SUBMISSION FROM SCOTLAND FOOD & DRINK

In response to your call for evidence on the Scottish Government’s export target, I enclose a submission which sets out the opportunities the food and drink industry see in further internationalisation, the partnership that has been formed to exploit them and the strategy now in place to deliver growth in this area.

We believe the industry and public sector partnership that has now been forged through Scotland Food & Drink to grow food and drink exports is unique and will be critical in achieving our ambition to grow the value of exports from our sector to £7.1bn per annum by 2017.

Sections 1 & 2 below are provided by way of background. Sections 3 & 4 address the specific evidence requested by the Committee.

1. Background to submission & Scotland Food & Drink

By way of context, it is helpful to set out the background to the Scotland Food & Drink.

Scotland Food & Drink is the industry leadership organisation established in 2007 to grow the sector and build the nation’s reputation as “A Land of Food and Drink”. We are a partnership body, bringing together the main food and drink representative and levy organisations that operate in Scotland. Our collective role as a partnership is to develop and co-ordinate the delivery of a single economic growth strategy for the food and drink sector in Scotland. To that end, we work in close partnership with the Scottish Government and their agencies, who align their economic growth activities to our industry strategy.

In addition, Scotland Food & Drink is a membership organisation, comprising 350 companies from throughout the food and drink supply chain - from the primary industries of fishing, farming and aquaculture, through manufacturing to retail and food service. Currently, 81% of our funding comes from private sector sources (primarily through membership subscriptions) and 19% comes via a grant from Scottish Enterprise. We work to support the individual growth ambitions of our member companies in markets within Scotland, across the UK and overseas. We also deliver a number of projects funded by the public sector (Scottish Government, European Commission and enterprise and other agencies).

The Scotland Food & Drink Executive Group is the “engine room” of the organisation and comprises CEOs/senior officials from the main trade associations, levy bodies and Scottish Government agencies involved in the industry. The membership of the Executive Group can be found here:


Scotland’s food and drink industry has agreed a single strategy and action plan to grow the sector between now and 2017. The Executive Group above are the authors and delivery partners of the industry strategy and action plan. The Scotland Food & Drink strategy incorporates targets relating to increased overall turnover, increased exports, Gross Value Added, productivity and investment in research and
development. A review of the strategy in 2013, reaffirmed the core principles, but emphasised particular areas for further focus and investment – one of which was exports. The summary of the review’s outcomes can be found here:


Our collective mission is to grow the sector to a value of £16.5 billion by 2017, of which £7.1 billion is from exports.

2. Background to the food and drink industry

- In 2007, the turnover of the food and drink sector was £10 billion. Scotland Food & Drink, set a turnover target of £12.5 billion by 2017. Turnover in the food and drink sector has now reached £13.93 billion as of 2012, a rise of nearly 40% since 2007. The industry is on track to meet Scotland Food & Drink’s revised turnover target of £16.5bn by 2017.

- This total turnover comprises the value of primary industries (farming, fishing & aquaculture worth £3.5bn) and manufacturing (worth £10.4bn). The value of manufacturing reflects both sales within the UK and overseas.

- Sales of Scottish food and drink brands within the UK have risen 35% between 2007 and 2012.

- The annual value of exports is £5.3bn (2013). Over £4 billion of this value comes from whisky exports, although in terms of percentage growth, both food exports and whisky exports have risen 50% in value since 2007.

- The sector employs 360,000 people throughout the supply chain; around 1 in 7 of all Scottish jobs.

- Over the last five years, the food and drink sector has been Scotland’s best performing domestic sector and it fastest growing export sector.

3. Importance of exports to Scotland’s food and drink sector

Overseas markets are of critical importance to the food and drink sector in Scotland. It has been an area of huge growth since 2007. In 2007, exports of food and drink from Scotland were valued at £3.7bn. At that time, Scotland Food & Drink set a target to grow exports to £5.1bn by 2017. That target was surpassed six years early and a new target was set in 2013 of £7.1bn.

However, there are a number of areas requiring focus:

- Whisky dominates the sector’s export figures, with around 80% of food and drink exports accounted for by whisky (around £4.3bn per annum versus total food exports of £1bn as of 2013). This shouldn’t detract from the growth in food exports - of 50% since 2007 – however this growth has come from a much lower base.
In contrast to the whisky sector which has a very good, established spread of markets, our food export markets remain heavily focussed on a small number of countries. 80% of our exports go to Europe with our exports to North America and Asia for example accounting for around 7% of trade each.

