



OFFICIAL REPORT
AITHISG OIFIGEIL

Constitution, Europe, External Affairs and Culture Committee

Thursday 28 March 2024

Session 6



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CONSTITUTION, EUROPE, EXTERNAL AFFAIRS AND CULTURE COMMITTEE
9th Meeting 2024, Session 6

CONVENER

*Clare Adamson (Motherwell and Wishaw) (SNP)

DEPUTY CONVENER

*Alexander Stewart (Mid Scotland and Fife) (Con)

COMMITTEE MEMBERS

*Neil Bibby (West Scotland) (Lab)
Keith Brown (Clackmannanshire and Dunblane) (SNP)
*Kate Forbes (Skye, Lochaber and Badenoch) (SNP)
Meghan Gallacher (Central Scotland) (Con)
*Mark Ruskell (Mid Scotland and Fife) (Green)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Fiona Burnett (Scottish Quality Crops)
Donna Fordyce (Seafood Scotland)
Tavish Scott (Salmon Scotland)
Kevin Stewart (Aberdeen Central) (SNP) (Committee Substitute)
Scott Walker (Scottish Association of Meat Wholesalers)

CLERK TO THE COMMITTEE

James Johnston

LOCATION

The Robert Burns Room (CR1)

Scottish Parliament

Constitution, Europe, External Affairs and Culture Committee

Thursday 28 March 2024

[The Convener opened the meeting at 09:30]

Interests

The Convener (Clare Adamson): Good morning and a warm welcome to the ninth meeting in 2024 of the Constitution, Europe, External Affairs and Culture Committee.

We have received apologies from Meghan Gallacher and Keith Brown. Kevin Stewart is substituting for Keith Brown. I invite Mr Stewart to declare any relevant interests.

Kevin Stewart (Aberdeen Central) (SNP): I have no relevant interests, convener.

The Convener: Thank you.

Decision on Taking Business in Private

The Convener: Our next agenda item is a decision on taking business in private. Do members agree to take item 3 in private?

Members indicated agreement.

Review of the EU-UK Trade and Co-operation Agreement

09:31

The Convener: Our next agenda item is to continue to take evidence as part of the committee's inquiry into the review of the trade and co-operation agreement between the European Union and the United Kingdom. We are joined this morning by Tavish Scott, the chief executive of Salmon Scotland. Welcome—I am sure that you are familiar with this room, Mr Scott. We are also joined by Donna Fordyce, the chief executive of Seafood Scotland; Scott Walker, executive manager of the Scottish Association of Meat Wholesalers; and Fiona Burnett, the technical director of Scottish Quality Crops. A warm welcome to you all, and thank you for your submissions to the committee prior to the evidence session.

In their submissions, Seafood Scotland highlights that customs compliance, including meeting rules of origin, as well as complying with the sanitary and phytosanitary—SPS—requirements, has

“added a considerable time and cost burden for Scottish seafood traders”;

Scottish Quality Crops suggests that recognising “equivalence in SPS standards across EU and GB borders”

would be welcome; and Salmon Scotland seeks a “bespoke and mutually convenient” SPS and veterinary agreement. Please can you briefly outline the particular challenges and say what you would want to see in such an agreement? What would that look like from your point of view?

Tavish Scott (Salmon Scotland): Thank you for the invitation to offer some thoughts to your committee.

In short, the best way to describe this is by setting out the route that salmon takes from harvest on the west coast of Scotland or the islands all the way through the central belt and, in particular, the logistics hubs, to the Channel tunnel and then to Boulogne-sur-Mer, which is where most salmon—and, as Donna Fordyce will reflect, most seafood—goes if it is going into the European Union, as opposed to Heathrow for wider markets in North America and Asia. That very tight logistics route was made more challenging by the departure from the European Union, both in terms of the time that is taken for journeys, because of the extra paperwork that we, as a third country, now have to comply with, which obviously was not the case previously, and in terms of the cost that that added to the business journey.

Therefore, the factors are cost to business and the time taken for the journey, which is very important in the context of a time-sensitive product. After all, we are selling fresh fish to Paris, Monte Carlo, Berlin and so on. There, the retailer, the consumer and the wholesaler demand that that fish be pristine.

The other aspect is that we are competing with our good friends and colleagues in Norway, who will equally say that they can provide product to those marketplaces. Therefore, all that is added to the market pressure that we face. We have absorbed those costs, because that is what business has to do. We continue to seek better trading arrangements, to answer the second part of your question, on what will come in the future. However, the fundamental issues that businesses face are bureaucracy, cost and time. Those cost the salmon industry around £3 million extra a year.

Fiona Burnett (Scottish Quality Crops): Obviously, SPS measures have benefits as well as downsides. Broadly, for cereals and oil seeds—that is, the combinable crops that the SQC scheme covers—the impacts are fairly minimal. We welcome the fact that the measures are now risk based, so that grain, other than that for seed, is at low risk from inspections and measures. I would contrast that with potatoes, which are not in our scheme but which are still unable to be traded in Europe. Broadly, then, that risk-based approach is positive.

In our evidence, though, we have highlighted a couple of issues. For a start, there is the issue of equivalence with regard to the renewable energy directive, where we have had difficulty, because our national body—United Kingdom Accreditation Services—is not recognised by Europe. It is those kinds of difficulties that we have to deal with. Biofuels are a relatively small market compared with other grain and cereal markets, but all the same, we estimate that it probably adds about £10 a tonne to grain, which, if we are talking over 3 million tonnes, represents a significant lift to the market.

We know that there are difficulties with transporting samples; as a result, we have less intelligence on new variants of diseases and pests, which is another hindrance. We are also worrying about any kind of divergence going forward. Given that our scheme is all about safety and credibility, we will need to be aware of any divergence, say, on chemicals and pesticides as well as the regulation that talks about protected zones and relevant diseases. We just need to stay engaged. As far as we are concerned, the success of equivalence is that we remain engaged with the agencies in Europe that decide on these matters.

Donna Fordyce (Seafood Scotland): I want to build on what Tavish Scott said by talking about

shellfish. For a lot of our processors, this has reduced the time that they have. Because they buy the fish in the market that morning, it does not get to their premises until 8 or 9 o'clock. Normally, groupage vehicles would collect it around 2 o'clock, but now that has to happen at 12 o'clock. The window is therefore a lot tighter, and all the additional paperwork is putting a burden on a lot of the smaller processors.

