Supporting our industry
Supporting growth
Supporting Scotland
About SFDF

The Scottish Food and Drink Federation (SFDF) is an independent, industry funded organisation, universally recognised as the “voice” of food and drink manufacturers in Scotland.

The food and drink sector is the largest manufacturing sector in Scotland and together we ensure our industry is heard where it matters in the Scottish, UK and the EU contexts; with Government, regulators, key influencers across the food chain, consumers and the media.

A key focus of our work is on promoting the industry and improving the legal and socio-economic environment in which our members operate.

SFDF is a devolved division of the UK industry body the Food and Drink Federation.
The food and drink manufacturing industry in Scotland is diverse, ranging from multinational companies with a global share of the market to small independently owned businesses that produce artisan-style products. Our diverse membership reflects our role in cultivating partnerships for manufacturers with other key parts of the food chain such as agriculture.

The one thing all our members have in common is the contribution that they make to the Scottish economy, to our culture and to our wellbeing.

"From innovative new products and technologies, the food and drink manufacturing sector in Scotland is an industry that we should take pride in and celebrate."

Not only does it directly employ approximately 50,000 people, it is Scotland’s biggest manufacturing sector with annual sales totalling around £8 billion.

As an advanced manufacturing industry we also add value through innovation and new product development and through direct support of other key industries such as tourism and agriculture.

We also export an array of Scottish produce and brands globally and in 2009 food and drink exports were valued at over £4 billion.

"This not only brings direct benefits to our economy but encourages the promotion of Scotland through the food and drink we produce, produce that is so often representative of our culture, heritage and future ambition."

The industry also plays a key role in supporting public policy objectives, contributing to progress in areas as varied as climate change and health.

That’s what we do for Scotland. In return we expect Government to provide a framework for our industry to succeed.

That means first class infrastructure, the skills for our industry’s future and ensuring our industry can grow and be more profitable.

“This manifesto is calling on Parliamentarians and Government to recognise the important role of the food and drink manufacturing industry and to consider how you can help us to help Scotland as a whole.”
Executive summary

The Scottish Food and Drink Federation (SFDF) believes that a prosperous, sustainable and innovative food and drink industry is a vital part of the future ambitions for our country. Our industry is setting out a number of recommendations that will help policymakers better understand the industry and the things Government can do that will make a big difference both to our industry and to Scotland.

HOW YOU CAN HELP US:

■ Enhance our competitiveness

We are calling for:

■ Business and economic growth to be a top priority. We are calling for Government to provide the industry with a framework to succeed. Our ambitions for future growth must support areas where we have a comparative advantage such as food and drink manufacturing.

■ Support for the food and drink industry to continue. Food and drink manufacturing holds the key to adding value and the priority status the industry currently enjoys reflects our role as a lynch-pin between others in the food chain. Priority status has been beneficial for the success of the industry and Government support must continue if we are to effectively recover from recession.

■ Targeted support for developing companies to export. Many small and medium sized businesses have the export potential but not the legal, technical or linguistic knowledge to break into overseas markets.

■ Dealings between manufacturers and retailers to be made fairer. The industry is calling for the speedy implementation of a Grocery Code Adjudicator (GCA) to oversee the UK wide Grocery Supply Code of Practice.

■ Action on high costs. Any increase in costs that Government control whether in Westminster or Holyrood such as fuel duty or business rates makes our industry uncompetitive.

■ Deliver skills for the future of our industry

We are calling for:

■ Action on skills gaps and shortages. Investment in core skills and funding for specialist subjects such as food science, engineering and marketing will secure our industry’s future prosperity.

■ Investment in training. The industry invests significant amounts in training but receives vital support from Government. Initiatives that invest in our people from modern apprenticeships to work based training must continue if we are to effectively recover from recession.

■ Help us to change the perception of our industry. The manufacturing industry has a poor image amongst young people. Help us to tell people what our industry is really about by supporting programmes such as ‘A Future in Food’, an ambassador network and open door days.

■ Invest in innovation

We are calling for:

■ Improved access to research. Scottish universities produce world-class research. The food and drink industry want to tap into that research to make the industry thrive and be ready to meet the challenges of the future.

■ Simplified funding streams for innovation. Many businesses find the current regime complex and time-consuming.

■ An innovation network. Create an innovation network that will bring together academia and the research institutes with the main purpose of increasing the rate of R&D undertaken by industry.
Executive summary

- Deliver infrastructure to support a growing industry

We are calling for:

- Investment in an energy network that is fit for purpose. This is essential to support growing businesses.

- Strategic plan of our transport network. Scotland needs an integrated transport network that meets the needs of a country with significant growth ambitions. A resilient road and rail network is an essential part of this.

- Investment in rail and ports. If industry is to move freight from road onto other forms of transport there has to be a cost-effective and efficient way of doing so.

