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The Future of Scottish Agriculture PostoBrexit
Evidence to Scottish Affairs Committee
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Responsibilities for Agriculture
- Agriculture policy has three elements:
  - Support
  - Regulation
  - Trade
- In addition, broader rural policy encompasses economic and social development.
- There has been a slow reform of the Common Agricultural Policy, away from production-linked payments to direct support and towards a broader conception of rural development policy.
- Support, regulation and rural policy are both Europeanized and devolved to Scotland.
- Trade policy is reserved to the European Union.
- Within the Common Agricultural Policy, Scotland has much the same discretion for making detailed decisions as have member states.
- After Brexit, the EU framework will disappear. There is general agreement that UK-wide frameworks will be needed.

Frameworks
- The agreed aims of frameworks are to:
  - secure the UK ‘internal market’;
  - Secure international obligations;
  - Negotiate agreements with the EU and third countries;
  - Deal with the management of common resources;
  - Deal with access to justice with cross-border elements;
  - Ensure the security of the UK.
- Discussions have been taking place about what they might entail in agriculture, as in other matters.
- The original draft of the Withdrawal Bill proposed a blanket reservation of ‘retained European law’, in effect those competences that are both devolved and Europeanized. After the Scottish Parliament refused legislative consent, this was changed. Instead, there is a list of competences, some of which will remain reserved; some will be subject to non-legislative frameworks; and some may be subject to legislative frameworks. The key regulatory and support measures are in the last category.
- Discussions are currently under way about these frameworks and powers.
- This way of proceeding has been criticized for starting with details rather than the broad principles. Consequently, any list may not reflect the broad objectives.
- It is not clear what the implications of the UK internal market are and how this could affect different patterns of support in agriculture.
• There will be a new UK competition policy, which might impinge on permitted agricultural support.
• Trade deals with the EU and third countries might contain clauses restricting support and imposing or relaxing regulations.
• It is not clear how frameworks will be negotiated and enforced. One model is the Joint Ministerial Committees for domestic policy and for European matters. This model has been criticized for giving the UK Government the last word; and for not distinguishing between the representatives of the UK and those of England. Another model is the quadrilateral format sometimes used for domestic policy matters, which does not produce binding decisions.
• The Agriculture Bill provides another mechanism for policy-making after Brexit. Devolved governments have been invited to join this with their own schedules, and Wales and Northern Ireland have done so. The Scottish Government has not joined, as it is in dispute with the UK Government over the repatriation of powers in the Withdrawal Act, to which it has not given legislative consent. This bill does, however, give UK ministers the right to determine into which WTO box agricultural support measures across the UK will go. In effect, this allows it to determine allowable levels of support.
• The Environment Bill, which is also part of the preparation for Brexit, appears to create a UK framework of environmental principles, but without detail on how this will apply to the devolved territories.

Scottish conditions and priorities
• Agricultural conditions are in Scotland and substantially different from those in England.
  o The CAP supplies some 75 of farm income in Scotland, against 50-60 per cent in England.
  o Scotland has a predominance of small farms, in contrast with the large agricultural businesses in England.
  o Farming in Scotland is often important to maintain population and communities in the remote areas.
• There have been differences in application of the CAP and in future priorities.
  o Scotland still has some production-linked payments
  o Scotland, like Wales and Northern Ireland, has capped payments to the largest recipients of direct payments
  o Farming in Scotland has important social and cultural aims while the emphasis in England is economic and, increasingly, environmental.
  o Conceptions of rural policy are different across the UK as is the link to other policy measures.
• There is a consensus across the UK that agricultural policy will have to change. Direct support will come down but there is a preference in Scotland to retain some such payments, while the UK (for England) and Welsh Governments have indicated their intention to phase these out.
• There is broad support for the idea that payments in future should be linked to ‘public goods’ but less agreement on exactly what this means. In England, there has been a strong emphasis on environmental benefits but this does not exhaust the
meaning of public goods and there may be limits on how much support can be justified on these grounds in Scotland.

- In Scotland, support for rural communities is important.
- It is not clear how much scope there will be for these different conditions and preferences to be accommodated within the new frameworks.

Financing of agriculture

- At present, funding for support comes from the EU. Funding for Pillar 1 measures (of rural policy) is shared between the EU and the Scottish Government.
- In practice, the exact spending levels are determined by the EU and the UK Government. In the last round of CAP allocations, the UK Government gave the same percentage change in funding to each of the four nations. Scotland gained £863 per capita, compared with £338 in England, £866 for Wales and £1404 for Northern Ireland.
- Scotland would thus stand to lose from any general reduction in agricultural spending.
- We do not yet know how funding will work after Brexit.
- One possibility is that it could be folded into the block grant and Barnett Formula. Based on precedent, this would give each nation its current allocation, raised or lowered by the same amount per capita as in England. In practice, we can anticipate lowering rather than raising, given the intention to phase out direct support in England. Such a move would give some protection to the devolved territories, since it would protect their base and cuts would be a smaller proportion of their budgets than in England. As the money would be within the block grant, however, farming would have to compete with other policy fields. There would still be overall reductions.
- Rural development funds (Pillar 2) could also be folded into the block grant. Alternatively, they could be folded into the proposed UK Shared Prosperity Fund, along with the cohesion and structural funds.
- In any of these scenarios, there is less funding for agriculture and rural policy in Scotland forcing difficult policy choices to be made.

Questions

- The key questions are:
- What are the priorities for agriculture and rural policy in Scotland?
- Should and can Scotland maintain direct support to farmers?
- What form should such support take?
- How does support for agriculture relate to broader issues of the rural economy?
- What is the meaning of public goods?
- How are agricultural and rural policy to be financed?

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