assumed that the majority of Pillar 2 would come under farm support, but we do not yet have this in writing. There was a consensus from the group that they wanted to write a collective rural letter to Defra about this matter.

- o Para 3.14 – The group would like an assurance that their thoughts will be fed back - that they are unclear how we will progress this work and want a mechanism going forward. JB to feed this back. **Update: JB and KB made sure comments were fed back and DB covered this action in more detail under his Brexit update.**

- o Para 6.3 – *following a discussion on Potential Voluntary Coupled Support (VCS)*: The group also ask that as part of the key considerations of future farm support, we need to have clear evidence on what current schemes and support are providing. **Update: JB confirmed that in terms of evidence, policy teams are working with RESAS to look at the evidence we currently have, and will be engaging with stakeholders fairly soon.**

- o Para 6.6 – KB stated she will provide a paper on further changes to the Omnibus Regulations for a future meeting. **Update: KB explained that we don't have another paper yet as we don't have Delegated Acts. KB has been pushing through various different channels for an update on when we'll get the Acts. Action to be carried forward.**

- o Para 7.2 - KB added that we can have KM (climate change) back to provide an update on how this is progressing at a future meeting. **Update:**

**Secretariat has made a note to invite KM back to a future meeting.
Action to be carried forward.**

3. Pillar 1 and Pillar 2 Updates:

3.1 Pillar 1 update: ID explained that RPID colleagues were unable to attend due to a cross-compliance audit taking place and passed on apologies. KB read a written update provided by Stephen Sandham (SS): At the time of this meeting;

- We have received over 16,700 2018 SAFs so far
- We have made £138.7 million of 2017 Basic Payment Scheme and Greening payments (paying 43% of businesses) so far
- We have made £37.7 million of 2017 Scottish Suckler Beef Support Scheme payments (representing 95% of anticipated expenditure on that scheme)
- We will start paying 2017 Scottish Upland Sheep Support Scheme payments later in the payment window
- There are no outstanding Pillar One payments in relation to 2016
- We have made over 99% of 2016 Rural Priorities payments and over 98% of 2016 LMO., AECS, and FGS payments
- 2016 BES and LFASS payments are 96% complete
- We continue to work away at the final more complex 2016 claims under each of these schemes
- We have issued £57.5 million of LFASS 2017 loan offers and made £51.9 million of LFASS 2017 loan payments
- We are in the process of reviewing our delivery plans for starting 2017 payments for LFASS and other Pillar Two schemes and will update everyone further after that

3.2 There was a discussion about remapping land causing payment problems. ID replied that RPID had to implement the land parcel mapping system which is taking longer than planned, thus causing the delay. They are under scrutiny from audit and are still bound to do this by regulation or risk disallowance. There was a request for a report from RPID showing the extent of the errors that had arisen in the current process, when this issue will be resolved and when the payments will start.

[Action]. ID confirmed we were still on track to meet the target for SUSSS and BPS, at 95% at the time of the meeting. He explained that the closing date for SAF 2018 was 15 May and at the time of the ARD SHG meeting, there had been 16,700 applications received so far. There were approximately another 2000 applications sitting online, just waiting for the applicants/agents to submit. In the past 24 hours there had been 2000 submitted. ID informed the group that the 'Get Online' campaign had worked well. One group member suggested it would be good to see a breakdown of paper vs. online applications to see trends. **[Action Completed]** SA confirmed the suckler payment had gone up because the number of calves had fallen but the difference will lie in the behaviour of the dairy farmers e.g. a bigger use of beef within the dairy sector and seen more males reaching registration. ID added that the number of suckler cows is relatively stable.