- Investment in broadband speed and coverage. For any forward looking business, access to a fast and reliable broadband service is essential.

- Help us to make our contribution to a healthier Scotland

We are calling for:

- Working in partnership to tackle obesity. The industry recognises we have a role in helping consumers make the right choices. However the only way to effectively tackle this issue is by working in partnership on shared objectives.

- Technical support for industry to reformulate. In order for small and medium sized enterprises to continue to reduce the levels of salt, sugar and fat in their products.

- Create a sustainable Scotland

We are calling for:

- Recognition that sustainability should not damage our competitiveness, it should enhance it. Industry has an important role in contributing to a sustainable Scotland, however, it is important to strike the right balance between sustainability and economic and business growth.

- Make it easier to do business in Scotland

We are calling for:

- A moratorium on employment regulations. We recognise employment law is necessary however, increasing amounts of often complex employment regulations make it over complicated.

- Country of origin labelling should be straightforward. There should be no requirement to provide origin labelling for single ingredients (other than meat, poultry or fish) or for the ingredients of composite products. For products with multiple ingredients often the most important aspect is not the origin of the ingredients but the expertise and knowledge that has gone into producing it.

- Up front information about business premises. This will help businesses locate in areas that are flexible and can accommodate business expansion.
How you can help us?

- Enhance our competitiveness
- Deliver skills for the future of our industry
- Invest in innovation
- Deliver infrastructure to support a growing industry
- Help us to make our contribution to a healthier Scotland
- Create a sustainable Scotland
- Make it easier to do business in Scotland
As the largest manufacturing industry in Scotland we play a vital role in underpinning the economy. Our industry has enormous potential, driven by a culture of innovation across a range of technologies. The sector can play a key role in rebalancing our economy as the UK has a negative balance of trade. Therefore exporting industries, like food and drink, are vital to the recovery of our economy. However we compete on a global basis.

"For our industry to continue to deliver for Scotland, we must remain competitive. This will be one of the biggest challenges that our industry faces."

Our industry has shown the leadership to grow and develop. Many of our members have grown significantly and continue to invest in new products, processes and technologies.

"In return we expect Government to provide a framework for business growth, further assisting industry to build on current successes. Action on issues such as skills, productivity, support for business and innovation can make a real difference to our industry."

- **Retain priority status.** Priority status for the food and drink industry has allowed us to make step changes in how it interacts, receives support from and delivers for Government. This must continue for this success to be built upon. Manufacturing adds value to our economy and acts as a lynch pin within the food chain as a whole and that must be recognised in future support and strategy.

- **Vital support from Government must continue.** The industry believes that the progress made in developing a national food and drink policy and establishing a Food and Drink Industry Division within Government has been vital in ensuring a joined up approach. To have a long term impact, this must only be the first step.

- **Targeted support for developing companies to export.** There are many great Scottish export stories. There are also many Scottish brands that have the export potential but find it time consuming and difficult to break into international markets due to legal, linguistic and cultural issues.

Support must be targeted depending on the company – for some it maybe funding trade missions, using existing networks overseas or providing specific in-country information.

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**Source:** Scottish Government

**Food and drink manufacturing sales (£m)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales (£m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
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</tr>
<tr>
<td>2005</td>
<td>7,707</td>
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<td>2007</td>
<td>7,551</td>
</tr>
<tr>
<td>2008</td>
<td>8,321</td>
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Enhance our competitiveness

- Make dealings between retailers and manufacturers fairer. The Grocery Supply Code of Practice aims to ensure that manufacturers get a fair price for their products and that there is an accepted way of doing business. We welcome the proposal to establish a Grocery Code Adjudicator to monitor and enforce the Code. Whilst this would be UK wide, there is the opportunity for MSP’s to make representations to ensure the Adjudicator pays necessary attention to companies of all sizes and in different parts of the UK. SFDF is calling for the Grocery Code Adjudicator to be represented in Scotland as the OFT is and via a model similar to that of OFCOM.

- Recognition that high costs affect our competitiveness. We compete in a global economy. Every cost affects our industry. Whether these are costs that the UK or Scottish Government controls like business rates, fuel duty, or tax. The industry is also negatively affected by the increasing cost and volatility in the price of commodities, as shown below in the graph which illustrates the rising price of commodities like meat, dairy and sugar. These costs combined erode margins and affects our competitiveness.

Rising cost of commodities

Source: Food and Agriculture Organisation of the United Nations Food Price Index

- Introduce a fuel stabiliser. There should also be no further increases in fuel duty and as an industry we support the principle behind a fuel stabiliser so that as the price of oil increases, duty decreases. Manufacturers are currently being negatively affected twice over – by rising oil prices and by rising fuel duty. Increasing fuel duty also disproportionately impacts on manufacturers in rural areas of Scotland, who are further away from their main markets.
Deliver skills for the future of our industry

As an industry, we recognise that in order to successfully drive growth in future years, we need to have the right people with the right skills.

