



The 'Brexit Election':

A Good Deal for Scottish Agriculture, Food and Drink



General Election 2017

The vote to leave the European Union has thrown the interests of the Scottish agriculture and food and drinks industries into sharp focus. It was not the outcome which the industry expected, nor had prepared for, and NFU Scotland is under no illusion that the negotiation to leave the EU – undoing over 40 years of agricultural policy integration in the process – won't present significant challenges.

However, there are significant opportunities if UK negotiators can secure a good deal. With Article 50 now in motion, we are determined to look forward and grasp these opportunities, rather than look back and lament the arguments of the referendum campaign.

The Prime Minister has repeatedly stated that “a good deal will be one that works for all parts of the UK”. This manifesto defines what a “good deal” will look like for the Scottish agricultural and food industries, and how NFU Scotland will work with the new UK Government to achieve this objective.

Irrespective of the decision to leave the EU, Scottish agriculture remains very vulnerable to fluctuations and shocks, threatening profitability and the ability to invest in the industry. Scottish agriculture is challenged – geographically, environmentally and commercially – in distinct ways to the wider UK context. Scotland has significant diversity in the performance of agricultural businesses, between farm sizes, within sectors and across regions all utilising a patchwork of land types.

“A good deal will be one that works for all parts of the UK”

Indeed, the latest figures suggest that Scottish farm incomes have fallen by a devastating 75 per cent over five years. Converting income estimates to hourly income for unpaid labour, such as farm owners, family members and business partners, shows that the income generated from almost two-thirds of farm businesses wouldn't have been enough to meet the legal minimum agricultural wage for paid workers.

The imbalance that exists between the growth and profitability being enjoyed by retailers and processors and the returns to those producing the raw materials at the farm gate is unacceptable. It is vital that Scottish farmers and crofters are enabled to capture a much fairer share of the margins in the supply chain. It will be just as important that farmers and crofters are also supported by governments via a new post-Brexit farm policy that ensures profitability and stability at farm level.

As we enter a period of even greater uncertainty, with the potential to further undermine confidence, it is essential that producers are given unequivocal signals that new trading deals and support arrangements will put the prosperity of farming businesses top of the agenda.

It is clear that agriculture is vital to Scotland and the UK's future prosperity. The new UK Government must recognise the diversity and unique challenges that Scottish agriculture faces as it takes forward its vision for the United Kingdom.



A GOOD DEAL FOR SCOTTISH AGRICULTURE

A good deal for Scottish agriculture will depend upon three things:

1. Bold and ambitious Free Trade Agreements with the EU and international trade partners, which upholds exacting standards, limits regulatory divergence and protects the UK market from cheap imported produce.
2. A re-drawn agricultural policy with a ringfenced budget that is geared towards active, efficient and productive agriculture – with the policy levers developed and delivered by Scottish Government.
3. A sensible approach to “controlled immigration” which allows the Scottish agriculture and food processing industries access to EU workers for seasonal and permanent, skilled and unskilled posts.

Agriculture can thrive across the United Kingdom if the opportunity is taken to develop new policies that break away from the shackles of the Common Agricultural Policy (CAP) and are fit for the unique circumstances of the four parts of the UK.

In light of the diverse farming systems and landscape that challenge Scottish farmers and crofters, NFU Scotland would measure the success of any future agricultural policy on its ability to allow agricultural businesses to be profitable with less reliance on support, and taking more back from the market.

Family farms are the backbone of the Scottish agricultural industry and it is vital that they are sustained and encouraged to produce more, and more efficiently.

NFU Scotland wants to see a new agricultural policy that is simpler, flexible, and encourages positive change. A stronger focus on high-quality advice and

innovation will allow land managers to make the best use of their assets. Incentives to collaborate would allow producers to develop their own supply contracts, or work together to set efficiency targets.

It is important that the new UK Government also recognises what the industry needs in different parts of the UK. As well as high-quality advice and market information, which will allow food producers to take more back from the market, government must recognise that an element of continued direct support for active farmers and crofters will remain vital to sustain communities and environments. It is a way of life, as much a part of the social, cultural and environmental fabric of rural areas as it is part of the economic infrastructure of food production. Maintaining communities through farming and crofting is highly important in Scotland, and farming systems are critical to Scotland’s biodiversity, water quality and climate change ambitions.

