This submission is made by the Food and Drink Federation Scotland (FDF Scotland), the voice of the food and drink manufacturing sector in Scotland. FDF Scotland represents food and drink manufacturers from major global brands through to small and medium-sized enterprises in Scotland.

The food and drink manufacturing industry is the largest manufacturing sector in Europe, the UK and Scotland. In Scotland, we account for almost 19% of the total manufacturing sector by turnover (£6.7bn) and employ 34,000 people. At a UK level, food and drink manufacturers provide a gross value added of £21.9 Billion – this is similar to the automotive and aerospace industries combined.

FDF Scotland has worked closely with the Scottish and UK Governments to understand the impact on our members in areas including food safety/regulation, workforce and trading/market access. As the committee continues to investigate these matters, we would be willing to contribute to the committee as required. In particular any investigations into food legislation (e.g. animal derived products) and its impacts on trade and movement of ingredients is of significant importance to our members.

Essential Principals of Financial Settlement

FDF Scotland would highlight that, upon commencement of the Withdrawal Agreement, there will be termination of membership within several key bodies and institutions that are currently significant in their impact on the food and drink sector. Most of FDF Scotland members benefit from the European single market as an export market, talent pool and source of raw materials. Additionally the preferential access to other markets afforded by the Free Trade Agreements currently in place provides further export opportunities to our members.

Ensuring the authenticity and safety of Scottish and UK products is paramount to FDF Scotland and our members. Currently EFSA is the lead authority for food safety and sets the high level legislative framework of Food Standards Scotland at a Scottish level, with The Food Standards Agency reflecting this at UK level. The strong degree of consistency in this area across Europe and within the UK is key in ensuring that the legislation and guidance is clear and accessible to our members. Divergence between national and EU legislation would be counterproductive, costly and challenging to our members, many of whom have strong export relationships with the EU.

UK withdrawal from the CAP could have a significant impact on UK based farmers ability to fulfil the market demands for ingredients, potentially leading to a need for food and drink manufacturers to import more. Coupled to the possibility of losing single market access, the cost of manufacturing food and drink products could rise, with the increase passed onto consumers.
In Scotland, the majority of the food and drink manufacturing sector is composed of SMEs who are eligible from the international growth support provided by the EU. Loss of this support could have a detrimental effect to these companies and their ability to compete within the European marketplace. We have noted that EASME also provides services to SMEs from Norway, Lichtenstein and Iceland – adoption of a similar approach for Scottish and UK SMEs would be welcome.

As highlighted in the response to the Working Paper on the Essential Principals on Citizens’ Rights, workforce development and access to appropriately skilled labour is a key concern for our members and industry in general. The current support from the EU regarding vocational training is beneficial in ensuring that both UK and EU citizens have the required skills to work in our industry and we would welcome a continuation of this work.

**Essential Principals on Citizens’ Rights**

FDF Scotland would support in principal the proposals as set out in the working paper for the preservation of rights for existing EU27 Citizens. It is important that our members are able to secure the rights of EU27 workers in the food and drink sector to avoid labour shortages in all stages of the food production chain. Additionally, the reciprocity of rights preservation for UK nationals is welcomed, and important to our members in ensuring that they are able to support the EU based elements of their business as their priorities change and develop.

Early clarity on the post Withdrawal Agreement arrangement proposals, and how they would meet the needs of industry would be welcomed. FDF Scotland would be willing to consult with our members to assist in policy review and making recommendations to appropriate bodies.

EU27 citizens form 27% of the workforce engaged at all levels within the food manufacturing sector in the UK. Suppliers to our members are also reliant upon EU27 citizens for several elements of their workforce. The negotiations should seek to offer unambiguous reassurance to EU workers throughout our supply chain about their right to remain here.

For the longer term it is important to recognise that these workers from the EU are highly flexible and provide a reservoir of skilled, semi-skilled and unskilled labour without which the industry could not function. At a Scottish level there is a projected requirement for an additional 19,000 new recruits by 2024 to fulfil the labour requirements of food and drink manufacturers, and FDF Scotland is actively engaged in supporting development of home grown talent via apprenticeship and graduate programmes. However, this alone will not meet the shortfall, and an inability to effectively draw on the EU27 population would have a significant detrimental effect on our members ability to meet their labour requirements, impacting on their ability to expand and export.

If we are to adopt a work permit system to control immigration, then it is vital that the whole of the food and drink supply chain receives equal treatment with financial services or the automotive sector at a UK level. All options should be explored including a workable points based system for shortage occupations, sector-based and seasonal / guest worker schemes and effective transitionary arrangements. If it is not, Scotland will face less food choice and higher food prices.
The Food and Drink Manufacturing Industry

Food and Drink Federation (FDF) Scotland represents the food and drink manufacturing industry in Scotland. The food and drink manufacturing industry in Scotland has an annual turnover of over £6.7 billion, which is almost 18.8% of the total manufacturing turnover in Scotland, and Gross Value Added (GVA) of over £1.9bn. The industry employs 36,000 people. In 2015 exports of food increased by 18.7% to £985m.

FDF Scotland is a division of the Food and Drink Federation (FDF) is the voice of the UK food and drink manufacturing industry, the largest manufacturing sector in the country. The industry has a turnover of £81.8bn, which is 16% of total manufacturing turnover, and Gross Value Added (GVA) of £23.2bn. The industry employs around 400,000 people. Exports of food and non-alcoholic drink are a valuable part of the industry, amounting to a worth of £13.8bn in 2016, while exports of all food and drink exceeded £20bn for the first time. Exports of branded goods have also increased, up 11.5% on 2015, reaching a worth of £5.2bn in 2016.

The following Associations are members of the Food and Drink Federation:

- ABIM Association of Bakery Ingredient Manufacturers
- ACFM Association of Cereal Food Manufacturers
- BCA British Coffee Association
- BOBMA British Oats and Barley Millers Association
- BSIA British Starch Industry Association
- BSNA British Specialist Nutrition Association
- CIMA Cereal Ingredient Manufacturers’ Association
- EMMA European Malt Product Manufacturers’ Association
- FA Food Association
- FOB Federation of Bakers
- GPA General Products Association
- MSA Margarine and Spreads Association
- SMA Salt Association
- SN Sugar Nutrition UK
- SNACMA Snack, Nut and Crisp Manufacturers’ Association
- SPA Soya Protein Association
- SSA Seasoning and Spice Association
- UKAMBY UK Association of Manufacturers of Bakers’ Yeast
- UKTIA United Kingdom Tea & Infusions Association Ltd

Within FDF there are the following sector organisations:

- Biscuit, Cake, Chocolate and Confectionery Group (BCCC)
- Frozen Food Group
- Ice Cream Committee
- Meat Group
- Organic Group
- Seafood Committee