Rural Affairs and Islands Committee

30th Meeting, 2023 (Session 6), Wednesday, 22 November

Subordinate legislation

Introduction

1. This paper supports the Committee's consideration of the draft Quality Meat Scotland (Amendment) Order 2023.

2. Background information relating to the affirmative parliamentary procedure is set out in **Annexe A**.

The Quality Meat Scotland (Amendment) Order 2023

Title of instrument:	Quality Meat Scotland (Amendment) Order 2023
Type of instrument:	Affirmative (see **Annexe A**)
Laid date:	30 October 2023
Reporting deadline:	4 December 2023
Coming into force:	22 December 2023
Motion to approve:	S6M-11038
Instrument drawn to Parliament's attention by DPLRC:	No
Instrument made using powers conferred by:	Natural Environment and Rural Communities Act 2006
Supporting documentation:	Policy note – **Annexe B**

Purpose of the instrument

1. The purpose of the instrument is to increase the maximum levy rates in the Quality Meat Scotland Order 2008, which will enable Quality Meat Scotland to

adjust the levies for the slaughter or export of cattle, sheep, and pigs. The levy for sheep is currently at the maximum levy rate that is allowed under the 2008 Order.

Background

2. Quality Meat Scotland (QMS) performs a number of functions for the benefit of the red meat sector in Scotland, including the marketing of Scotch Beef, Scotch Lamb, and Specially Selected Pork, with the levy money forming a crucial part of their income.

3. The rates are set annually by QMS, and subject to Ministerial approval. QMS have the ability to increase charges if this is deemed to be appropriate in a financial year, but any increase must be within the ceiling of the maximum rates set by the 2008 Order.

4. The Quality Meat Scotland Order 2008 sets a ceiling of maximum levy rates that can be charged on animals presented for slaughter in Scotland. The levy comprises two elements—

   - a producer levy paid by the owner of the animal when it is presented to the market for slaughter; and

   - a processor levy paid by the owner of the animal at the time it is slaughtered.

5. The levy is charged for all three main red meat species i.e., cattle (plus calves), sheep and pigs.

6. The proposed changes to the rates are as follows:

Producer levy	**Current max levy**	**Proposed max levy**
Cattle (excl calves)	£5.25	£9.00
Sheep	£0.60	£1.50
Pigs	£1.075	£2.40

Slaughterer/exporter levy	**Current max levy**	**Proposed max levy**
Cattle (excl calves)	£1.75	£3.00
Sheep	£0.20	£0.50
Pigs	£0.275	£0.60

7. As mentioned above, the rate of levy collected for sheep is currently at the maximum ceiling allowed in the 2008 Order but, according to the policy note, the Scottish Government is seeking to “future proof” the QMS Order for an approximately 10-year period.

8. In advance of the Committee’s consideration, the clerks wrote to Scottish Government officials seeking further information relating to the SSI. The Cabinet

Secretary responded to these questions in her response of 15 November 2023. The Committee also held a short consultation to seek stakeholders' views. The consultation will close on Friday 17 November and members will be updated in advance of the Committee's meeting; further information about the consultation can be found on the Committee's web pages.

9. The Scottish Government's letter of 15 November 2023 sets out the reasons for the proposed increase to the maximum levy and the perceived need to future-proof the QMS order for approximate a 10-year period, stating—

> "The levy ceilings have not increased since 2008. QMS have flagged, for the first time since 2010, their intention to consult on an increase to the payable levy. Sufficient levy is necessary for QMS to carry out its functions for the benefit of the red meat sector in Scotland, including the marketing of Scotch Beef, Scotch Lamb, and Specially Selected Pork. Decisions ultimately rest with Ministers but should it prove necessary to raise the payable amounts, an increase in the ceiling is likely to be necessary since the levy ceiling for sheep is already at its maximum and the pig levy is very close to the maximum. Raising the ceilings by the amounts specified would mean that the SSI is likely to meet the needs of the sector for a number of years."