NFU Scotland is clear that any successor policy should be funded on a UK-wide common financial framework, but with policy development and delivery kept within the mainstay of the devolved administrations. Any approach that drops a ‘Defra-centric’, one-size-fits-all policy on to the devolved nations would not be acceptable.

However, what is also greatly important is maintaining the integrity of intra-UK agricultural and food trade. Some 80 per cent of Scottish agricultural produce goes to the rest of the UK, and this cannot be undermined. Consultation, consensus and agreement must therefore be front and foremost of discussions on a future agricultural policy, to ensure that the different needs of England, Wales, Northern Ireland and Scotland are met.



CREATING THE RIGHT ENVIRONMENT FOR AGRICULTURAL BUSINESSES TO THRIVE

NFU Scotland does not support the argument that UK food producers should be able to 'rip up the regulation rulebook' after the UK leaves the EU. It is these rules and regulations that underpin the UK's very high standards on which we build our world-class food and drink reputation.

Brexit does provide an opportunity, however, to design well-suited rules which far better match Scotland's landscape and farming practices.

NFUS calls on UK Government to use the Great Repeal Bill as an opportunity to address areas of regulation which are not fit-for-purpose in the Scottish and UK farming contexts. Examples urgently requiring attention include:

- Compliance and penalties
- Regulation and zoning of water quality assessments
- Tagging of livestock
- Environmental regulations

Food and drink is Scotland's leading industry and agriculture is the foundation stone. However, too often, agriculture does not share in its success.

The Groceries Supply Chain Code of Practice and appointment of the Groceries Code Adjudicator in 2013 is delivering a better working environment for direct suppliers to retailers to ensure the long-term sustainability of the UK agri-food sector. However, despite this positive move, NFU Scotland consistently hears of relations breaking down as our food moves through the supply chain from field to fork.

We need to strengthen relations and increase confidence between producers and the retailers; whilst also utilising the policy levers that will allow food producers to receive a better, fairer market return.

NFU Scotland wants to work with the new UK Government to strengthen and extend the remit of the Groceries Code Adjudicator so it has real clout to root out unfair treatment of farmers by their customers. Delayed payments and unnotified changes to supply arrangements at late notice are unfair trading practices which would not stand in most commercial business relationships. It is important that primary producers, as risk-takers, are offered fair protection via the regulator.

The opportunity to redraw a new agricultural policy for the UK means that other tools can be utilised to alleviate food producer's exposure to the marketplace. NFU Scotland is interested in the prospect of making better use of futures markets, insurance schemes and margin protection schemes, to act as a better cushion against volatility.

There is a significant opportunity to greatly increase the proportion of Scottish and British produce used within the public sector. Public procurement contracts should prioritise Scottish and British quality and assurance standards.

Clear and unambiguous country of origin labelling is required so that consumers can make informed choices.



MOVING TO THE NEW POLICY FRAMEWORK

There are major opportunities in allowing Scottish farming and crofting businesses to take up new forms of support that enable innovation, restructuring and greater market focus.

But if the policy pendulum swings too far and too quickly away from direct income support then many farm businesses will not be able to cope with the rapid loss of funding that cushions against poor and volatile output prices and persisting input and compliance costs – especially in the unknown transition from the Single Market to new Free Trade Agreements.

NFU Scotland is looking to both Westminster and Holyrood to restore confidence and certainty to all Scotland's farmers and crofters through agreeing a necessary and meaningful transition to the new policy framework. Change is inevitable, but change has to be managed rather than chaotic.

The new UK Government must reach agreement with Scottish Government as soon as possible on a mechanism that retains at least the same level of funding going into Scottish agricultural and rural support policies after the current funding guarantees expire in 2020.

Any future agricultural budget must be ringfenced for agricultural and rural support in a way similar to how the CAP currently delivers support.

A fairer allocation of a future agricultural budget, decided on objective and non-discriminatory criteria, will be vital for restoring the confidence of Scotland's farmers and crofters – particularly in the period immediately following the UK's exit from the EU.



CREATING OPPORTUNITIES FOR NEW ENTRANTS

Those with an aspiration to farm can find it difficult to establish a viable agricultural business, as access to productive land is extremely limited. With only a small proportion of total agricultural land being made available to rent at any one time, new entrants to farming find themselves competing against established and developing farm businesses for rented land.

