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To : Scottish Parliament's Covid-19 Committee
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COVID-19 COMMITTEE – NFU SCOTLAND EVIDENCE

- NFU Scotland (NFUS) welcomes the opportunity to respond to this inquiry. Representing over 8,500 farm, croft and professional agricultural businesses across Scotland, the response to, and subsequent recovery from, Covid-19 has been a significant focus of NFUS' work since the outbreak of the virus in Scotland.
- Like all sectors of the economy, each sector of Scottish agriculture has or will be impacted by Covid-19 and the restrictions imposed by the virus outbreak. These impacts have been numerous and immediately felt in some sectors: whereas for others the impacts may be felt in the medium to longer term. This evidence paper offers commentary on the agriculture sector's role and considerations for the forthcoming economic recovery.
- Past crises have highlighted the resilience and adaptability of rural economies. The Foot and Mouth Disease (FMD) outbreak in 2001 and the associated rural shutdown illustrated this, as well as more recently the recovery from the 2007-2008 financial crisis and recession.

- However, there has been an undoubtable impact for rural businesses from the lockdown restrictions, due to the greater dispersal of workplaces, consumer and business services, and the importance of visitor and tourism economies to many rural areas – an issue which is perhaps even more pronounced with the significant expansion in Scottish agri-tourism in the last decade. There is a need to avoid over-generalising between places or assuming that their resilience means farming and crofting communities can be left to fend for themselves to weather crises, or that their resilient behaviour itself does not have unintended effects.
- Scottish agriculture already faces an array of political, physical and financial challenges. The obvious existing challenges include: Brexit and the issues around trade and movement of goods; people and future support; dysfunctional supply chains characterised by inequitable margins across most sectors; and, the here and now of current agricultural policy, its funding and its delivery. The key impacts of Covid-19 on the agricultural sector have highlighted all of these issues in a domestic sense.

Framework for Decision-Making and Agri-Tourism

1. An immediate impact of Covid-19 for agricultural businesses that have diversified into agritourism was the almost immediate cancellation of months' worth of bookings and the processing of refunds as a result. For some farm-based tourism ventures, profits made from the diversified arm of the business significantly support the income of the farm itself as well as cash flow.
2. Whilst the initial exclusion of self-catering accommodation from the Scottish Government's support grant for tourism businesses caused problems for a number of agri-tourism ventures, the reversal of this stipulation ensured that for ventures where income from the self-catering venture exceeds that from the farm, grant relief was available. NFUS is also aware of members making successful applications to the UK Government's Bounce Back Loan Scheme.
3. NFUS is however aware of a further discrepancy for self-catering agri-tourism ventures, where if self-catering properties are rated separately, applicants will be eligible for £7500 per property. However, if they are registered as one property, then applicants will only be eligible for the £10,000 grant.

4. NFUS recognises that the Scottish Government's *Framework for Decision Making* outlines that restrictions will be relaxed for "accommodation providers" during Phase 3. Whilst NFUS recognises the Scottish Government's desire to be cautious in its approach to the reopening of the hospitality sector, it is the view of NFUS that for the vast majority of providers of self-catered accommodation as part of agri-tourism ventures, safe social distancing is entirely possible and as such, providers of self-catered accommodation could potentially be considered as a priority in an earlier phase of lockdown restrictions being removed. As alluded to above, the financial losses incurred by these businesses due to continued closure are significant in the agri-tourism sector and NFUS considers that where it can be demonstrated that businesses can safely operate within the spirit of the phased lockdown requirements, they should be encouraged to do so.