10. The Scottish Government's letter of 15 November 2023 also explains how the updated maximum levy amounts were arrived at, stating –

"The proposed new maximum rates were submitted by QMS, to the Scottish Government. QMS is currently undertaking a review of its strategy for the next five years, which includes assessing funding models to ensure their sustainability to deliver what industry needs, stating a wish to *remain fit for the future of Scotland's iconic Scotch brands, promotional work and market development.* The justification for the levy ceilings outlined the considerable inflation in costs faced by QMS in its day-to-day activities since the last raise in payable rates in 2010. The impact of a reduction in cow numbers and the increased movement of store cattle out of Scotland has also resulted in reduced income.

The recommended ceiling figures reflect QMS activities as a service to the agricultural industry and the inflation rate of goods and services used by agriculture – current figures adjusted until 2022-23 and then those figures projected."

11. The policy note states that this will give QMS the ability to increase levy rates following any consultation they carry out with the industry and upon approval from the Cabinet Secretary. The Scottish Government's letter of 15 November 2023 clarifies that, while there is no requirement for QMS to consult on any change to the payable levy, Ministerial approval is required at the start of each financial year, regardless of whether there is a change to the payable rates. The Cabinet Secretary also states that "Ministers would expect QMS to engage fully with producers and processors before seeking approval for any proposed increase to the levy within the constraints of the ceilings in the Order".

12. The Scottish Government conducted a targeted four-week consultation which was sent to nine relevant organisations. Two responses were received. Of the two responses, the policy note states that one was broadly positive and “recognised that the change to the Order is about the ability to raise the rates and stated that they broadly supported the suggested amendment of maximum levy rates”.

13. The second respondent raised concerns regarding the benefit of the levy for the industry, stating—

    “We believe that this is not the time to change the maximum levy rates. This consultation is taking place before there has been detailed engagement on the QMS strategy and a decision on maximum levy rates should wait until after that engagement has been completed.”

14. In addition, the second respondent also stated that “a change in the levy ceiling within the Order must not be taken by QMS as industry agreement to an increase in the levy rates paid”.

15. The policy note explains that while the Scottish Government has considered the concerns raised by the second respondent “the reasoning for the change to the maximum ceiling rates is. in officials’ opinion, enough justification to proceed with making the requested changes to the Order, which is solely about raising the ceiling, not the rates.

16. The policy note also states that following the consultation closing date, officials contacted both respondents. According to the policy note, having discussed the instrument with the second respondent, they had indicated that they were “understanding that the Order change is ‘technical’ in nature.”

17. The Scottish Government’s letter of 15 November 2023, provides further information on the organisations who were “targeted”, stating—

    “The target organisations were chosen, in conjunction with QMS, because they represent the levy payers, i.e. producers and processors. The organisations are members of the QMS Red Meat Resilience group. The two organisations which responded were the National Farmers Union Scotland (NFUS), who represent producers and the Scottish Association of Meat Wholesalers, who represent processors. There was no follow-up with those who chose not to respond.”

18. The Cabinet Secretary for Rural Affairs, Land Reform and Islands has, by motion S6M-11038 (as set out in the agenda), proposed that the Committee should recommend the approval of this instrument.

Consideration by the Delegated Powers and Law Reform Committee

19. The Delegated Powers and Law Reform Committee considered the instrument at its meeting on 7 November 2023 and agreed no points arose.

For decision

20. **The Committee is invited to—**

- **take evidence from the Cabinet Secretary and Scottish Government officials on the instrument (agenda item 1);**
- **ask the Minister to move, and then to debate, the motion on the instrument (agenda item 2); and**
- **delegate authority to the Convener to sign off the Committee's report to the Parliament on the instrument.**

Rural Affairs and Islands Committee clerks
November 2023

Parliamentary procedure – affirmative instruments

21. The affirmative parliamentary procedure is set out in Chapter 10 of the Parliament's Standing Orders. Instruments subject to the affirmative procedure cannot come into force unless they are approved by Parliament.

22. It is usual practice for subject committees to take evidence from the Scottish Government in advance of considering the instrument. The Committee will take evidence from the Cabinet Secretary for Rural Affairs, Land Reform and Islands and Scottish Government officials at **agenda item 1** on the Quality Meat Scotland (Amendment) Order 2023.

23. During its formal consideration, a member of the Scottish Government proposes, by motion, that the lead committee recommend that the instrument or draft instrument be approved. The Committee will formally consider the motion during **agenda item 2**.