“This is a long-term aspiration that requires long term thinking and a long term commitment.”

A lot of work is being done to promote the industry as a career destination in schools, colleges and universities. For example we have produced a series of films that feature those that work in the industry and the wide variety of careers on offer. We also contribute to a number of careers’ fairs and other events. Our innovative schools programme ‘A Future in Food’ is also working directly with school pupils.

- **Raise awareness of industry to our young people.**
  The Scottish Government has already provided support for our innovative schools programme ‘A Future in Food’ which brokers partnerships between local manufacturers and primary and secondary schools. This uses the industry as a tool to teach young people key skills whilst also encouraging them to think of the industry as a career destination. We are calling for continued support for this programme.

- **Skills ambassador network.**
  Manufacturing as an industry suffers from a negative perception about the jobs on offer within the industry.

  “Many of the people that work in the sector are passionate, enthusiastic and are experts in their field. We want to harness these sentiments to teach others about the importance of the industry to Scotland.”

  We believe that, with support from Government, a skills ambassador network could make a significant difference.

  - **‘Open door days’.** We are calling for support to hold a national ‘Open Doors’ event which would engage manufacturers with their communities who could see for themselves the range of opportunities available – from food scientist to nutritionist.

- **Investment in core and specialist skills.** The industry has both skill shortages and skill gaps. A skill shortage is where employers find it difficult to recruit anyone with expertise in for example food science, engineering and marketing. A skills gap is where staff lack the necessary skills to do their job. Skills gaps most frequently occur in areas like problem solving and oral communication. We need to work harder with Improve, our Sector Skills Council and Government to try and plug these gaps.

- **Improve the employability of our young people.**
  The industry also believes that a number of other key changes would improve the employability of young people. These include:

  - Better informed careers advisers that have knowledge of the industry and are able to accurately advise on the many opportunities within the industry.
  
  - Better information for school leavers on the training and employment opportunities available.
  
  - Future funding for skills and apprenticeships must be demand led and support priority industries such as food and drink. Employers must have a greater say as to the courses on offer, ensuring a greater match between the skills prospective employees want and the skills that employers need.

- **Investment in staff training.** 81 per cent of the food manufacturing and processing industry invests in training. Vital support from Skills Development Scotland allows industry to invest in skills for the long term.

  “We want to see initiatives like these protected – invest in people now so they can use those skills and training to be profitable to the country in the future.”

  More on the job training, delivered in a flexible way would also be of benefit to the economy. The industry also believes that apprentice schemes should not be limited to school leavers in order to assist adult learners looking to retrain.
Invest in innovation

Innovation has been key to the continuing success of the food and drink industry.

“Manufacturers are well known for investing in product innovation, however, there is a low level of technical investment in research.”

In order to harness the expertise and knowledge within our university sector, there must be a greater understanding and awareness of the practical benefits that can be gained by the industry. Innovation will make our industry more profitable in the short, medium and long term. In order for that potential to be unlocked, Government must facilitate that process.

- **Greater access to innovation.** Our industry uses product and process innovation very effectively to increase profitability. However many companies are not aware of what innovation in the broadest sense can do for them. Access to advice on innovation has to be less complex and easier for businesses to understand the practical benefit of investing in this area.

- **Funding for innovation.** We welcome support for businesses to invest in innovation. But there are many different funding routes available that make it difficult for businesses to know where to turn for support such as innovation vouchers, knowledge transfer partnerships, R&D grants to name a few. To improve take up of these schemes the funding routes must be simplified.

“We must also protect investment in innovation, particularly the innovation that directly impacts industry as this will encourage long term business growth.”

- **Innovation network to improve business and academic collaboration.** Innovation has made our industry more profitable. However, as many different stakeholders have a part to play in this, the industry is calling for the creation of an Innovation Network for the Food and Drink Industry. This network would bring together the universities, the research institutes, the manufacturers and the innovators to determine what needs to be done to facilitate the discussion between academia and business but also to ensure that the industry can have a voice within the university sector.
Deliver infrastructure to support a growing industry

Our industry like many others in Scotland depends on a reliable and comprehensive domestic infrastructure that is connected appropriately to external markets.

- **Reliable energy network to meet the needs of growing businesses.** Our members are faced with increasing energy costs.

  "There is also an issue with insufficient capacity at points within the network for businesses looking to extend their premises or increase production which limits business growth."

An electricity network that has sufficient capacity to supply the needs of growing and successful businesses is a must.

- **Investment in broadband speed and coverage.** For some of our members, particularly those based in rural areas, the lack of broadband facilities and the reliability and speed of those networks affects the industry’s efficiency.