3.3 Pillar 2 update: ES informed the group that the Rural Development Operational Committee (RDOC) governance committee had recently met, and the Joint Programme Monitoring Committee (JPMC) is meeting later in the month on 30 May. ES outlined a few key points about the Programme, including communications and the budget. See paper for details. ES also highlighted some key information from a few SRDP schemes, including AECS, FPMC, Forestry, LFAS and Broadband. See SRDP Scheme Update Table for more detail. ES explained that for Broadband, the figures were not as anticipated due to R100. Communities that were initially going to use the SRDP broadband are now going through the R100. The Cabinet Secretary for the Rural Economy and Connectivity made an announcement on 17 April 2018 stating there was now 95% broadband coverage. See news release for more information: <https://news.gov.scot/news/95-percent-broadband-coverage>

3.4 On when there will be a decision about the Pillar to Pillar Transfer ID replied stating if we are going to do it we would have to notify the Commission by 1 August 2018. KB added that this is now an extra opportunity we didn't expect, but it will remain a Ministerial decision.

3.5 The group then moved on to discuss forestry targets. ID explained there is likely to be pressure next year to meet target of 10,000 h/a – need to keep reminding Ministers there's a target of 100,000 h/a – which would mean the target would be 13,000 h/a per year. FCS colleagues are seeing big contracts coming forwards. JF added that it should be 15-20,000 h/a per year. BC stated that he thinks it's unlikely that the industry would be able to deliver that. Could go above the 10,000 h/a if the funding was there. There would be an opportunity to accept contracts with a revised payment. At the last revision of the of the SRDP budget, the European funding stayed the same, with additional SG funding going in. The European budget was reused (in regards to underspend).

3.6 The discussion moved on to BES. AM stated that as a recipient of BES, she found the carbon audit a really positive experience and has seen the financial benefits from it. ID appreciated AM positive comments. Another member added that it's paying for an outcome, which is an important precedent to set. BES did get some bad press, but its principles are sound. ID said that going forward; we would look to further develop BES and other schemes. One member felt there would value in identifying businesses that have a positive story to tell and have a quantifiable financial benefit - useful to showcase.

4. Omnibus Regulation Update

4.1 KB explained there was an action at the last meeting to look at optional changes in the omnibus regulations. KB hoped to have seen the Delegated Acts by now but there is no additional detail to give at this stage. She reported that there's now an agreement that the definition of Permanent Grassland will not change. On VCS there was an announcement around SUSSS to change the application period

and retention period due to weather - this will be a permanent change to the scheme. No further changes to other voluntary coupled support schemes. Although we haven't had the Delegated Acts, there has not been representation to make further changes at this time. In line with the CAP stabilisation plan, if there is no clear benefit, we won't make a change. There is an option to reduce payments / capping for just one year – but Ministers have not taken a final decision on this, nor is there a strong voice from stakeholders on this.

4.2 The group moved on to discuss the three new EFA options in relation to greening. A small sub-group met to discuss details. The group felt that two of the options had no benefit or value to Scotland; the addition of EFA Miscanthus and the addition of EFA Silphium Perfoliatum. There was a lot of interest from the group for the addition of EFA land lying fallow for melliferous plants, and officials are now looking to introduce this for 2019. As it's very similar to fallow, it's proposed that it will be the same rules, same year – with the option of planting wild flower mix. Awaiting RPID to provide the outline of a potential EFA option for melliferous plants while maintaining all the other rules for land lying fallow **[Action]**. This option will attract a higher EFA weighting factor (1.5 instead of 1). One member asked whether this additional option would pose an issue to seed companies in regards to seed production. ID stated there must be a supply and KB added that it was not raised as an issue by the sub-group.

5. NCRA Update

5.1 Presentation on how the work of the NCRA is progressing: AM explained that the NCRA published a report on the implications of Brexit in November last year and they are due to publish their next recommendations in June. AM hopes they have communicated a clear sense of purpose and recognising the rural economy in its entirety. AM explained that the rural economy is still facing the same problems as it was years ago and there are many unanswered questions that the NCRA are acting as a catalyst to asking these questions. They want to build on existing successes and make a more profound change. AM asked the group for help and input as this might be something ARD members can engage their members in. For more detail, the presentation is available on the ARD SHG section of the SG website.

5.2 The group were interested to know whether the number of different initiatives were working together, such as; Scottish Rural Network, Scottish Rural Parliament and the NCRA – and commented on the fact they still feel businesses are working in silos. AM replied stating that yes on the surface, there are dialogues – but if looking at the rural economy in its entirety, there are so many businesses to consider. AM also added that we need to recognise that there's a Government process and the NCRA process.