Framework for Decision-Making and agricultural commodities

5. Food production and distribution is classed by Scottish Government as one of the 13 'Critical National Infrastructure' sectors of the Scottish economy and NFUS has welcomed the early clarification from both the UK and Scottish governments relating to the essential continued production of the agricultural industry. This early clarity has allowed the vast majority of NFUS members to continue producing with confidence, albeit in adherence to strict guidance and altered processes relating to social distancing. Indeed, some of the structural features of rural Scotland, notably their more dispersed population base and their already established tradition of home-based working has in the main been a source of business resilience during this crisis.
6. However, the rapid restructuring of the supply chain due to the loss of the foodservice sector and export has created acute issues for some agricultural commodities – namely dairy and beef. For others, price impacts are anticipated in the longer term – particularly in the arable sector, where the impact of reduced distilling and brewing capacity is yet to be realised for primary producers. Whilst an in-depth commentary of the situation for the agricultural commodities is out of scope for this Committee's inquiry, it is valid to make the Committee aware that Covid-19 has presented challenges to some sectors staying in profitable production.

7. In terms of the latter example, NFUS recognises that the approach outlined in the Scottish Government's *Framework For Decision Making* allows scope to ensure that distilleries and breweries can operate as businesses that can effectively implement safe social distancing whilst remaining in production. NFUS is greatly supportive of this recognition; these activities must be considered as an extension of the food supply chain. Otherwise, should restricted distilling or brewing capacity continue into the longer-term, the cropping sectors will face significant market pressures. There will also be a significant capacity issue for whisky production should such a situation come to pass – an undesirable outcome for a flagship and high-value Scottish industry.

8. A further commodity which is worth specially highlighting in terms of direct impacts arising from the lockdown and eventual roll-out of the *Framework for Decision Making* is the non-edible ornamentals sector. Growers felt an immediate impact with the closure of garden centres which cut off sales not just of plants and plant associated goods but also those of other goods stocked in many outlets. Some growers have been able to conduct a limited amount of sales by home delivery, and NFUS welcomed the encouragement of the Scottish Government for garden centres to continue with online orders during the lockdown phase. Whilst garden centres will reopen from the beginning of June, the loss of sales throughout the usual period of peak demand in the spring, paired with write-offs of stock, mean that many plants that will not be saleable later in the season. The value of stock at risk runs to many millions of pounds.

9. Growers of ornamentals have reported problems accessing the UK Government's Coronavirus Business Interruption Loan Scheme as they are subject to the EU state aid rules that apply to agriculture. The limits on aid set out in those rules mean that only a small fraction of the losses and costs they have incurred can be assisted. NFUS believes there is a case for a targeted package of financial aid to assist those businesses that have incurred significant losses.

10. NFUS continues to closely monitor the situation across the livestock (beef and sheep), dairy, pigs, poultry, cereals, and horticulture sectors. These cumulative impacts across the agricultural commodities during the response phase have

served to highlight the fragility and interdependence of food production and consumption. As such, NFUS has produced action plans for each sector, which identify both industry and government-led initiatives to ensure each sector can ensure enduring viability through the response, reset, restart and recovery phases as identified by Scottish Government. NFUS has presented this work to Scottish Government as part of its engagement on the government's document *A Framework for Decision Making* and is working closely with the enterprise agencies on these recovery plans.

Recovery from Covid-19

11. For NFUS, it is clear that the resetting and restarting phases of the economic recovery from Covid-19 will continue to present challenges for food production, processing and distribution, as markets and supply chains adapt to survive and thrive, and agricultural support is realigned in light of tighter financial constraints and amended policy goals.

12. NFUS has valued the communication of the Scottish Government in its development and roll-out of its *Framework for Decision Making*, and throughout the process has outlined that a phased approach to unlocking will mean constant readjustment for the supply chain and therefore management from governments in communicating with all links of the chain. A phased approach could provide as much instability if there is a lack of forward-planning in terms of logistics (haulage, storage) and supply and demand dynamics for all parts supply chain from primary producer through to point of purchase. So that industry is enabled to be proactive rather than reactive, engagement and intelligence between governments and industry about the unlocking strategy must be facilitated.

