

Scotland's relationship with the EU

Scottish Land & Estates is a member organisation representing landowners and land-based businesses across Scotland. Given that much of the regulation and financial support affecting land use originates in the European Union (EU), Scottish Land & Estates is keenly interested in the consequences of the vote to leave the EU and welcomes the opportunity to respond to the European and External Relations Committee's call for written evidence on Scotland's relationship with the EU.

In this submission we would like to follow up on the discussion at the Committee's meeting on 28th July 2016 on the impact of Brexit in relation to farming and land management and to specifically address the request for comments on the domestic process for dealing with withdrawal from the EU. For the purpose of clarity, although we appreciate this is not certain, we have assumed in this response that the UK will go ahead and leave the EU and that Scotland will remain within the UK with devolved powers.

While Scottish Land & Estates remained neutral on the vote to leave the EU, now that the decision has been taken, Scottish Land & Estates is keen to ensure that we get the best outcome we can in the circumstances and takes the view that the UK has an opportunity to establish a world leading food, farming and environmental policy. The CAP has been extremely important for Scottish farmers, land managers and rural communities and change from the current arrangements will clearly create uncertainty and concern, but the CAP is very far from perfect and there is an opportunity to alter our approach to supporting rural areas, farming and the environment so that we get better outcomes.

Our vision is for a new policy that improves agricultural productivity, competitiveness and resilience. UK farmers are a crucial part of the food chain which provides us with a safe and secure supply of food. Farmers and land managers also have a vital role to play in improving biodiversity, securing our vital natural resources and helping meet the challenges of climate change. They also manage the landscape that defines the UK and provides the recreational opportunities people value so much. This policy must support and incentivise farmers and land managers to ensure they can continue to fulfil these important roles.

The need for a UK-wide food, farming and environment policy

At present, under devolution Scotland makes decisions about Scottish agriculture and some will no doubt argue that when we withdraw from the EU, Scotland should simply have the ability to do what it wants in terms of agricultural policy. Scottish Land & Estates takes the view, however, that it will be important to have a UK-wide food, farming and environment policy.

It is important to remember that while agriculture and rural development is devolved, Scotland does not have absolute control because the framework within which Scottish decisions are made is set by the Common Agricultural Policy at the EU level. While each nation or region is able to tailor implementation of the policy, the CAP provides the policy consistency across the EU that allows trade. We believe that we need a UK-wide food,

farming and environment policy that replicates this arrangement in order to avoid internal trade barriers or distortions in the functioning of the UK-wide agricultural system. If Scotland were simply to determine its own farming and rural development policy it could conceivably make choices that put Scottish farmers at a competitive advantage or disadvantage when compared to English farmers. Such internal differences will not be helpful to the industry as a whole. A UK-wide over-arching policy framework would provide the policy consistency but allow each country the ability to tailor implementation.

As such, the decision taken to leave the European Union will require a re-evaluation of the relationship and ways of working between Westminster and Holyrood. Brexit does not roll back devolution, but with such interlinked borders, economies and exports there is a need for consistency across the UK, so that farmers, landowners and rural businesses are not disadvantaged by geography. We must avoid internal barriers whilst allowing constituent nations to forge their own resilient rural economies.

It is critical, therefore, that we establish at the earliest opportunity a formal platform through which Ministers in the constituent parts of the UK can come together and agree the way forward. We need Scottish ministers to be doing everything possible to ensure that rural businesses in Scotland prosper from the new arrangements ahead and this involves our Ministers being at the table fighting for Scottish interests. It would be too easy to sit back and let Westminster drive the agenda in the hope of being able to blame Westminster if something goes against us.

This is especially important because if we do go down the route of a UK-wide food, farming and environment policy, we have seen successive UK governments express a desire to radically reform agricultural support in ways that may not have Scottish farming, environment and communities in mind. We need to make sure that Scotland's needs are heard and accommodated.

Scottish Land & Estates would encourage the Committee to seek reassurance from Ministers that they are actively working to influence and shape future agricultural policy at the UK level.

Fair funding allocation

We believe that there will be an ongoing need to support the countryside. Long before there was an EU, there was an acceptance that agriculture and land management require specific support. As the UK exits the EU, those needs are as relevant as ever. While there is great scope for improving how we direct public funds at the countryside, ultimately there will still be a need to support farming, land management and rural communities.

Farmers and other land managers produce for the market and so derive income in that way as businesses. They can change how they do things to reduce costs and increase income through efficiency gains, developing markets and product differentiation and so on. But, as we highlighted above, farmers and land managers also have a vital role to play in improving biodiversity, securing our vital natural resources and helping meet the challenges of climate change. They also manage the landscape that defines the UK and provides the recreational opportunities people value so much. These objectives will not be delivered through existing markets and cannot be achieved without government support and so there will be an ongoing need to direct public funds at farming and land management because it is in the national interest to do so.

Before we collectively get into a debate about how we should direct public money at the countryside, we need to ensure that any future UK funding stream for the countryside is allocated fairly between the constituent parts of the UK.

This is potentially a complex area with a range of options because at present we have Pillar 1 support that comes straight from the EU and we have Pillar 2 support which is co-financed and we have existing mechanisms, such as the Barnett formula, for calculating the block grant that comes from Westminster to the Scottish Government.

Without clarity on any of this detail, our concern at the moment is a general one that whichever future funding mechanism is decided upon, it should provide for consistency across the UK. If the nations of the UK are simply allocated funds through the block grant and allowed to make their own allocations to rural funding, it is possible that we could get into the situation where Scottish farmers are put at a competitive disadvantage when compared to their counterparts elsewhere. As such, we currently believe that a fair funding settlement should include ring-fenced budgets so that farmers, foresters and landowners operate on a level playing field across the UK.

Scottish Land & Estates would encourage the Committee to seek clarification from Ministers on what work is ongoing on the options for reaching a fair funding settlement.

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