



The Scottish Parliament
Pàrlamaid na h-Alba

RURAL AFFAIRS, CLIMATE CHANGE AND ENVIRONMENT COMMITTEE

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Via email only

4 November 2015

Dear Richard

Re: Update on Dairy Action Plan

Thank you for your letter of 28 October, updating the Committee on the progress of the Government's Dairy Action Plan ("DAP"). The Committee considered your response at its meeting in Dumfries on Monday 2 November. I'd like to begin by recognising the actions which you and your officials are undertaking to address the issues facing the Scottish dairy sector, within the powers available to the Scottish Government.

As you know, the Committee was in Dumfries on 2 November to consider the Government's Land Reform (Scotland) Bill. As part of our visit, the Committee had the opportunity to discuss the Bill with members of the public. A key theme which was raised with us by the public, in the context of that Bill, was the ever-increasing importance of food security and the need for a viable national infrastructure for food-production capacity as a strategic national priority for Scotland.

As a Committee we are of the view, and I hope and believe it is a view which you share, that Scotland's dairy sector is not simply an important part of our agricultural economy, it is a crucial element of Scotland's national food-production infrastructure. The crisis now facing the Scottish dairy sector cannot, therefore, be seen as just a market-based problem of supply and demand in a specific part of our rural economy. It must be seen as a direct threat to a vital part of our food-production infrastructure which, if degraded or lost, may not be recoverable to Scotland in the future. This, in turn, would greatly reduce Scotland's ability to respond to the enormous food security and climate change challenges we will face as a nation in the 21st Century.

Recognising the long-term impact the loss of the Scottish dairy sector would have for Scotland, the Committee is seeking your assessment on how effective you believe the DAP has been to date in helping to support the dairy sector? Also, has the

Scottish Government identified any further potential solutions to the core issues facing the sector since the publication of the DAP?

There is, as you know, particular concern about the situation facing First Milk and the suppliers contracted to it. You will, no doubt, be aware of the ongoing concern amongst the dairy sector, reflected in the media, about the survivability of the group. In light of this we are seeking your urgent assessment of the effectiveness of the recovery plan put in place for First Milk.

We welcome your commitment to address key infrastructural transport challenges faced by the dairy sector, especially the commitment to address freight transport costs as part of the future ferry contract process. We note the review work Transport Scotland is undertaking on this issue, but we also note your statement that “now is not the time to be introducing new ferry fare discounts which would undermine the work of the review”.

However welcome this review work is, it does not help to address the short-term impact such freight costs are having on the dairy sector, especially for dairy producers along the west coast and island communities. Dairy producers in these areas are under the most immediate threat of collapse, and so we believe that urgent support is required to prevent the loss of this vital part of our national food infrastructure.

While the recent Government support provided to First Milk in terms of its haulage costs in areas such as Bute are welcome, in the present economic environment our west coast and island dairy sector cannot afford to wait for the implementation of new freight rates in future ferry contracts. This being the case, and while acknowledging the need to comply with EU State Aid regulations, what actions do the Government propose to take in the short term to further assist the dairy sector with transportation cost pressures?

We note your comments on the resistance from both the UK and EU authorities on the potential for market intervention. This view was expressed to us by EU Commissioner Hogan when we took evidence from him in June 2015. However, the continuation and deepening of the crisis facing the dairy sector, not just in Scotland but across the EU more widely, is of such gravity that we believe UK and EU authorities should reassess their policy position in this area. Will the Scottish Government undertake to make renewed efforts on engaging with the UK Government and EU Commissioner Hogan on the need for short-term focused market intervention mechanisms to assure the survival of key parts of the Scottish dairy sector?

The Committee appreciates the ongoing efforts you and your officials are making in terms of supporting the Scottish dairy sector. Therefore, we would seek a response from you to this letter by Monday 30 November.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Rob Gibson', with a horizontal line underneath.

Rob Gibson MSP
Convener