13. NFUS' primary goal within the longer-term economic recovery is to secure a profitable and sustainable agricultural industry that acts as a cornerstone to economic, environmental and social benefits: producing high quality food and products that its customers want; seeking growth in new export markets; lead in the delivery of climate ambitions and a flourishing environment; driving sustainable rural development, helping rural communities thrive and prosper; and

contributing to key objectives on animal health and welfare as well as promoting human health and well-being.

14. NFUS believes that one positive legacy for the industry has been in terms of the support that consumers have demonstrably shown for food and drink that is produced locally. NFUS members have taken seriously their role as producers of food and drink during the pandemic, and are encouraged by the excellent support for the sector that has arisen from the rise in farm shop deliveries, doorstep deliveries, and the actions of some retailers in using the opportunity to source and support domestically-produced produce as far as possible. NFUS appreciates that the UK and Scottish governments, too, have highlighted their support for domestic production at this time.
15. Moving out of the shadow of the pandemic, for NFUS it is vital that industry and governments work together to ensure a clear and consistent message continues to be received by the general public of the important role played by farmers, crofters and growers – not just in terms of ensuring security of food supply but also with regard to the extremely high provenance of the domestic food and drink offering, produced to exacting standards. For many years NFUS has advocated policies which reconnect Scottish consumers with local food producers through educational measures in the national curriculum which teach children in their early years about food production and seasonality.
16. For the same reason, NFUS believes that a legacy of the pandemic should be a focus on public procurement tendering practices to ensure that ingredient origin is accounted for in local buying and that there is stronger support for local sourcing. At present, European law doesn't allow public bodies to stipulate origin on public procurement contracts. NFUS believes this area of law does not have public support and as such would welcome any flexibility which allows public bodies in Scotland and the UK to choose to source Scottish and UK produce in the recovery phase.
17. NFUS therefore believes greater flexibility on public procurement is vital, and had suggested that the measures proposed for the Scottish Government's Good Food

Nation Bill could address this subject. Whilst noting the postponement of this particular piece of legislation due to the Covid-19 situation, NFUS believes the situation has only underlined the importance of governments showing that there is substance behind their statements in support of Scottish and UK agriculture by exercising policies which would better support domestically-produced produce.

18. NFU Scotland acknowledges calls for a 'green recovery' from Covid-19. Climate change remains a critically important issue for Scottish agriculture, and as a major land use in Scotland, it is clear agriculture has a role to play. Scottish farmers and crofters remain committed to producing high quality food in environmentally and climate-friendly manner.

19. However, NFU Scotland does not believe that Scotland's agriculture, agri-food supply chains, and food and drinks sectors can fully meet their potential unless specific attention is focused on the current key constraints. To enable economic recovery, and a more agile agri-food and rural economy, policy and investment must be adapted to resolve shortcomings in the following key areas:

- Building supply chain, business and human resilience;
- Utilising Scotland's land as an asset through optimal land use;
- Fully integrating land use and economic activity;
- Enabling the provision and effective deployment of financial, natural, human and social capital;
- Enabling productivity growth;
- Increasing processing capacity and adding value;
- Improving connectivity and ensuring digital requirements are met;
- Developing export opportunities in the food and drinks sectors;
- Diversifying and expanding domestic and international market opportunities;
- Removing planning via a presumption in favour;
- Providing fiscal incentives for land-based businesses;
- Creating diversification opportunities by utilising farm-based assets;
- Improving horizontal and vertical integration through greater collaboration and cooperation;
- Addressing rural demography and depopulation challenges; and

- Investing in people through skills and education provision.

20. The current pandemic has created myriad challenges for agriculture and food supply which will take significant effort to overcome. NFUS feels it is vital to highlight the future relationship negotiations with the EU as a further factor which could upset the equilibrium of the supply chain as much, if not more, as the current pandemic or other variables such as unforeseen weather events. With all sectors of the agricultural industry already fragile, NFUS believes it is legitimate to query how the planned date of departure at the end of 2020 will compound existing problems. NFUS asks the Committee to query UK Government on where the capacity within government is to deliver an orderly exit on 31 December 2020 in terms of government's engagement with industry.