When Brexit hit, our groupage system collapsed. Prior to Brexit, dealing with France was just like dealing with Glasgow, and the process was very simple. Now all this work has been added in, along with the additional costs. Companies might have had 10 customers buying 5 to 10kg of fish from them every day; however, the costs have prohibited that sort of thing, and many small businesses have stopped exporting into Europe and have really just focused on the UK market, which is a real shame. This is either putting smaller businesses out of business or reducing their market share.

Scott Walker (Scottish Association of Meat Wholesalers): Thank you very much for the opportunity to speak today.

I speak for the red meat industry, but I will not go over the ground that has already been covered by both Tavish Scott and Donna Fordyce, as their points apply equally to the red meat industry. Perhaps I can pick up on a couple of things before I talk about any future arrangements that can be put in place or improvements that can be made.

The groupage issue had a big impact on smaller meat processors in Scotland, which rely on it, because they cannot send containers across on their own. There is now only one haulier involved in the groupage for red meat, but because it uses the Hull to Zeebrugge route, it cannot access certain markets in Europe. Markets that used to be very profitable, such as Monaco, just cannot be accessed in the times required, and that has had a big impact and has resulted in a loss of markets.

Looking to the future and the improvements that can be made to simplify the process, I think that the key aspects to focus on are bureaucracy and cost. That said, regardless of any future arrangements that might be put in place, there will still be costs that cannot be eliminated, including import and duty costs arising from going into Europe. Even with a simplification process—if that is at all possible—there will still be a cost burden facing the industry. That is money that could otherwise have been invested domestically in Scotland to improve businesses, improve efficiency and grow firms.

As far as the future is concerned, I would just highlight, first and foremost, the issue of electronic documentation. The more we can move to

electronic forms to simplify the process of getting things on to the various databases and to remove errors, the better; in fact, that would probably be the single biggest win for the industry. It would reduce the extra time and effort required and the number of people now being employed in meat plants just to cope with the paperwork. It probably remains the single biggest point of friction when we get to border control points in Europe.

With regard to SPS agreements, they could be anything, but I would separate them into two big issues: public health and animal health. I will concentrate on the second issue first. Just now, how we operate in Scotland is still very much aligned with how things operate in Europe. Every time, though, we have to verify that and prove that it is the case—hence, the very complicated export health certificates that have to accompany each load that goes to Europe. It depends on the products that are being exported, but because most containers carry a mix of products, not just one but multiple export health certificates are required. That brings us back to the potential problems that can arise with each and every single container. If we had a common health arrangement with Europe that recognised that animal health arrangements in Scotland and the UK were the same as those in Europe, the export health certificate system could be hugely simplified. We could also look at mutual recognition of standards here and across Europe, which would simplify things and ultimately lead to fewer inspections as products move through border controls.

As for public health, the easiest way to describe the situation is that each meat product that leaves this country has to be stamped to verify that our public health arrangements meet the public health arrangements in Europe. Again, that comes with a lot of cost, a lot of veterinary time spent inspecting products and associated paperwork. If we could get public health arrangements with Europe that recognise that our product and processes are equivalent to or the same as European processes, we would have an opportunity to simplify the documentation and the inspections that take place, which would ultimately lead to a reduction in costs and ease the friction in moving products to Europe.

I will stop at that, convener.

The Convener: That is great. I will now bring in Mr Stewart and then Ms Forbes.

Alexander Stewart (Mid Scotland and Fife) (Con): Good morning. You have all touched on the complexities that you have had to deal with, which, as you have indicated, are mainly logistical or bureaucratic. You have also said that managing those complexities has been a burden on your businesses. My question is about how you are

coping with or managing that burden. In previous sessions, we have asked witnesses about how they are managing to keep track of the changes that are happening in the EU and the impact on the various sectors. I know that all of you will probably say that the situation has led to added costs, and you might well have had to take on new people to deal with the new rules and regulations. That financial cost has had a knock-on effect on your own bottom line and what you are trying to achieve and, as a result, you might have lost commercial opportunities.

You have all explained that situation, but I think that it would be useful to get a flavour of the burden on your sectors. I know that it is a burden in financial terms, but managing the situation will be a people burden, too. How have you coped with the new regulations? Have you been able to manage things with the staff that you have, or have you had to increase numbers to deal with things on a day-to-day basis and wade through the logistical and bureaucratic issues? It would be good to get a flavour of that from each of you.

09:45

Donna Fordyce: We brought in three consultants. The Scottish Government's food and drink team provided funding to enable us to immediately bring in Brexit specialists. They were there as a support mechanism for the companies, including to help them to navigate through things; to ensure that the correct commodity codes were being used; to be the liaison with the UK and Scottish Governments; to highlight all the problems that were being experienced and what could be done about them; and to do webinars. That is dropping off now, although we still have monthly meetings with the industry, the UK Government, the Department for Environment Food and Rural Affairs and the Scottish Government on the continuing issues that we face.

For organisations, it is not just about the additional cost of staff; it is about the lost opportunity. They had to stop looking at their businesses strategically and focus on operations. That was the case even in the lead-up to Brexit, when they were trying to ensure that they were ready for it. Obviously, we had to contend with Covid as well.

However, it was realised on day 1 of Brexit that the systems did not work. Organisations had to bring in new finance people, but they also had to make reductions in other areas, because they could not cover all the cost burden. As I said, it is not just about people, and they had to contend with the additional cost of getting the product to market.

Scott Walker: I will split my response into the impact on large processors and the impact on smaller processors, because the difference between the two is significant, including in relation to their capacity to deal with the situation.

In the first six months, there was a huge learning curve for everyone in the industry. There was no textbook or template that people could follow, because they were not used to dealing with the EU in this way. The costs were exceptionally high in the first six months, and they reduced thereafter.

I will concentrate on what processes are in place now, rather than on what happened in the first six months. Let us consider one of the large processors in Scotland. It operates not just in Scotland but elsewhere in the United Kingdom. It has a central team that keeps abreast of what needs to be done and provides the training that is required in each meat plant under its group to ensure that all the necessary rules are complied with. Each meat plant in Scotland has a team that deals with all the paperwork from the export health certificates to the liaison with the haulage companies, and it transfers all those documents backwards and forwards.

