The Scottish Salmon Company (SSC) is a leading producer of Scottish salmon, producing over 20,000 tonnes annually, about 20% of total Scottish salmon, creating a total turnover of £90m in 2012. It supplies leading UK retailers and sells to over 20 countries worldwide.

The Scottish based and operated company is engaged in all stages of the value chain from smolt production to harvesting, processing, marketing and sales. It is the only salmon farming company in Scotland whose strategic corporate decisions are made in Scotland. In 2011, SSC was awarded Best Marine Aquaculture Company at the Crown Estate Scottish Marine Aquaculture Awards for its record on sustainable practice, business performance, investment, staff management practices and local community involvement.

SSC operates over 59 sites including marine farms, freshwater hatcheries, harvesting and processing facilities and offices, in two distinct areas of operation in the Hebrides and Argyll. The Company employs around 400 staff across a wide range of disciplines located in remote rural areas of the West Coast of Scotland and is the largest private employer in the Hebrides.
**Strategic Growth Platform**

The SSC is currently implementing a significant investment programme to develop its farming and supply chain infrastructure.

- Expand production to around 40,000T, (up from 22,000 in 2012), in line with customer requirement
- Develop international customer sales to 50%
- Develop operational infrastructure to support development in production
- Establish provenance and sustainability and environmental stewardship at the heart of the business
- Innovations in broodstock, feed and environment
- Ensure consistent delivery of great tasting, healthy, nutritious and premium quality Scottish salmon

**Sales and Marketing – domestic & overseas**

SSC’s focus is on developing strategic partnerships in the UK for both smoking and retail.

With regard to the export development, the Company’s focus is on developing our portfolio of customers in Europe with premium smokers and customers who require top quality salmon and Scottish provenance as part of their brand portfolio. In addition, the focus has been on sales to USA and exports to Japan have been built up over many years with long-term partners.

Consistent quality and volume are the keys to supporting customer development in these markets.

**China**

SSC’s first exports to China were in 2011 and we are actively seeking to develop initial sales over the longer term by developing partnerships. However, while we believe that Chinese demand for premium quality Scottish food and drink is set to rise, we have encountered a number of potential barriers to speedy market penetration that have the capacity to diminish the affordability of Scottish firms’ efforts to sell to China in the long-term.

We therefore support any practical assistance that the Scottish Government can provide to add value to Scots producers’ efforts to expand market share in China. Examples of government support from countries like Norway, New Zealand and Australia may provide templates for assisting producers to make inroads into the Chinese market.

We would also point out that the salmon farming industry in Scotland faces considerable on-going challenges as it seeks to develop consistent production capacity for sales both domestically and overseas. Site development is fundamental to that and SSC has faced considerable challenges in this area in Scotland. Consideration of the impact on the industry of domestic decisions in areas such as planning is essential; Scottish firms cannot
invest in developing overseas markets unless production capacity can be sustained at home.

Exports to China: key facts

- The Scottish Salmon Company began exporting to China in 2011.
- So far, 70 tonnes has been exported, but we expect this figure to grow as demand for the product increases.
- The Company sells directly to retailers, including ‘City Super’ and ‘Olé’ supermarket brands.
- This reflects The Scottish Salmon Company’s strategy of selling to high-end premium food retailers where demand for imported Scottish salmon is growing.
- We have fully supported SDI’s promotional activities in China, including the World Association of Chefs’ Societies (WACS) initiative.

Challenges

- **Production** – At the moment, the SSC is implementing a multi-million pound programme of investment in new sites and upgrades to accommodate both domestic and overseas demand. However, the industry faces considerable challenges when attempting to secure new planning consents, severely limiting its capacity to develop production to meet demand in growth markets like China.
- **Import Duty** – Other countries have the competitive edge: Chile has 3% import tax; New Zealand has a 0% import tax. The levy on UK businesses is at 10%
- **Joined-up support** – Government agency support needs to be more joined-up, with SDI leading a detailed plan for Scotland that harnesses and streamlines the steps that exporters have to take with agencies like DEFRA. To facilitate exports a strategic marketing plan should be developed in consultation with producers prior to active market involvement.
- **Securing value** – We have found that while Scottish salmon retails at high prices, import prices are not necessarily higher for the producer firm. Therefore, it can be a challenge to extract value into Scotland from contracts in the short-term.
- **Payment risk** – Expectations over payment terms can provide difficulties for Scottish firms. Delays in securing payment for produce have the capacity to present challenges to Scots firms’ cash-flow.
- **Transparency** – Levels of transparency surrounding business and import regulations into China can lead to confusion. We have invested in directly employing a Chinese speaker to operate directly in the market to assist in adding value to contracts, but believe that support from the Scottish Government would help us make more of opportunities that exist.

Conclusions

Since 2011 the SSC has gained a foot-hold in the Chinese market and it is our intention to develop relationships there further to expand sales in a market that simply cannot be ignored.
However, the challenges presented to exporters means that short to medium-term growth may be slower than desired. We have invested in on-the-ground support to help us negotiate with buyers, but examples from other countries suggest that more can be done to assist Scottish firms when they encounter the challenges that the Chinese market can present. However, the challenges described above present a number of opportunities for the Scottish Government to offer concrete assistance to underpin its China Strategy:

- Greater domestic support to ensure that Scottish firms have the means to sell produce to overseas markets like China.

- The development of practical support mechanisms by building on the existing examples of states like Norway and New Zealand, whose governments have supported salmon producers in the Chinese market for over 20 years. In addition, salmon producers from New Zealand and Australia tend to benefit from securing premium prices and low duty costs, and we would urge the Scottish Government to assist food producers in Scotland to learn from best practice from these countries.

- Work with other government agencies to ensure that export support and advice is optimised while barriers such as duties are removed or minimised.