Our food exports are dominated by salmon and other seafood which account for over half the value of food exports – over £600 million per annum. That said, exports are hugely important to the red meat sector (circa £60M), dairy sector (£60M) and bakery sector (£40M).

Latest HMRC figures (to the end of Q3 2014) show a drop in the value of whisky exports of around 9% year on year due to a combination of reasons, including a slowdown in demand from China. However, the value of food exports have increased a further 8%.

The potential for greater growth in food exports is clear as world demand for premium food of strong provenance grows, at the same time as Scotland’s national identity for food and drink strengthens. This potential has led to a step change in export activity and the development of the Scotland Food & Drink Export Strategy, launched in March 2014.

4. Scotland Food & Drink Export Strategy

The new strategy was launch in March 2014 and represents a step change in partnership and export activity. The strategy can be found here: http://www.scotlandfoodanddrink.org/media/71112/Export-Strategy-0314.pdf

In summary, the strategy focuses on 15 key markets (following research by Scotland Food & Drink partners) which represent the best cross-sectoral opportunity for further export development. The strategy’s focus is the growth in exports of on non-whisky products, given the whisky sector’s already well established export position.

In the seven highest priority markets (in no particular order: France, Germany, North America, Middle East, China, Japan and Singapore), new food and drink trade specialists will be recruited to join the existing Scottish Development International (SDI) field teams. By the end of 2015, the team will comprise 16 dedicated specialists (8 already in post and a further 8 to be recruited).

The £4.5 million, five-year plan is a funding partnership. Industry bodies Quality Meat Scotland, Scottish Bakers, Scottish Salmon Producers Organisation, Seafood Scotland and Scotland Food & Drink are each providing £75,000 in funding. SDI is providing £400,000 in funding, with the significant gap funding of around £3.5 million provided by the Scottish Government.

Whilst not providing direct funding both the Scotch Whisky Association and DairyUK have been involved in the development of the strategy.

[Regarding the dairy sector, it should also be noted that following a review of the Scottish dairy industry commissioned by Ministers, a Scottish Dairy Growth Board has been established, chaired by Paul Grant (Chairman of Mackays Jams). The Board is focussed on a number of areas but primarily the development of new]
international markets. Given the current turmoil in the dairy sector – and a crash in farmgate prices – this is of critical importance. This new Board is working closely with the Scotland Food & Drink Export Partnership.

The model we are implementing - of having food and drink trade specialists on the ground in key international markets - is proven. Our competitors such as Ireland and New Zealand have adopted this model successfully for many years. And where SDI and industry bodies have had dedicated sector specialists operating overseas previously, it has delivered clear results.

The role of the new specialists is clear; to build relationships in overseas markets – whether with retailers, the foodservice sector, importers or distributors – and identify and broker opportunities for Scottish food and drink businesses. The new specialists are employed by SDI, working from their offices and therefore able to make full use into the existing SDI network.

At an operational level, single market development plans have been developed for each of the major markets identified in the strategy. The objectives and activity of the food and drink trade specialists in each markets are set out in the plans. The partners will all operate under these single plans aligning their activity to them. The plans incorporate activity such as trade missions out to market, inward missions of buyers to Scotland, international exhibitions and product showcases. The aim is also that Ministerial activity overseas will be built in to the plans, identifying where Ministerial engagement and influence can be best deployed (on issues such as market access and barriers to trade).

In addition, the Scotland Food & Drink Export Partnership will look to build greater links with the GlobalScot network as well as utilising the strong relationships already developed by the whisky industry in these priority markets. Each of the industry organisations around the table will also be engaging with their members/levy payers to raise the export ambition of the sector.

We believe this deepened partnership, financial commitment and single operating approach will deliver additional growth in food exports of around £350 million per annum by 2017, thereby ensuring that the food and drink sector makes a major contribution to the Scottish Government’s overall export growth target.

I hope this submission assists the Committee in its inquiry and I would be pleased to provide any further information as required. I would ask that this letter is read in conjunction with the export strategy. I have included the electronic link to the strategy above however would be happy to send hard copies to Committee members.

Yours sincerely,

James Withers
Chief Executive
Scotland Food & Drink
16 January 2015