The processor also needs to employ an agent based at border control points across Europe. It has been found that, although there is a common set of rules, the approach that is taken at the BCPs can be quite different in terms of the vet inspections that are done and what individual vets are looking for at—they have a bit of discretion as to what they concentrate on. Therefore, the company needs somebody present to manage those situations as they arise and to ensure that there is swift throughput, which might mean providing additional information or correcting information, if that is required.

One of the large processors has told me that it sends five containers across to Europe each week. It reckons that the staffing and the paperwork cost—not the physical haulage of the product—is an extra £6,000 a week. Over the year, that is an extra £300,000. That dead cost is being sucked out of the business. If a meat business is operating on a profit margin of 1.5 per cent in a good year, that is a huge cost to them.

Let us now consider smaller meat processors. Many smaller meat processors have simply given up because trying to comply with the rules is virtually impossible. Large and small processors in the meat processing industry in Scotland tend to try to help each other. Although they always compete aggressively for business, they also try to work collectively to access new markets, because that benefits everyone. A smaller meat processor that is still exporting and still using groupage—one of the few that is still doing so—has said that, at

the outset of Brexit, one member of staff was spending about 20 hours a week on that work. They are now down to spending only eight hours a week on that activity. They reckon that it costs them about £600 to shift two and a half pallets to Europe each week. That £600 figure might not seem much, but that is not the haulage cost: it is just the extra fixed cost and is for only two and a half pallets of product going to Europe on a very small and tight profit margin.

Tavish Scott: To be flippant, the boom has been in consultants, as Donna Fordyce has indicated, and in flights and train journeys to London because we all spend a lot more time going to London now than we did before, due to what has happened.

I agree with Scott Walker's point about the first six months. The brutal reality for the salmon industry was that we did not harvest in that first period after leaving the European Union, because no one knew what was going to happen to the market. As you well know, businesses take decisions based on uncertainty and that was a challenging time for fulfilling contracts.

As Scott and Donna have rightly reflected, we are now used to the systems. We have taken on the costs and meet them ourselves. The customer does not want to have those costs passed on, so they are part of business costs. I have indicated what they are for our sector.

The slight difference between us and smaller operators in the seafood sector is that salmon, by definition, is transported in one lorry. We have one product in one lorry, as opposed to having the groupage arrangements that Donna Fordyce spoke about. That makes it a little easier when the fish arrives in Boulogne-sur-Mer, which is the centre of the universe for logistics operations in France. If I were to recommend an overseas trip to this committee, Boulogne-sur-Mer would be a great place to learn about how logistics work and how seafood works. There is also a fantastic restaurant down at the docks, but that is for a different discussion.

As Scott Walker rightly said, the point is that we as an industry have had to have more people in station to monitor what is happening. In addition, the new arrangements mean that our fish is now sampled to a far greater extent. We are a third country, so there is greater sampling of our product. There are additional challenges about how that is carried out, the consistency of that process and what that then does to our fish when it goes to the customer, so we speak regularly about that to the French and European authorities. That is the practical effect of the changes at border control points, which, for salmon and for seafood more generally, means Boulogne-sur-

Mer. In short, there are additional costs and more paperwork.

How do we get round that? The reason why we are spending time in London is that DEFRA, the UK Government department with responsibility for this area, is trying to put in place an electronic European health certificate. We all need that. To be frank, we have been banging our heads against a brick wall for four years about that. We have had very fair engagement with ministers and officials, but they have not got it done. We have been told that it would be easier to trial salmon, because it is one product in one lorry and therefore has simpler paperwork, but we are still no further forward. I do not think that we will see any sign of an electronic European health certificate this side of the UK general election, and who knows what will happen thereafter?

As Scott Walker and Donna Fordyce have said, that single measure would make a considerable difference to our systems and would help us to export.

Fiona Burnett: The Scottish Quality Crops perspective may be unique. We assure 99 per cent of Scotland's combinable crops, but we employ only one person, our managing director, Teresa Dougall. Like the others, we bring in consultants to help with the complexity of the renewable energy directive, but the strain on the individual is significant because it is a huge job. We worry that RED II may be just the start, because there is now RED III.

We have seriously considered whether the time and cost are worthwhile, because we always have an eye on the value to the members. Our board of directors is made up of various maltsters, millers, buyers and NFU Scotland. I am employed by Scotland's Rural College. The cost is borne by those supporting organisations. It is a major concern.

Kate Forbes (Skye, Lochaber and Badenoch) (SNP): Thanks very much for being here this morning.

So far, a lot of our discussion has centred on the challenges that you face just now or have been facing. I will move to the future, and there are two angles to my question. First, what is the prospect of positive change? Secondly, if there is no such prospect, what might be the long-term impact on markets when it comes to producers' priorities and customers' preferences?

I have asked a number of our stakeholders that first question. Is the prospect of change particularly high? In your view, does the evidence that you supply have any bearing on what the politicians and the negotiators might do when it comes to a review of the TCA? Does it just boil down to pure politics, or is there a route in? In the

past few months, for example, there have been changes on horizon Europe, but a lot of things have not changed.

That is the substance of my first question. I might come back to the second question after you have answered, because there is a lot in asking two at the same time. What prospect for change is there, and how do you enact change?

Tavish Scott: I am happy to have a go at that. It is a great question. I will try to avoid getting into politics, because that is not what I am paid to do. From a business perspective, the prospect of change, in the context of a UK general election, is important. If nothing else, a resetting of the relationship between the UK and the EU would be a welcome and significant change for us. Business sees that opportunity and would support that. It is not slow at the moment to offer the policy prescriptions and ideas that would make trading with Europe—which is the core market for salmon, as you well know from your constituency—fundamentally easier.

One practical example is that, at the moment, the Norwegians can use recycled bulk bins. Those are collapsible and, once clean, can be taken back to Norway and used again. We would love to be able to use those from Scotland—there are environmental advantages, packaging advantages and efficiency advantages in doing that. The European regulations in that world are four years out of date. If there is an improved trading arrangement, even at the top level—never mind some of the details that we have talked to today—between London and Brussels, such improvements in how we provide the product into France and into the European bloc could be made, because we would have an ability to make that case. At the moment, that door is pretty well shut.

