



Briefing for the Public Petitions Committee

Petition Number: [PE1542](#)

Main Petitioner: Evelyn Mundell on behalf of Ben Mundell and Malcolm and Caroline Smith

Subject: Human Rights for Dairy Farmers

Calls on the Parliament to urge the Scottish Government to accept that individual dairy farmers have human rights and that these have been breached by the operating rules of the Scottish ring fencing mechanism attached to the management of milk quotas which should have been carried out in accordance with objective criteria and in such a way as to ensure equal treatment between farmers and avoid market and competition distortion.

Background

Milk quotas were introduced under the EU's Common Agricultural Policy (CAP) in 1984, to curb rising milk production by placing a limit on the amount of milk that could be produced in each Member State. Farmers had to pay a punitive levy on milk they produce over quota. In recent years, the UK has not produced over quota so farmers have not had to pay a levy. Quotas were initially introduced for a five-year period, but the system was subsequently extended, first until 2000, then until 2008, and finally, in 2003, it was extended to 2015.

The UK government has opposed milk quotas, and argued for their removal in negotiations on CAP reform. The CAP reforms of 2003 began the process of gradually increasing milk quotas with a view to their eventual removal. As part of a further CAP reform in November 2008, known as the 'Health check', EU agriculture ministers agreed a pathway to phasing out milk quotas by 31 March 2015. Following that date there will be no limit on the amount of milk that dairy farmers can produce.

Quotas were shared out between dairy farmers based on their 1983 milk production. Arrangements for trading milk quotas vary between Member States. The UK has operated one of the most flexible quota trading systems in the EU. If a milk producer has insufficient quota for the amount of milk they want to produce, they can either lease the extra quota they need from other producers from year to year, or buy it permanently.

In practice, the fact that milk production has been under quota, at least in some Member States and at EU level, has impacted on its value. In the UK, production of milk in the 2013/14 quota year was 13.7 billion litres against quota of 15.3 billion litres¹. This excess of quota supply has led to very low prices for both lease and purchase of quotas, compared to former levels. The excess of quota over production has been caused by farmers leaving the dairy industry. The fact that abolition of milk quotas has been anticipated for some time has also affected the price of quotas, particularly for permanent transfers (sales). Farmers would be unlikely to place a high value on an asset that they could only use for a short time, and whose value is likely to decrease substantially. To illustrate this point, figures published by Ian Potter Associates, a quota trading company show quota sold in 1996/97 averaged 61 pence per litre (ppl) in 1996/97, but fell to 0.19 ppl in 2013/14².

Ring-fencing

The exception to the free trade in milk quota in the UK has been the ring-fencing of quotas in certain areas. Ring-fencing arrangements were introduced following the introduction of milk quotas in 1984. Dairy farmers within the ring-fenced areas are not able to transfer or lease their quota to dairy farmers outside the ring-fence, nor have they been able to buy quota from dairy farmers outside the ring-fence. Since 1997 they have been able to lease in quota from outside the ring-fence. There are currently two ring-fenced areas in Scotland:

- Orkney (except for the island of Stronsay)
- The Southern Isles - the islands of Jura, Gigha, Arran, Bute, Great Cumbrae and Little Cumbrae, the Kintyre peninsula south of Tarbert and part of the Cowal peninsula.

A PQ answer explains that:

“...the ring-fencing arrangements were introduced to support dairy producers and processors in peripheral parts of the country. Restricting the movement of quota and, thus, production helps to underpin dairying and cheese-making in remote areas”.³

Quotas for the Shetland Islands and the Western Isles were originally ring-fenced, but these have subsequently been removed. Following the closure of the Islay creamery in 2000, and the loss of the main market for Islay dairy farmers' milk, Islay was removed from the Southern Isles ring-fence.

¹ Rural Payments Agency, Milk Quotas, 2014-15 Quota Year, Milk Production to the end of October 2014:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/371902/Monthly_Notice_October_2014.pdf

² Based on quota monthly average figures:

http://www.ipaquotas.com/TRADING_PATTERNS.htm

³ S2W-31195

Scottish Government Action

Milk Quota in the UK is administered by the Rural Payments Agency, an Executive Agency of the UK Department for Environment, Food and Rural Affairs (DEFRA).

The Scottish Government is responsible for the policy on milk quota ring-fencing.

The Scottish Agricultural College (SAC) conducted a study of the two remaining milk quota ring-fences in 2006 on behalf of the Scottish Executive.⁴ The 2006 review was based on desk based research and interviews with the key stakeholders (processors, producers and other relevant organisations) in the industry. This included interviews with producers from within the Southern Isles ring-fenced area (5 Argyll; 1 Gigha; 1 Bute; 1 Arran; 1 Cowal; 1 Cumbrae). The review recommended that the ring fence arrangements should be continued, and that this should be reviewed again in 5 years time, when the future of the EU quota regime would be clarified.⁵

In late 2011 the five year follow up review was completed. Given that the general market environment has changed little since 2006, the 2011 report recommended continuing with the status quo until March 2015 when the removal of quotas was expected. Evidence for this recommendation was drawn from desk based research and interviews with local SAC Consultants, plus two important stakeholders, a dairy processor and a quota trader.⁶

Scottish Parliament Action

The arrangements for the operation of the milk quota ring-fence are set out in Scottish Statutory Instruments (SSIs). The principal regulations are the Dairy Produce Quotas (Scotland) Regulations 2005, which were considered by the then Environment and Rural Development Committee on the 16 March 2005⁷.

The same petitioners lodged a petition [PE1263](#) with identical wording on the 17 August 2009. As part of its consideration of the petition, the Committee posed [four sets of questions](#) to the Scottish Government in writing. In the final set of three questions sent on the 23 November 2010, the Committee asked the Government what plans it had to review the ring fencing mechanism. The Government [responded](#) on the 6 January 2011, and in response to this question said that:

“The Scottish Government plans to undertake a further, wide ranging, review of the ring fence provisions in 2012 in advance of the planned abolition of the milk quota regime by the European Council in 2015. This review will include a full public consultation exercise and we will also take account of the Committee’s deliberations and any recommendations that may follow on from its consideration of this petition.”

⁴ S2W-31194

⁵ Scottish Government personal communication

⁶ Scottish Government personal communication

⁷ <http://archive.scottish.parliament.uk/business/committees/environment/or-05/ra05-0901.htm>

The Public Petitions Committee took [evidence](#) from the Cabinet Secretary for Rural Affairs and the Environment, Richard Lochhead MSP, on the 8 March 2011. The Committee agreed to close the petition on the grounds that the Scottish Government would undertake a review, including a full public consultation exercise, of the ring fence provisions in 2012 in advance of the planned abolition of the milk quota regime by the European Council in 2015.

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18 December 2014

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