Connecting Scotland - how the Scottish Government and its agencies engage internationally

Quality Meat Scotland (QMS)

In response to your call for evidence on the Scottish Government’s international engagement strategy, I enclose a submission which sets out the international engagement by and opportunities for the Scottish food and drink industry. I am not able to comment specifically on questions 2 and 3 which the committee has identified as core to its enquiry. However, with regard to question 1 *Is there a clear, coherent and well-resourced strategy for European and international engagement within the Scottish Government and its agencies?* I feel we are able to provide a meaningful insight into how Scottish Government agencies are collaborating to develop exports of food and drink.

QMS is an active participant in a recently formed export partnership which is facilitated by Scotland Food & Drink. The partnership has been formed to develop opportunities and there is a strategy now in place to deliver growth in this area. Prior to our participation in this partnership, QMS has spearheaded the promotion and development of red meat into international markets following the lifting of the beef export ban in 2006. QMS has been successful in securing EU promotional funding for three successive three-year programmes. This funding has been matched with industry funding to develop European export markets. Latterly third country markets are starting to open up and we have engaged with markets in Hong Kong, Singapore and Canada.

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 a collective industry ambition to grow the value of exports from our sector to £7.1bn per annum by 2017.

1. **Background to the food and drink industry**

- In 2007, the turnover of the food and drink sector was £10 billion. Industry leadership body 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.

2. Importance of international engagement 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 our own red meat sector (circa £60M), the 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 led to the development of the Scotland Food & Drink Export Strategy, launched in March 2014.

3. Scotland Food & Drink Export Strategy

The new strategy was launched 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 and international engagement. 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 at present both the Scotch Whisky Association and DairyUK have been involved in the development of the strategy.

The model of having food and drink trade specialists to engage with international customers on the ground is proven. Our competitors such as Ireland and New Zealand have adopted this model successfully for many years. Where SDI and industry bodies like Quality Meat Scotland have had dedicated sector specialists operating overseas previously, it has delivered clear results.

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 specifically makes a major contribution to the Scottish Government’s overall export growth target and in a general sense increases its international engagement.

I hope this submission assists the Committee in its inquiry by providing an insight into the international export activities of the food and drink industry. I would be pleased to provide further information on red meat industry activities if required. QMS acknowledges the input from James Withers, Chief Executive of Scotland Food & Drink to this submission.

Uel Morton
Chief Executive

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