I am supportive of anything that would lead to that better trading arrangement. Our businesses would welcome that and would welcome a Government that wanted to take that forward. Onwards from that, there would be the potential to instigate some of the practical changes to make trade easier that we have talked to this morning.

Scott Walker: I agree with what Tavish Scott said. I will come back to politics in a minute, but I will look just at the commercial situation first.

Until now, it has basically been a one-way problem. We have had all the hassle and problems of getting into Europe. We have spoken to our counterparts across Europe, and they have had no issues at all in sending their products to the UK. From a commercial point of view, there has not been much noise in Europe, because they have not noticed any difference. Although they may sympathise with the situation that we have been in, why would they want—again, from a

commercial point of view—to make anything simpler? They have had the benefit of it.

There are now a lot of discussions within the meat trade about how complex it could be—I use the term “could”, because we still have to see all the different processes that will be put in place—to get products into the UK. Commercial bodies will lobby their respective Governments and the European Commission to say, “Look, we have long-established trading arrangements with the UK, so let’s try to make them simpler for everyone. Customers still want the product, but we have lots of added costs being put on, so how can we simplify the process?”

Politicians will come under a lot more pressure to do something about it. Moving on to the politics, I will pick up on Tavish Scott’s point, which is that the relationship with Europe needs to be reset. It will be a win-win situation for everyone involved if we can reach a common understanding.

That comes back to my points about animal health and public health. Any agreement that we have with Europe on those can be bespoke—it can be whatever both sides agree on—so we can have a look at the different components and consider which ones make sense and which ones can give the biggest degree of freedom and flexibility in the future.

Donna Fordyce: To build on what Tavish Scott and Scott Walker said, we need to have a better relationship with the EU. Our industry had no negotiating power after Brexit. We gave away such a lot, and Europe did not, so it is starting to feel the effect of things that are coming into play from 1 April. It will be interesting to see how that plays out. Up until the last minute, our fear was whether the situation could be worse than it is, which it could be if we had tariffs again. Tariffs could be part of the next step of renegotiations, and we need to have a good relationship so that we are not in a worse position.

We are in a bad position now. It is getting better, but it could be worse, because we could have tariffs, and that would make the situation very bad for the industry.

Scott Walker: Managing that relationship is hugely important. An analogy is that when commercial businesses started exporting to Europe, and all sorts of different problems arose at the BCPs, the agent who was in place at the post was critical. Businesses build up relationships with agents, and there is understanding and a level of trust between those who work there. They know that certain businesses do things correctly, and they know that they can rely on the fact that, if there is an error, certain businesses will quickly correct it. The person there is physically managing that process.

It is also about the Government. Whatever agreement is reached to improve things, it will not only be about what happens on the day that the agreement is signed, but about actively managing the relationship so that, as problems arise, there is a two-way open dialogue between both sides, with the mindset that they want to resolve problems rather than that they want to make things sticky and problematic. Those relationships are hugely important.

Fiona Burnett: I echo that point. Resetting the relationship and managing it positively would result in a positive future. Our perspectives may be slightly skewed by the fact that we are a net importer, which may have made it easier for stuff to come in. Potatoes are not in the SQC scheme, but there is a contrast in that we are still unable to export seed potatoes to Europe, and that has become stuck. Trade is only one way that plant health diseases and pests move about.

At a detailed level, there is a good exchange of information, with Science and Advice for Scottish Agriculture working closely with DEFRA and the plant health officers in each body co-operating. That is positive, but we still need to unblock some of those sticky issues and, again, I come back to the worry around our possible divergence from Europe with regard to safety on grain, mycotoxins and chemicals, because we wish our scheme to be equivalent and recognised in Europe in order to reduce the burden on growers, and the worst case scenario is that they will have to operate to multiple assurance schemes.

Kate Forbes: I appreciate that. Your answer was a little bit more optimistic and hopeful than I was anticipating, so that is good. My second question is, how will your markets change over the coming years? The evidence in relation to salmon is just remarkable. Our briefing says that, in 2019, 53,000 tonnes of Scottish salmon was exported to the EU but that, in 2023, the volume was around 44,000 tonnes. Is that a trend?

Scottish salmon was the UK's biggest food export in 2023, with France and the US leading global demand. The product is essential to Scotland's economy. Of course, all the sectors represented on our panel are essential to Scotland's economy, but, if that substantial drop in salmon exports is not reversed, and if there is not a prospect of significant growth in food exports, for example, then Scotland will become poorer. That is pretty devastating. What does the future look like for your industries, and how do we ensure that our nation is not poorer because of the impacts on your industries?

Tavish Scott: Thank you for that very good question. Let there be no shadow of a doubt that I am optimistic about the future, not least because the demand for salmon and for seafood in general

worldwide is phenomenal—indeed, at times, Scotland nearly cannot keep up with it. The continuity of supply is quite a significant factor for our sector at the moment. Although that is a real challenge with certain markets, it is, in some ways, a great challenge to have, because we have an ability to scale up in a sustainable and appropriate way, even with all the regulation that we deal with as an industry—it is absolutely fine that we are regulated, of course; that is quite fair.

My view of the way that things are going to go over the next five to 10 years is that, as long as we can sustainably grow in Scotland and implement some of the reforms that we have been working on with the Scottish Government, the marketplace will continue to be very strong. Of course, the market is wider than just the EU now. We can rebuild that market share in Europe, although I think it would be fair to say that we do that with a dose of heavy competition from our friends to the east, based mostly in Bergen, but that is just the nature of business and markets.

We have worked certain markets really hard in the interests of salmon producers. Donna Fordyce and I are just back from Boston, because that is the centre of the North American seafood market. That market will grow quite significantly, and Scotland's salmon producing companies have great export opportunities in emerging and mature markets in North America and, indeed, the far east, which Donna Fordyce can speak about in greater detail than I can.

Scotland's exports can grow over the next five to 10 years. On your economic point, if we grow, we employ more people, we create more taxation income for your Government, we create more local jobs in constituencies the length and breadth of the country, which is something of which I am very proud, and we also grow our supply chain, which is highly significant now in terms of the money that goes back into the Scottish economy and fuels much-needed economic growth.