To encourage enterprise and new entrants into the industry, NFU Scotland would like the UK Government to use tax and fiscal incentives to encourage the letting of land to new agricultural business start-ups.

One proposal might be the introduction of a New Agricultural Business Allowance, which could be deducted from taxable profits for rental income as if it were a business expense. This would have the effect of reducing the amount of tax paid only when land was let to a new agricultural business.

Such a measure would therefore provide an incentive for landowners to let land to a new agricultural business.

Investment is a key indicator of agricultural business confidence, and NFU Scotland considers UK Government can boost confidence to invest by unlocking other schemes such as the Agricultural Buildings Allowance and Annual Investment Allowance. Both measures are readily available to be unlocked by HM Treasury at the current time, and would have downstream benefits for the rural economy as farmers and crofters employ the services of ancillary businesses in making the investment.



SELLING SCOTLAND'S GOOD FOOD STORY

It is the unerring goal of NFU Scotland to grow our agricultural production in order to sell our produce into new and existing markets on a ticket of quality, provenance and exacting standards – an extremely high bar which Scotland's farmers and crofters are proud to work to.

In the home market, however, there are still too many examples of consumers not being able to benefit from the strong provenance of Scottish produce. Food integrity is vitally important to shoppers – recent surveys have found that 52 per cent of British citizens felt that food origin was an important factor in informing their purchasing decision.

Leaving the EU provides an opportunity for the UK Government to develop an effective Country of Origin Labelling scheme that will give shoppers trust in the food that they eat and where it has come from. Currently, origin labelling legislation does not exist in Scotland for processed meat and dairy products despite the high level of public interest in the transparency of food origin.

NFU Scotland wants to work with the new UK Government to develop a mandatory indication of origin scheme for meat and dairy products in a way that works both in Scotland and in the United Kingdom.

A significant amount of the food produced in Scotland does not go to direct consumer retailer. With a large amount of Scottish food utilised in the food service industry and elsewhere, NFU Scotland wants the UK Government to use Brexit as an opportunity to drive demand and consumption of Scottish and British produced food through an enhanced procurement strategy.



A snapshot of Scottish Agriculture

Scotland has a very diverse agricultural industry – producing everything from soft fruits and vegetables, to grain for malting and feed markets, and milk, beef and lamb from intensive and extensive grassland systems.

The Scottish food and drink industry turns over

£14 billion annually

Food and drink is Scotland's largest manufacturing sector, accounting for almost

19% of total manufacturing turnover

Food and drink exports are worth

£5 billion

to the Scottish economy per year – a figure that has doubled since 2007, with a new export target for

2017 of £7.1 billion

79%

of Scotland's total land area is made up of agricultural holdings and common grazings

More than

85%

of Scotland is designated as 'less favoured' land, meaning that extensive livestock grazing dominates

Scottish dairy exports are worth

£60 million

Livestock accounts for

40%

of total farm output in Scotland, and was worth £1.1 billion in 2016

Scotland grows

1/3

of the UK's soft fruit, with the output value growing by over 150% in the last decade

Pigs contributed

£89 million

to Scottish agricultural income, and poultry a further

£84 million



A snapshot of Scottish Agriculture

Scotland has a very diverse agricultural industry – producing everything from soft fruits and vegetables, to grain for malting and feed markets, and milk, beef and lamb from intensive and extensive grassland systems.

Agriculture is directly responsible for contributing about **£650 million**

to the Scottish economy and supporting 65,000 jobs in agricultural production.

Agriculture supports **75,000 businesses**

in the food and drink industry, and

360,000 jobs

This is more than car manufacturing and the aerospace industries combined.

Cattle contributed **£700 million**

to Scottish agricultural income in 2016, and sheep a further

£210 million

Potatoes contributed **£209 million**

to Scottish agricultural income in 2016, and vegetables a further

£123 million

Scottish farmers and crofters are responsible for environmentally important designated sites equivalent to more than

1 million hectares

Scotland grows **42%**

of the UK's spring barley, underpinning the booming Scotch whisky industry

Crops account for **30%**

of total output from farming, with a value of £870 million to the Scottish economy

The food and drink sector increased in value by over **20%**

between 2008 and 2012. It continues to return more in GDP in Scotland each year than elsewhere in the UK.





NFU Scotland represents farmers, crofters and growers from across the whole of Scotland.

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