24. The lead committee must report its recommendation to the Parliament within 40 days of the instruments being laid; where the lead committee recommends the instrument be approved, the Parliamentary Bureau will propose a motion that the instrument be agreed. The deadline for the Committee to report on both instruments is set out in the boxes above.

Policy note

The Quality Meat Scotland (Amendment) Order 2023

SSI 2023/XXX

1. The above instrument was made in exercise of the powers conferred by section 87 of the Natural Environment and Rural Communities Act 2006, and all other powers enabling them to do so.

Summary Box

The purpose of the instrument is to increase the maximum levy rates in the Quality Meat Scotland Order 2008, which will enable Quality Meat Scotland to adjust the levies for the slaughter or export of cattle, sheep, and pigs. The levy for sheep is currently at the maximum levy rate that is allowed for in the 2008 Order.

Policy Objectives

2. The Quality Meat Scotland Order 2008 sets a ceiling of maximum levy rates that can be charged on animals presented for slaughter in Scotland. The levy comprises two elements: a producer levy paid by the owner of the animal when it is presented to the market for slaughter and a processor levy which is paid by the owner of the animal at the time it is slaughtered. The levy is charged for all three main red meat species i.e., cattle (plus calves), sheep and pigs.

3. Quality Meat Scotland (QMS) conduct a number of functions for the benefit of the red meat sector in Scotland, including the marketing of Scotch Beef, Scotch Lamb, and Specially Selected Pork, with the levy money forming a crucial part of their income.

4. Its purposes are:
   - increasing efficiency or productivity in the red meat sector.
   - improving marketing in the red meat sector.
   - developing or improving services that the red meat sector provides or could provide to the community.
   - improving the ways in which the red meat sector contributes to sustainable development.

5. Levy income is fundamental to the running of QMS. The rates are set annually by them, and subject to Ministerial approval, they have the ability to increase charges if this was deemed to be appropriate in any one financial year, but any increase must be within the ceiling of the maximum rates set by the 2008 Order.

6. At this time, the rate of levy collected for sheep is at the maximum ceiling allowed in the Order, and as such, we are looking to future-proof the QMS Order for approximately a 10- year period. This will give QMS the ability to increase levy rates following any consultation they carry out with the industry and upon approval of the Cabinet Secretary.

EU Alignment Consideration

7. This instrument is not relevant to the Scottish Government's policy to maintain alignment with the EU.

Consultation

8. A four-week target consultation was carried out with the consultation being sent to nine relevant organisations. We received two responses.

9. The consultation explained that a change to the levy rates in the Order does not automatically assume a change to the payable rates, and that the changes made were to future-proof the Order for at least the next 10 years.

10. Of the two responses one of them was positive and recognised that the change to the Order is about the *ability* to raise the rates and stated that they broadly supported the suggested amendment of maximum levy rates.

11. The second response raised some concerns and they commented:

    "…we are not opposed in principle to a change in the maximum levy rate … we need to be convinced of the benefit that levy spend gives the industry. We believe that this is not the time to change the maximum levy rates. This consultation is taking place before there has been detailed engagement on the QMS strategy and a decision on maximum levy rates should wait until after that engagement has been completed."

12. In addition, they also stated, "*a change in the levy ceiling within the Order must not be taken by QMS as industry agreement to an increase in the levy rates paid."*

13. Whilst taking the views of the concerns raised by the second respondent into consideration, the reasoning for the change to the maximum ceiling rates is in officials' opinion, enough justification to proceed with making the requested changes to the Order, which is solely about raising the ceiling, not the rates.

14. Following the closing date, officials contacted both respondents. For the second respondent, officials followed up directly by phone call where the respondent was understanding that the Order change is 'technical' in nature.

Impact Assessments

15. No impact assessments have been carried out for this SSI due to it not having any impact on other issues.

Financial Effects

16. The Cabinet Secretary for Rural Affairs, Land Reform and Islands confirms that no BRIA is necessary as the instrument has no direct financial effects on the Scottish Government, local government, or on business.

Scottish Government
Directorate for Agriculture and Rural Economy 24 October 2023