I applaud the Scottish Government's export policy paper that I know that you had a significant part of creating, Ms Forbes. That kind of overarching vision of where our sector can be, along with those of colleagues around the table, is what we need to drive forward, and we need to do our bit by making sure that all the things that we do at a production level are right and that we can fulfil that emerging and ever-growing market need.

Donna Fordyce: Seafood Scotland is the trade marketing body for Scottish seafood and is funded by the Scottish Government through the marine fund Scotland. Our job is to ensure that our producers get a premium price for their seafood.

Seafood is highly exportable—about 80 per cent of our seafood is exported, and about 80 per cent

of that goes to Europe, which is by far our biggest market. We have to de-risk our reliance on that market, and we are doing that by looking at other key markets, as we have done through the years. We have in-market specialists through a partnership between the industry and the Government, and we have boots on the ground in key global markets. We are looking at where the opportunities are for seafood.

As Tavish Scott said, we are just back from the Seafood Expo North America. North America is our second-biggest market for seafood. How can we grow that market? Our third-biggest market is China. Again, how can we grow that market? We need to be out there and visible at the China seafood show, and there are opportunities through Showcasing Scotland, for example, to bring Chinese buyers and other buyers to Scotland. We want to showcase Scotland—the people, the place and the product.

We need to be aware of where the next key markets will be. We are looking at the Japanese market, and we are currently scoping out South Korea, which presents a fantastic opportunity for salmon. We also have landing targets for mackerel, so there will be an increasing number of mackerel landings in Scotland. Where do we find markets for that mackerel? We are doing scoping work and looking for new market opportunities, which all takes time, and there are additional costs at the moment in ensuring that the logistics are all there. It takes a bit of convincing for companies to move from a secure marketplace, even though that market might be costing them more, so a bit of hand holding is needed to ensure that it is the correct move for them.

De-risking our reliance on the European market is key. We need to spread the risk, get as much premium for our products as we can and not be treated as a commodity.

Tavish Scott: Absolutely.

Scott Walker: The red meat industry is not as export focused as the salmon and seafood industries are, but three out of four farms in Scotland are involved in livestock production, so anything that happens to the red meat industry or the processing sector is, ultimately, felt by farms in Scotland and has an impact on landings in Scotland.

I will split things into a few different sections. Some of the smaller meat processors have gone out of business recently—one did so in the past month. That cannot be put down to a single factor, but one contributing factor is the loss of export markets. For large meat processors, it is all about carcass balance at different points of the year—they have to achieve carcass balance to make money—and the European market and markets

for the field are hugely important to them in achieving that balance.

It is worth noting that we are not volume producers in Scotland, so we are not looking for a big volume market in Europe. We simply would not have the production to fulfil such orders. However, we target high-value premium markets in Europe, which, in theory, return a high-value margin to Scotland. There is also good promotion of Scotland abroad. Scotch beef, Scotch lamb and Scotch pork are all highly valued across Europe. As I have commented on previously, it is a crying shame that we are now not able to export to Monaco, for example, because the promotion of Scotch beef in Monaco has huge benefits in relation to how Scotland is generally perceived worldwide.

On the question about the impact, it is difficult to disentangle the impact on exports from other factors, including labour issues, which are hugely important and tie into Brexit, and the limited supply of cattle numbers in Scotland. All those factors play a part.

Commercial processors look for as many market opportunities as possible, because it is through those market opportunities that they hope to have enough money at the end of the day to keep plants operating in Scotland and keep jobs in Scotland—not just those in meat plants but those connected to all the infrastructure that surrounds them. We are just the middle part of the food supply chain that starts at the farm, goes through the processor and ultimately ends with the consumer.

10:15

Fiona Burnett: Scotland produces some of the highest-yielding and highest-quality crops in the world, but combinable crops trade as a commodity, so the prices are heavily influenced by global prices. That said, easy trade helps to stiffen prices and add premiums, and where that is difficult, prices soften, so there is an immediate effect from a hard or easy ability to trade. That is strongly linked to the food and drink sector's ability to trade easily. As others have said, the idea that we can add premiums to what we are trading clearly shows the ambition to produce sustainably. That feeds through to what the food and drink sector can talk about. Our ability and ambition to grow are there, but it has to be easy to trade.

Kevin Stewart: Good morning. I am pleased to hear about witnesses' positivity for the future if there is change, but I want to concentrate on some of the other things that you have said this morning and in your submissions. Ms Forbes referred to the Salmon Scotland submission. The loss of export value of £80 million to £100 million since

2019 is pretty immense in my book. That is there in black and white, but what is perhaps unquantifiable is the loss that Mr Walker and Ms Fordyce have mentioned in relation to the impacts on smaller producers and smaller companies because of the changes to things such as groupage.

I would like to tease that out a bit, because it has, I imagine, led to market shrinkage and has probably not done well for Scotland the brand, which we all want to see up there. Will you expand on the groupage difficulties? Mr Walker, you mentioned that the main way out of the UK now is through Hull to Zeebrugge, and that that has shrunk markets. You mentioned Monaco minutes ago. Can you give us an indication of where our product is not reaching any more because of the changes?

Scott Walker: Yes. Just for clarification, Hull to Zeebrugge is the groupage route. Across the Channel would be the main route for large processors in Scotland. However, because of Hull to Zeebrugge and its onward connections, it is just no longer possible to deliver the product to markets such as Portugal, Italy and Monaco in the timeframe that is required or at a cost that would be acceptable to the marketplace.

We are talking about premium product that would be going to some of the best hotels and establishments in the world, which are, as I say, very good at promoting Scotland and what is produced here. For individual processors, that has meant either downgrading the product—in essence, selling it to a lesser market such as here in the United Kingdom—or, where they still sell abroad, accepting a far smaller margin than they had previously. As I say, one meat processor in Scotland has gone out of business in the past month.

Kevin Stewart: Salmon Scotland has been able to quantify that devaluation in the export market. You mention missing out on markets in Portugal, Italy and other places. Do you have a figure for the devaluation of that export market over the same period?

Scott Walker: The Scottish Association of Meat Wholesalers does not collect that information. I would have to ask Quality Meat Scotland to calculate that figure for the committee.

Kevin Stewart: Ms Fordyce, some smaller processors in Aberdeen are not exporting any more because of the groupage situation. What are they telling you?