5.3 The general feeling from some members of the group is that the process is being put in place for agri policy, by people who are so far removed. It becomes a

bureaucratic process. They also feel that a one size fits all approach doesn't work, it's too complex. AM appreciates regional and community diversity and feels there is a benefit of sectors in the rural economy coming together. It's important to develop the relationship between rural and urban communities.

6. Trade mission to New Zealand presentation

6.1 ID provided an overview of his visit to New Zealand, primarily looking at the red meat industry as well as other policies. ID outlined modern farming in New Zealand; farms are privately owned and operated businesses. Farmer's production decisions and market returns are dictated by the domestic and overseas markets, not the government (in most circumstances). Sales depend on meeting customers' expectations of price and quality. Production is efficient, profitable and sustainable. Farms are getting bigger but fewer of them and family ownership still dominates, but has more complex management. ID explained that the industry is driven by export and the market, and they export to 120 countries and lamb exports particularly stood out at 37%. New Zealand's vision is focussed on growing and protecting and there is a large influence of the Maori people. They take a very long term view of land use, whereby they think about preserving the land for the next two, three generations. For more detail, the presentation is available on the ARD SHG section of the SG website.

6.2 Members thanked ID for sharing this experience. The group were interested in what motivated farmers to make decisions, to which ID explained that farmers were forward thinking people and are not hung up on historic preference – they do what suits them and the land. They are not driven by regulation, it's by partnership and all about protecting the market they've worked so hard to build up.

7. Brexit update and the work of the Agriculture Champions

7.1 DB started by discussing matters arising at EU/UK level. He informed the group that June and October are significant dates because of European Council meetings. There will be two stages; the first will look at the divorce settlement – which it had been intended would be decided at the June summit. Then the next will focus on the post-divorce settlement – which it was and still is hoped will be agreed at October summit. The biggest obstacle to progress is areas where UKG doesn't have a settled position on something, and UKG sources have been playing down that any decision was to be made at the June European Council. One particular issue is the problem with the Irish border; this may be a sticking point. Officials can't see how you can reconcile the various commitments, about not having hard borders. By staying in the single market, you would sort out those border issues – this is SG's preference but is not the UKG position.

7.2 One member asked if the end March exit date was flexible? DB replied saying that article 50 states that you leave after two years, unless the transition period is extended by mutual agreement. If there were to be any flexibility on the

March 2019 date, this would have to be agreed by the other 27 member states. After we leave, if there is a Withdrawal Agreement on the lines of the current draft, until the seven year EU MFF period is up the UK would still act as though it were in the EU in regards to trading purposes. UKG sources are again playing down extending beyond 2020. Any proposal to extend a transition period beyond end-2020 starts to get complicated as we are then into the next budgetary period and eating into the next EU seven year budget period.

7.3 The draft withdrawal agreement says until the end of the EU budget period in 2020, the UK would still broadly speaking act like a MS. However, Pillar 1 counts towards the following year's budget – meaning that the 2020 Pillar 1 scheme year isn't covered. On funding guarantees the UKG has said three things: if you have a multi-annual contract under one of the EU programmes signed by March 2019, when EU money stops flowing, the UKG has committed the lost EU money for the rest of the life of these projects – but only for contracts signed by EU Exit day. Secondly, the UK government has said It will maintain the budget for 'farm support' until summer 2022. This would seem to mean that if a deal is done, the 2019 Direct Payments scheme year will draw down EU money. For 2020 scheme year, UKG will replace EU money provided direct payments are deemed by UKG to be 'farm support'. For 2021, as long as direct payments are made by 2022 the money will be replaced by UKG – but no guarantees for 2022 scheme year.

7.4 DB explained that we still don't have an explanation of what 'farm support' is. Leading Leave campaigners including Michael Gove and George Eustice promised during the EU referendum that all money lost would be replaced and SG ministers have said they consider those political promises should be kept. Thirdly, UKG has said any EU funding not covered by the first two points would come under a 'Sustainable Prosperity Fund' but there are no details available. One member asked if the assumption is it will be similar to the structural funds, to which DB stated UKG has said it is supposed to cover everything lost but SG has been given no detailed information on how this Fund would work. As previously mentioned, there was discussion among stakeholders about whether the group might write a letter on behalf of the industry to UKG, on wanting clarity of what farm support means. Such a letter could also include an additional paragraph on clarification of the sustainable prosperity fund.