- **Strategic plan for our transport network.** We are calling for a national strategic plan for our transport network to be implemented to ensure it is integrated and fit for purpose. For business to thrive, investment must be made in the following areas such as a completion of the Aberdeen City bypass, a three lane M8 a new Forth Road crossing, an improved A9 and finally maintenance issues on our roads must be addressed, particularly in rural areas.

- **Investment in rail and port.** Companies would consider switching to alternative modes of transport if they are cost effective and efficient. However, investment in the infrastructure that connects into our ports is necessary if more freight is to be transported in and out of Scotland by ship. Also, many of our members do not use the rail network as much as they might because it is prohibitively expensive or the connecting infrastructure at either end of the journey is inadequate.

- **Maintain the resilience of our network.** Our industry was negatively affected by the recent severe weather during our busiest time of the year. Whilst Government did act for example by relaxing drivers’ hours, it was a time consuming process that could have been implemented more quickly had the process been more automatic. There must also be comprehensive approach from national and local Government to maintain a viable transport network across the country and keep Scotland moving.
Help us to make our contribution to a healthier Scotland

“ Our industry recognises the role it plays in the nation’s health and wellbeing. The industry has responded by voluntarily taking forward key areas of change that we believe can make a real difference. ”

They include the importance of clear nutritional information such as guideline daily amounts; finding ways to lower the salt, fat or sugar content of our products; developing ‘better for you’ ranges; and acting as exemplar employers through promoting healthy lifestyles within their own workplaces.

- Partnership approach to tackling obesity.
  The industry recognises it has a responsibility to inform consumers about the food they are eating.
  We are delivering progress.

“ We want Government to recognise our role and work with us on mutually agreed goals, set against clear public health objectives, that take account of the progress already made ”

and that are designed to deliver measurable benefits for consumers and/or drive genuine behavioural changes.

- Make a difference to the health of the nation.
  The industry has made significant progress in reducing the levels of fat, sugar and salt in well-known products.
  However reducing levels of salt, fat and sugar without compromising on taste and ultimately consumer demand is a technical and costly process. SFDF is calling on the Scottish Government to commit to providing small and medium sized enterprises with technical advice and support to reformulate their products.
Create a sustainable Scotland

The food and drink manufacturing industry believes that sustainable food production can be at the heart of a strong, internationally-competitive, low-carbon economy.

"The industry has set itself a challenging Five Fold Ambition which includes targets such as increasing our 2020 CO2 reduction target to 35 per cent and to accelerate our 2015 zero landfill waste target."

That is industry’s contribution. Government undoubtedly has a role in making it easier for industry to contribute further towards the sustainability agenda.

- **Creation of affordable recycling facilities.** Access to affordable recycling facilities varies greatly across each local authority area. We are calling on the new administration to take a strategic, national perspective to the development of facilities for waste cardboard, plastic and food that avoids landfill. Government has a role in ensuring that waste and recycling facilities support our business and make it economically viable for them to find alternatives to landfill.

- **Make Scotland sustainable and competitive.** We recognise the importance of making our contribution to making Scotland sustainable. However, it must not be to the detriment of our industry and make us uncompetitive. Government must work with industry on devising innovative ways of reducing our carbon footprint and recognise the work that is being undertaken.

"It is imperative to strike a balance between economic, social and environmental factors that will allow us to deliver progress on public policy objectives without damaging the underlying competitiveness of our industry."
Make it easy to do business in Scotland

We represent a range of companies of all sizes. One attribute they all have in common is that they have a significant interest in Scotland; they provide employment and contribute to the country’s wealth.

- **Moratorium on employment regulations.** The food and drink industry recognises that employment regulations exist in order to protect both the employee and the employer. However, the amount of legislation concerning employment law is often complex, confusing and time-intensive.

- **Country of origin labelling should be straightforward.** SFDF fully supports the requirements of the Labelling Directive to ensure that misleading statements of origin are not made but considers any extension of the legislation to require origin labelling would be burdensome to achieve; increase costs; contribute little to improving consumer information; further complicate the label; and would have no impact on food safety. SFDF considers that there should be no requirement to provide origin labelling for single ingredients (other than meat, poultry or fish) or for the ingredients of composite products due to the complexity, and necessary flexibility, in sourcing many ingredients, particularly seasonal ingredients, to ensure a consistent supply of appropriate quantity and quality. SFDF supports the voluntary actions of food manufacturers in responding to consumer led interest for specific origin information.

- **Up front information about business premises.** Since the last Scottish election our members have continued to grow. This brings unique challenges for a business, particularly if they have premises that were designed for much smaller production.

  We are calling on the new administration to improve the assistance provided to business looking for premises to include more upfront information on energy performance, access to broadband. Like a home report, but for business.