Donna Fordyce: Three of them have gone out of business. We know that the larger businesses have picked up the orders that the smaller companies dropped. There does not seem to have been a reduction in the amount of seafood that is

traded with Europe; it is simply that the trade has moved to the larger organisations that can cope with it. That has reduced the turnover of the smaller companies, which are now competing in the UK market. We are working with some of those smaller companies to get them into the middle east market, because it is easier to get into Dubai than it is to get into Europe. However, the majority of the smaller companies have experienced a reduction in their turnover.

That has been compounded by the labour issue. Such companies do not have the ability to process as much product because of their reliance on the eastern European workforce. Across Scotland, 52 per cent of the workforce in the seafood sector comes from eastern Europe; in the north-east, the figure is 78 per cent. Some factories rely on the eastern European workforce to the extent that it accounts for up to 90 per cent of the workforce. Following Covid and Brexit, those people cannot be replaced. The visa processes are very expensive, and the smaller companies cannot afford that. The shrinkage in turnover is due not only to the loss of market, but to the loss of people who can process the product.

Kevin Stewart: Mr Scott, do you have anything to add? You have presented substantial figures on the loss.

Tavish Scott: Thank you, Mr Stewart. We simply sought to give you an indication of the scale. It is an estimate, because market trends change over the course of the year.

The only point that I want to make in addition to what Donna Fordyce and Scott Walker have said, which I hope will be helpful, is about Edinburgh airport's plans for an air freight hub, which we were discussing before we came to the meeting. I appreciate that there are wider concerns about transport by air, but we are dealing with the reality of business. We all very much welcome the initiatives of the airport sector in Scotland to develop direct links to markets of the kind that Donna described. That would be advantageous for Scottish business and for our futures. The foresight of the Edinburgh airport team in bringing forward a business-ready solution for us will be significant in the longer term. It might also be of use to smaller businesses in the context of the groupage issue that you asked about.

Kevin Stewart: Perhaps an air hub that promoted the use of sustainable aviation fuel would be the way forward.

Ms Burnett, I recognise that things are a little bit different for you in such regards. However, Scottish seed potatoes were quite a thing. The inability to export must have had a huge impact on companies. Can you give us an indication of what they have had to bear because of the changes?

Fiona Burnett: As I mentioned, the issues around the seed potato trade with Europe are unresolved, so it is welcome that, as a result of the Windsor agreement, trade with Ireland has resumed. There is an ambition to trade more globally, but as potatoes do not form part of our scheme, I do not have numbers in my head. A lot of that trade is now outwith Europe. For example, Egypt has become a major market. Spain and Italy used to be major markets for seed potatoes. There is an obvious need to resolve that situation.

Kevin Stewart: So that has gone for the moment.

Fiona Burnett: Yes, it has gone for the moment.

Kevin Stewart: We need to get that back.

Fiona Burnett: At the moment, there seems to be no prospect of the issue being resolved quickly.

Scott Walker: Perhaps I could talk about potatoes. That might seem strange, as I am here to represent the Scottish Association of Meat Wholesalers, but I am also part-time chief executive of GB Potatoes, so I am involved in the potato trade. As has been said, our seed potato market in Europe was closed overnight. Scotland is considered to produce particularly high-grade seed, which is vital to the European market, given that there are various diseases in Europe at the moment.

In the seed potato trade, the varieties have changed, because seed potato producers now grow the varieties that are suitable for the markets that they wish to sell to and most have shifted to varieties for the Egyptian market. The problem is that, although the Egyptian market has been very good for the past couple of years, we are now heavily reliant on it for exports and it dominates where our seed potatoes go. Over time, the Egyptian market has been what can best be described as volatile and we expect to run into problems in supplying it at some point. That is why it is hugely important to look at alternative markets. There are initiatives to bring overseas representatives from other markets to Scotland and walk them through what SASA does and how growers produce here.

A lot of work is still being done to open up the European potato market. That is positive, because potato growers in Europe are lobbying the European Commission very hard to get access to Scottish seed, as there is a huge shortage of seed potatoes at the moment. Although I do not see anything happening imminently, I believe that there is a genuine focus on trying to reopen that market. It would be genuinely favourable on the ground to get Scottish seed back into Europe.

Kevin Stewart: Thank you. It seems that you are jack of all trades and master of many, Mr Walker.

I know that you do not really want to talk about politics to any huge degree—Mr Scott has made that plain—but we are in the run-up to a general election. You have pointed out in your submissions and you have been talking for some time about the European health certificate, getting public health certification and arrangements right and cutting down on bureaucracy. What plea would you make to the candidates who are standing in the forthcoming general election? I know that you all see it as being very high on your agendas, but what should the policy priorities of future politicians be, and how high up the agenda should the TCA be for them?

Tavish Scott: That is a fair question, and in no way are we avoiding it. In some ways, we have already answered it, because we have all talked about the importance of a better trading relationship with the EU. That is the fundamental point. You can get into the detail, and you have illustrated your knowledge of that by the subjects that you have mentioned today, but that is the fundamental point.

Donna Fordyce talked about a reset. We need a reset of the trading relationship, so we would all be looking for aspiring politicians and an aspiring Government in London to want to be in that place. I am pleased to say that we see some signs of that, which is encouraging for us as businesspeople who are trying to grow the Scottish economy and our businesses within that economy. That is the simplest way to answer your fair question.

Donna Fordyce: I agree whole-heartedly with Tavish Scott. Whenever we get an opportunity, we do not lobby but we remind people how important the trading relationship is to the sector. We are trying to keep how difficult all this is at the forefront of everybody's minds. Little things could probably make things a lot easier for us, but it feels as though some things just keep getting kicked down the road, especially with the digitised systems. There are solutions there.

Fiona Burnett: I concur with what others have said.

Scott Walker: If it was down to businesses in Europe and here in the UK, I am sure that everything would be simplified in a very short period of time. I would ask all politicians to leave the baggage of the past behind and look at what would benefit the people of Scotland and the people of the United Kingdom. Where are we going to create jobs and wealth? How are we going to retain the jobs and retain the wealth that we currently have? From a purely commercial

point of view, we need an improvement on the deal that we currently have with the European Union.

