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# The Impact of Brexit on Scotland's Food and Drink Sector: Parliamentary Debate Briefing

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## SUMMARY

- The way we produce and consume food has a significant impact on the natural environment, in Scotland and at a global scale.
- Food production has been hugely influenced and driven by a suite of policies, subsidies and legislation derived from the EU.
- Brexit raises uncertainty over the long-term future of food production in Scotland.
- We need to move away from the production focused incentives and area-based payments of the Common Agricultural Policy towards a system which is better targeted to those who most need the support and better linked to delivery of public goods.
- There is a growing understanding of the joint biodiversity and climate crises and, regardless of Brexit, the Food and Drink Sector will have to rise and adapt to these challenges.
- We believe that, whether we are in or out of the EU, a framework Good Food Nation Bill would help Scotland tackle the multiple environmental, social and economic challenges of the Scottish food system and harness the opportunities.

## INTRODUCTION

Scottish Government has ambitious plans to double the value of the food and drink sector by 2030. This value, the provenance and reputation of our products and the sustainability of the industry are dependent on protecting and enhancing Scotland's natural resources and environmental quality. However, globally, food production and consumption are key drivers of environmental damage, including habitat loss, wildlife declines and greenhouse gas (GHG) emissions. We must do things differently in Scotland if we are to meet our food and drink ambitions.

Brexit poses further challenges, creating uncertainty over the long-term future of agricultural subsidies, environmental standards and governance, as well as access to international markets. As we work to rebuild the post-Brexit policy framework supporting our food and drink sector, we must do so in a way that helps Scotland tackle the multiple environmental, social and economic challenges of the Scottish food system and harness the opportunities.

## CHALLENGES POSED BY BREXIT

### *Rural support*

The food and drink sector in Scotland is worth £14Bn. However, the agriculture sector, which sits within the food and drink sector, relies on subsidies delivered through the Common Agricultural Policy (CAP) to break even financially. Scotland receives 17% of the UK share of CAP funding but **the current system is not economically, socially or environmentally sustainable. Area-based payments disproportionately benefit large land owners, as opposed to those who most need the support.** As a result, in 2016-17, 45% of farms in Scotland generated income less than the minimum agricultural wage<sup>1</sup>. Despite limitations of the current system, uncertainty over future rural support is a significant area of concern.

Scotland's agricultural sector is distinctly different from the rest of the UK, with 85% classified as Less Favoured Area and 40% as High Nature Value farmland. This poses challenges for food production but creates opportunities to produce food in a more sustainable way, alongside delivery of public goods like biodiversity, carbon sequestration and clean water.

**The way we manage land for food production can have significant, negative impacts on biodiversity.** On more intensively managed agricultural land, primarily arable or improved grasslands, species numbers and habitat diversity have shown serious declines. Farmland biodiversity is impacted by changes in management practices, including fertiliser application and changes in sowing and harvesting practices, loss of crop diversity and frequency of agricultural operations. However, extensive farming systems, managed in a way that is sympathetic to nature, can have biodiversity benefits. **If we moved to a system focused more on delivery of public goods, we would see funds better targeted to more remote and less intensive farming systems.** This would better suit Scotland's unique circumstances and strengthen the international reputation of our food and drink sector; one underpinned by and built upon its high environmental credentials.

Importantly, we believe that total budget for rural support for Scotland should remain at least the same as we transition from the CAP. Scottish Government must make the most of the period of transition proposed in Stability and Simplicity<sup>2</sup>, to put in place the framework of legislation, advice and incentives to help farmers transition to a new system post-2024.

**We support Scottish Environment LINK's ten principles for future agricultural support<sup>3</sup>:**

1. Evidence-based
2. Beyond the regulatory baseline
3. Outcome-focused
4. Public money for public goods
5. Business-based and plan-led
6. Knowledge-based sector
7. Transparent and accountable
8. Accessible and equitable
9. Flexible and tailored
10. Monitored and evaluated

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<sup>1</sup> <https://www2.gov.scot/Topics/Statistics/Browse/Agriculture-Fisheries/Publications/FBI>

<sup>2</sup> <https://www.gov.scot/publications/stability-simplicity-proposals-rural-funding-transition-period/>

<sup>3</sup> [http://www.scotlink.org/wp/files/documents/10-principles-for-future-land-management-support-in-Scotland\\_finaldraft.pdf](http://www.scotlink.org/wp/files/documents/10-principles-for-future-land-management-support-in-Scotland_finaldraft.pdf)

## ***Regulatory framework***

At present, the European Commission and ultimately the European Court of Justice have oversight of the way Member States apply and enforce EU law, including in laws relevant to agriculture. The loss of regulatory oversight of the European Commission and European Court of Justice is a significant risk. Laws are only effective when they have strong institutions and mechanisms to support and implement them in practice. Robust enforcement mechanisms are needed when environmental requirements and standards are not being met and it will be harder to enforce and uphold environmental laws in the absence of these EU institutions.

