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Cabinet Secretary for Finance and the Economy
Scottish Government
St Andrew's House
Regent Road
Edinburgh
EH1 3DG

20 November 2021

FDF Scotland Budget submission: on behalf of the food and drink manufacturing industry

Dear Cabinet Secretary,

I am writing to you on behalf of the Food and Drink Federation (FDF) Scotland and its member companies. FDF Scotland is proud to be the voice of Scotland's largest manufacturing sector. With a footprint in every constituency, our industry employs over 47,000 people and contributes more than £11bn to the Scottish economy.

At a time of constrained Government finances, the right policy environment can both encourage.. With the UK Government spending review looking ahead to 2024-25, we hope to see the Scottish Government making longer-term funding commitments that support the growth of food and drink businesses.

Over the past twenty years agricultural prices have doubled, due to weather and climate conditions, as well as the price pressures of global supply and demand. In a highly competitive retail environment, major retailers have significant market power to place downward pressure on wholesale prices, meaning that the profit margins for many food and drink manufacturers have remained tight, particularly among small and medium- sized enterprises (SMEs) in Scotland. Manufacturers may not have always liked this situation, but consumers have benefited through competitively priced food. But there is now little margin left to offset the further costs of government policies.

This submission outlines the opportunities for the Scottish Government to target support at responsible food and drink manufacturers who want to invest sustainably, looking after their workforce and playing their part in a more sustainable Scottish economy.

Fair Extended Producer Responsibility

Scottish food and drink manufacturers are working hard to respond to the climate emergency announcement but ask that the UK and Scottish Governments collaborate on proposed levies, taxes and charges relating to packaging and waste to ensure that the impact on food and drink manufacturers is proportionate and recognizes our integrated supply chains across Britain.

Our vision for Extended Producer Responsibility (EPR) for packaging is for a fair, effective and cost-efficient system that delivers real net improvements in environmental outcomes.

However, the Government's proposals for reform, as consulted upon earlier this year, will place significant costs on food and drink manufacturers. Specifically, Scottish food producers are concerned about funding local authority recycling collections and subsequent sorting

operations along with the cost of litter management and prevention as it is within scope of 'necessary costs' that should be covered. Scottish food and drink producers would also be picking up the bill for the collection and sorting of packaging waste generated by all businesses along with public sector institutions.

The sudden increase in proposed cost to be borne by producers and in particular brand owners, from an estimated £1.5bn per annum to £2.7bn across the UK could be catastrophic for Scottish food and drink producers. It will be extremely difficult for any single part of the value chain to absorb such costs particularly if a single point of obligation approach is taken to full net costs as per the Government's intention.

This ultimately means that the cost will pass down to Scottish households where each household could see a £75 increase to their food bill every year due to this policy alone.

These costs are also out of line with similar EPR schemes introduced elsewhere in Europe when considered on a per capita basis. We therefore urge the Scottish Government To make sure any additional costs to business are proportionate and fair.

Support for the Scotland Food & Drink Partnership

Scotland Food & Drink is a unique partnership between which facilitates and enables the Scottish Government, its agencies and industry working side by side to grow a world-leading food and drink industry in Scotland.

Recently the partnership published our Net Zero Plan which includes commitments to support Scotland's food and drink businesses on the net zero journey with planning and practical interventions to cater for their specific challenges and needs in both rural and urban areas of Scotland.

As the partnership now looks to develop this programme of support, it will be vital to have sustained public sector funding to ensure that Scottish food and drink producers can compete on a global stage whilst making a fair and just transition towards achieving net zero.

The Recovery Plan funded by the Scottish Government has been critical in nursing the industry through the pandemic and the post Brexit period. This lifeline of support needs to be continued.

Continue to support Scottish food businesses who are making their products healthier

The Food and Drink Federation's Reformulation for Health Programme is supported with funding from the Scottish Government's Healthier Futures strategy. To date the programme has supported Scottish food producers to remove hundreds of millions of calories from Scottish shoppers' baskets.

We ask the government to commit to funding this programme for the next 3 years as it continues to evolve to support Scottish food and drink producers around forthcoming public health legislation such as mandatory calorie labelling on menus.

With the announcement of the public health bill to be introduced during this parliament, we urge the Scottish Government to study the economic impact of legislation stemming from this bill on our food and drink producers very carefully to avoid the risk of reducing the competitiveness of indigenous businesses and increasing the cost of the weekly shop for Scottish consumers.

Ensure the industry has the skills and talent required to continue to grow

The food and drink manufacturing sector is on a path to becoming a high skilled industry, automating processes and looking at advanced manufacturing techniques.

However, the food and drink industry in Scotland is competing with other industries to attract talent into highly skilled roles, particularly in areas such as engineering.

To date our Future in Food programme has had huge successes including:

- Partnering with Developing Young Workforce across the Scotland to support links between employers and young people in food and drink.
- Providing teachers with continued professional development enabling them to use food and drink as a context for delivering Curriculum for Excellence and raising greater awareness of highly skilled, high quality careers in food and drink.
- Supporting and celebrating our food and drink producers who adhere to fair work principles and value our workforce
- Developing the Green Skills, the industry will need to flourish in the future

We urge you to continue to support this programme as part of the Scotland Food & Drink Recovery Plan to ensure our sector has the skills and talent it needs to continue to be a critical part of our national infrastructure.

Lowering the minimum grant threshold for energy efficiency and decarbonisation deployment through the Scottish Industrial Energy Transformation Fund (SIETF)

The SIETF is focussed on decarbonising Scotland's "energy intensive industries (EIIs)" The other EIIs in Scotland are made up of a few extremely large operators whilst food and drink manufacturing are over 95% SMEs.

We understand the need for focus on the larger transformative projects but feel there is scope for reducing current minimum grant threshold for energy efficiency and decarbonisation projects from £100k to £10k.

Food Safety

Food Standards Scotland and the Local Authority environmental health teams across Scotland ensure that food produced in Scotland is authentic and safe. There is huge demand for high quality, safe authentic food in many export markets including China and India so bolstering our food safety industry will boost economic opportunities. Additionally, there has been a huge increase in the need for risk management resource particularly around imported products including novel foods.

It is important that Food Standards Scotland and Local Authority colleagues are properly resourced to ensure our hard won reputation for food safety is properly enforced.

Transport and infrastructure

The FDF echoes several of The Scottish Wholesale Association's sets key asks of the Scottish Government relating to the decarbonization of our transport including; support for research into the establishment of shared green infrastructure clusters and grant and financing support to enable the transition to green fleets.

FDF Scotland will continue to work constructively with the Scottish Government and share our expertise. Please do not hesitate to contact me if you think we can be of further assistance.

Yours sincerely

A handwritten signature in blue ink, consisting of a stylized 'D' followed by a long horizontal line.

David Thomson
Chief Executive Officer
FDF Scotland