10:30

Neil Bibby (West Scotland) (Lab): Good morning. We have discussed extensively how difficult the situation is, its impact, the need for change and how difficult negotiations can be. We have heard support both today and previously for a veterinary agreement being sought as soon as possible, as a matter of urgency. That makes a lot of sense, but we have also heard from the Scottish Fishermen's Federation that it could not support a veterinary agreement because the TCA is so harmful to the UK's fishing rights. How can the committee balance those different views? Are these just unavoidable trade-offs?

Tavish Scott: You ask a fair question. I read the Scottish Fishermen's Federation submission last night for the session this morning. You are right—these are trade-offs. Did we not half go through a trade-off some years ago on all these issues? Others will know better than me, but I know from discussions at home in Shetland that some fishers probably take a different view of the European Union today than they might have taken in the past, without getting into the delicate area of fishing politics. The skippers who I speak to in day-to-day life, never mind for anything that I do in the salmon sector, are businesspeople, and the bottom line—Donna Fordyce has spoken to this—is where their market is and how they can run successful businesses. That is where we all are.

I hope that I will not be accused of being naive about this, but I think that there is now much more of a business focus in the consideration of what the negotiations need to look like from our perspective, in relation to the salmon sector or others. Although the Scottish Fishermen's Federation has every right to point out the linkage to what happened all those years ago, we think that the TCA renegotiation in two years' time will be an opportunity to ensure from a business point of view that the starting point is how we improve trade.

Donna Fordyce may speak to this, but I think that it is fair to say that the fishing industry and the fish-catching sector know that, too, because they know what the future of their market looks like. It is the point that Scott Walker made. I think that most politicians of all political parties are signed up to focusing on what is in the interest of growing the economy. There will be tricky trade-offs, but as long as we look at what will grow the economy at a time when the UK has been in recession, I would have thought that saner heads will bear fruit in coming up with a solution that accepts those

trade-offs but produces a trade agreement that is better news for the British economy.

Donna Fordyce: The majority of my board are from the fishing organisations and the producer organisations. I suppose that it is about trying to get the best of both worlds, in so far as we can do that. In doing the trade-offs, how can we ensure that everyone is as happy as they can be with what we get, that there is not a major trade-off that favours one thing over the other, and that what we get benefits the economy? If we do not have enough fish or enough product, it will have a detrimental impact on business, so we need to ensure that we get a fair share of the waters to allow us to catch more and grow the economy. It is a balancing act. We hope that, if we have a much better relationship, we will come out with a better deal for everyone.

Neil Bibby: I do not know whether Scott Walker or Fiona Burnett have anything to add.

Scott Walker: I recognise the issues that have been highlighted, but I do not think that it would be appropriate for me to comment on the fishing industry.

Mark Ruskell (Mid Scotland and Fife) (Green): I want to ask about checks when things come the other way—from the EU to the UK—and whether that might change the dynamic a little bit. Scott—do you want to comment on that?

Scott Walker: I think that it will change the dynamic—it has to. We are already hearing from meat processors in Europe that the situation is changing their attitude. From the simplest perspective, we can see why. Post Brexit, a European exporter exporting to the UK would notice no difference at all; Brexit was all much ado about nothing, really. As we have commented, time and again when checks and inspections were to be put in place, we saw that as an opportunity to bring both parties to the table to negotiate. This year, we will get the checks and inspections. Will they be the same as the ones that we face in Europe? I do not think so, but we will have to wait; we will see once they are rolled out.

However, we can say that they will, for the first time, cause friction for exporters who want to get their products into Europe. The solution to that will come down to the commercial businesses speaking to their respective Governments and the European Commission to say that we need to consider simplifying the process so that we can make trade easier and remove some of the costs, admin and time that are currently associated with it. I thank them because the barriers on the UK side will eventually be put in place.

Mark Ruskell: Fiona, you mentioned that your sector is a net importer. How do you see things panning out, once the checks are brought in?

Fiona Burnett: The risk model deems grain to be low risk; the system is fairly pragmatic, at the minute. The fee for grain coming in is about £30 per tonne and the approach operates relatively smoothly. I know that our plant health inspectors are pressured in other major markets. The resource that they need to inspect higher-risk crops, including potatoes, is a separate issue. However, the trade in combinable crops and grain that come in is relatively smooth.

Mark Ruskell: I presume that for salmon and shellfish organisations there is less of an issue than there is for your colleagues who operate on the continent and import to the UK. However, that raises a question about how your sectors are working with your European compatriots, in the current political context, to affect EU regulations and to effect change.

Tavish, I am aware that the vast majority of salmon farms in Scotland are owned by Norwegian companies. Does the fact that Norway is in the European Economic Area give you an advantage in terms of being able to influence the European Union through that route? As a multinational industry, does that give you a voice beyond London?

Tavish Scott: It does not really, to be honest, because the companies are separate business entities. Two of our six companies are Norwegian owned, one is Faroese and one is Canadian. Your point about Norway is important, but we do not necessarily gain any leverage because of that. Believe me—the Norwegian sector supplies the European market with great gusto and in full competition with Scotland, as is appropriate in market circumstances.

I want to make one point, on the import aspect that you asked Scott Walker about. We are already seeing some impact from that. We use border control points in both the Falkirk Council and Highland Council areas, which has created an additional burden on hard-working local government environmental officers and other staff in those areas. There is therefore an impact on local government at a time when, as I appreciate, things are already extremely tight.

Scott Walker made the very fair point that there will be a European dynamic to this quite quickly. We work with our opposite numbers. There is a European trade association for farmed fish, which—as you can imagine—covers sea bass from the Mediterranean and so on. We work with colleagues from Spain, Greece and other countries on all the issues—as much as anything in order to understand the intelligence on, or the direction of travel of, European policy, as we used to do, when we were a member of the EU.

Mark Ruskell: You will be involved in rule making and not just rule taking.

Donna, do you have anything to add on how your sector operates?

Donna Fordyce: Yes. There has been a huge movement in the industry. Continually, I hear that the playing field is unfair and unlevel. The industry therefore welcomes the checks that are coming in. More than that, the situation gives us leverage to get people round the table again to talk.

A lot of talk is going on. The Scottish Government has been out to France—meeting the authorities in Boulogne-sur-Mer, for example—to try to make things easier at the border control points and to understand whether there are things that we could do here. There are a lot of talks about how things could run smoothly.