7.5 UK/DA intra-UK relations: on 14 May 2018, and SG put a motion to the Scottish Parliament recommending that it should not to give consent to the EU (Withdrawal) Bill passing through Westminster, because of clause 11 (powers being held at Westminster before being passed out to the DA's). The Scottish Parliament's decision was not to consent, but UKG could still put the Bill through (within their legal competence) without Scotland's consent as this is a convention not a legal requirement. The Scottish Government is still keen to reach agreement with UKG on the EU(W)B and the Scottish Parliament has passed its own Continuity Bill, so that if powers do come straight to Scotland, we will be ready. The Continuity Bill has been

referred to the Supreme Court to see if it is legally sound. SG officials still have no more information on UKG views on UK-wide post-Brexit frameworks – some work going on in Animal Health and Welfare (AHW) – how much might be UK-wide / devolved. A key part of knowing what the future might look like will be in the Agriculture Bill that Defra are publishing. Officials have seen nothing on paper nor had any oral description, nor do they have any information to the extent on how much that Bill might impose a UK-wide framework. UKG apparently remains hopeful this will be introduced before summer recess – but SG are not optimistic – our understanding is that the Bill is not written yet and Autumn/Winter seems more likely. One member said their organisation had been told November for publication.

7.6 DB then moved on to discuss the legislative deficiency work. DB summarised what the EU(W)B will do. To avoid a legal vacuum, EU law will roll over into domestic law, but there will be some things that don't work, so we'll need to fix those. This is a massive piece of work, with lots of regulations to look at. One example of the kind of deficiency that will need fixing is the SRDP: if we want to modify the programme, as a MS we have to seek the approval of the EC – but what happens when we leave? DB clarified that if we don't get an agreement on EU(W)B, come March 2019 SG could lose the power to make any changes/amendments. Westminster will hold all the powers until they decide to release them to Scotland. On whether anything is being done on a plant health framework, DB explained there was, it was just a different timescale to animal health. In order to look at governance arrangements and what might be required, MoUs, Ministerial committees etc, the four UK administrations picked two example policy areas to do some specific analysis. These areas were AHW and Fisheries, and this is why animal health is slightly ahead of plant health.

7.7 DB then moved on to discuss the work being done within Scotland starting with the Agricultural Champions. Mr Ewing had dinner with the champions on 14 May and they are close to publishing their final recommendations. The Champions felt the responses to their interim document were supportive and it's likely to be an elaboration to the broad approach set out in November. DB reinforced the point that this is not a Government document. The champions had indicated that they wanted to prioritise the clarity of the message and produce a document that will actually be read by farmers – so don't expect pages of evidence reproduced from other sources, more likely to focus on recommendations, although recommendations will be evidence based. Mr Ewing has spoken about modelling, once we get these recommendations we'll need some modelling as part of the process to turn these into policy. Mr Ewing has mentioned this to some stakeholders, that at some point we would be looking to work with stakeholders on the modelling process. **Action: DB to come back with details in due course.**

7.8 The discussion moved on to discuss future policy work. One member asked what the timescale is for policy work, to which DB replied stating that Mr Ewing has always said he envisages not rushing into future policy – definitely not 2019. Even if

there is a deal on the lines of the draft Withdrawal Agreement, there's no way Scotland or any UK administration could be ready to implement a completely different policy from CAP in January 2021. We'll need a period of a few years after Brexit to reflect on what is required and design it. It will be at a later date to bring in an entire new policy. There may nonetheless be changes before then, and the Champions had floated the idea of amending capping so as to release funds to pilot some new things during a transition period, but not moving to an entirely new basis for policy.

8. AOB and date of next meeting: There were no AOBs. The next meeting is in the diary and will take place on 17 July at SASA.