Without legislative underpinning of environmental principles and effective governance arrangements, development of future policy and legislation, such as the UK Agriculture Bill and proposed Scottish Agriculture Bill, could result in regulatory divergence from current arrangements. This potential is multiplied by the confounding possibility of different regulation in the different jurisdictions across the UK, which we are already seeing in the development of the UK Agriculture Bill.

## ***Standards***

The coordinated UK approach to environmental matters in food production, based on minimum common standards, is currently strongly governed by EU policy and legislation. Despite Scottish Government's clear commitments to maintaining and exceeding high environmental standards post-Brexit, there is a risk of divergence in standards across the UK which could lead to competitive deregulation. One example is cross compliance. The proposals set out by Defra in the UK Agriculture Bill indicate that it will be simplified and replaced during the agricultural transition period (2020–27), with simplification of Countryside Stewardship (CS) and cross compliance starting earlier if possible under the transition period. The simplification and removal of cross compliance will create regulatory gaps and potential divergence in the conditions attached to rural support between Scotland and the rest of the UK.

The EU Environment Principles of precaution, prevention, rectification at source and polluter pays are hugely relevant in an agricultural context and any future agricultural policies must be developed in compliance with them. These principles should be enshrined in a Scottish Environment Act, as they are in the UK Environment Bill, and there must be common agreement across the UK on their interpretation. This will help ensure that a coherent and consistent approach is taken to environmental protection in food production across the four countries and that there is no competitive advantage to lowering standards. Agreeing minimum standards need not prevent Scotland from aiming for higher standards.

## **RISING TO THE CLIMATE EMERGENCY**

We welcome the quick response from Scottish Parliament and Scottish Government to the UK Committee on Climate Change's advice. By declaring a climate emergency and setting a net zero target by 2045 Scotland is placed amongst a leading group of nations in the world in terms of ambition on climate change. We also welcome the policy commitments made to cancel plans to cut air departure tax and introduce a new bottle return scheme. **However, the food and drink sector will also have a significant role to play in meeting this challenge and needs an equal display of leadership** – agriculture is responsible for a quarter of greenhouse gas emissions. Scotland's food producers are also at the front line of climate change, with a recent report finding that extreme weather in 2017-18 cost farmers

£161M, with brewing and distilling also hit with significant financial costs<sup>4</sup>. Post-Brexit food policy must reflect this challenge. **We must work closely with the sector to both reduce the contribution of food production to climate change and build resilience so that the sector is better able to respond to future climate-related pressure.**

## OPPORTUNITIES THROUGH GOOD FOOD NATION AGENDA

This debate is happening at a time of considerable change. There are already multiple bills relevant to the food system either proposed or proceeding through parliament, but Brexit adds further change, as laws, governance and funding structures need to be replaced. **We believe that, whether we are in or out of the EU, a framework Good Food Nation Bill would help Scotland navigate this period of change** and tackle the multiple environmental, social and economic challenges of the Scottish food system and harness the opportunities.

Framework legislation, in the form of a Good Food Nation Bill, is necessary for establishing food as a new policy area, and for ensuring that we take an overarching view of the food system. **We need a framework law to align with other developing legislation and policy areas which underpin environmental interventions and protections.** Future food policy must be developed in a way that is complementary to the aims of the Climate Change Bill and should be consistent with the proposals emanating from two key consultations for a Scottish Environment Strategy and on Environmental Principles and Governance in Scotland.

We believe that an Environment Bill will be necessary, incorporating key environmental principles into Scots law, setting clear targets for the environment through an environment strategy, and establishing an environmental watchdog. The Good Food Nation agenda should be consistent with these principles and have complementary targets. It should consider linkages with other relevant legislation such as the UK Fisheries Bill. Future Scottish Agriculture and Inshore Fisheries Bills should clearly nest underneath a Good Food Nation Bill, ensuring that Scotland's food production sectors are well placed to respond to the challenges Brexit poses.

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<sup>4</sup> <https://www.wwf.org.uk/sites/default/files/2019-04/Impact%20of%20extreme%20weather%20on%20Scottish%20Farmers%202018%20FINAL.pdf>