As Scott Walker said about his customers, our customers want our product: they want our premium Scottish seafood and they want getting it to be as simple as possible. The right people have to be at the table to make decisions on how we could have frictionless trade.

The Convener: I will ask a couple of final questions. Everything that has been said today has reminded us that Brexit was not an event but is a process. We are still going through that process and will be doing so for some time. Not only do we face UK elections, but the European elections are coming up. Those will delay any movement, although the European Commission will be up and running fairly soon afterwards.

You have talked about the importance of relationships and of building them. What tends to happen in the EU is that officials do three years on rotation, then move back to their country. We are now moving into a period in which many officials in Brussels will not remember the UK's being part of that process, or will not have dealt with it. Will the challenges of keeping and maintaining those relationships therefore be harder? How much more effort do you have to put into building the key relationships in the organisations that you work with in Europe?

My other question will be about divergence, but I ask that one first.

Tavish Scott: You make a good point about the relationship that, traditionally, we all had with Brussels. I cannot be the only one in the room who—in my former life—went out to Brussels two or three times a year to make a constituency case or whatever. That does not happen any more; we do not do anything like as much of that as we used to do. Much more is done directly country to country. Donna Fordyce made a point about Boulogne-sur-Mer, which is the centre of the universe when it comes to getting fish into ports in

the European Union. In that sense, we have closer contacts with Paris and with the French authorities than we have with the Brussels authorities.

As a sector, we would certainly welcome what used to be Scotland house and what used to be UKRep—the United Kingdom permanent representation to the European Union. I dare say that they have been renamed and are called something new, now. Forgive me for not knowing the current names. Those were always really important touch points for business as well as for politicians, Governments and so on.

On the other side of the UK election—whatever that throws up—business would be really supportive of the Scottish Government and Parliament playing roles in facilitating a resetting of the relationship. I am sorry to be boring in continuing that theme, but the resetting of that relationship is important for us, even just in terms of some of the practical issues. I bored you all by talking about bulk bins, which is just a practical packaging and handling system. We could do with finding the right European Commission officials with whom to have that discussion. It takes the European Union a long time to change regulations, so we could do with starting to make that case. Such a reset would be enormously helpful, and you, as parliamentarians, encouraging it would be hugely advantageous.

Donna Fordyce: I echo what Tavish Scott has said. That relationship was so important, and we do not really have it now, so to rebuild it would be fantastic.

The Convener: I have a couple more questions. Scott Walker—do you want to come in on that first question?

Scott Walker: I will be very quick. As an association, we do not have strong links with or regular visits to Europe, albeit that some of our member businesses are cross border, so they have discussions. However, in my former life in NFU Scotland, I saw how Brussels operates: it is all about relationships

In essence—to turn the issue around—the situation is an opportunity. As people move, new ones will come in who do not have the baggage of the past. What we have is an opportunity, which Tavish Scott touched on, through the permanent civil service that is still based across in Brussels—Scotland house and ScotRep. It is about being seen, talking to people, making as many outward-looking opportunities as possible, and showing where there are wins for everyone involved.

10:45

Europe and Brussels are built around relationships, so having individuals spending time

there building relationships and working towards a sensible outcome will pay dividends for Scotland as a nation.

Fiona Burnett: That point about churn is a good one. There is concern about the changeover. It seems to me that plant health often comes second to animal health, so I welcome its inclusion today. SQC is a very small organisation and is spending a lot of time building up new relationships. The renewable energy directive cuts across many issues and departments, which makes it really complex to form a network of opinions, and the whole thing unravels when people move on. That remains a worry for us.

The Convener: You also mentioned regulation and change in Brussels and you spoke about divergence. Last week, producers told us about the amount of time that they are spending trying to keep on top of the regulations, and about the need for consultants. We also heard about a producer for whom the regulations changed mid-shipment, which caused a huge loss that the business could not sustain. That producer decided that it was too risky to continue trying to export.

The Welsh and Scottish Governments have made a commitment to keeping pace with EU regulation, and Northern Ireland is in the position of having to keep up with regulations. Is enough information being given by the UK and Scottish Governments to support producers that are trying to export in that context? Is that the major barrier? What are the other barriers that prevent smaller producers from coming back in, as time moves on and we learn lessons?

Donna Fordyce: I think that you are right. You asked about getting smaller producers back into Europe. I think that that will be a real struggle, because it is still cost-prohibitive unless the customer is willing to pay the extra cost, at a time when larger organisations can still cope.

That opportunity is lost, which is not to say that we could not look for additional markets. The main focus is on France, but we have had a lot of inquiries from Germany and Italy. Various markets within the European Union are showing an interest in Scottish seafood, so we are looking at those new markets.

We still have to set up our own forums and we still have to push. There was a UK Government task force, which has turned into the Scottish seafood industry advisory group and is co-chaired by John Lamont MP and the Cabinet Secretary for Rural Affairs, Land Reform and Islands, Mairi Gougeon. That gives us a forum to talk about things, but progress is very slow because there are some real challenges, especially in respect of immigration and digitisation of health certificates.

We get information from DEFRA and we have our own monthly meetings and we invite Scottish Government, DEFRA and UK officials to speak to the industry. Everyone is putting in a lot of time and effort just to keep up to date. We also still pay consultants to look into issues, because issues still come up.

Fiona Burnett: There are two divergence issues that we worry most about. Pesticides, quite rightly, come under scrutiny. There is also the issue of where Europe might go with gene editing and there are food safety issues, such as safe levels of mycotoxins.

We have many worries at the moment. Pesticides are regulated by our chemical regulations directorate, which is a duplication of what used to happen with Europe. The system is slow and things are approved in Europe before they are approved here. We feel that we are working at a disadvantage because we do not get innovations quickly, which is a concern.

The Convener: You have answered my questions. I am looking at committee members, but I do not think that there are any more questions.

I thank everyone. This has been an extremely helpful and informative session for our inquiry. We are not a subject committee, so it is quite unusual for us to get into front-line issues. We usually think more about constitutional aspects, so we have enjoyed the meetings.

The committee will now move into private session to deal with our final agenda item.

10:51

Meeting continued in private until 11:00.

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