

FDf Scotland submission to the Economy and Fair Work Committee inquiry on Scotland's supply chain.

People

1. There are persistent skills gaps in certain sectors. Why are these gaps persistent? What policies are needed to address these gaps? What could be done differently?

FDf Scotland have consulted widely with Scottish businesses on Labour and skills shortages. In our recent survey of 88 Scottish businesses 93% of them currently had job vacancies, 90% of them described their job vacancies as hard to fill, and 97% of them felt that they would struggle to fill vacancies in the future. The reported jobs that were hard to fill cover all parts of the business and all wage ranges, with particularly difficult areas being in engineering and production operation. The geography affected covers the whole of Scotland.

Both Brexit and the pandemic have accelerated existing pressures on labour availability. We have now reached crisis point putting the growth, viability and security of many Scottish businesses in jeopardy, with consumers facing product shortages on shelves and in hospitality.

We have previously written to the Scottish Government asking for support for automation to be embedded in Scottish Government funding programmes where it supports productivity and the development of higher quality jobs. In addition, support for retraining of older people looking to re enter or transition within the job market and continued support of our Future in Food programme which is inspiring a new generation of recruits to consider careers in food and drink.

2. There are also gaps in labour supply in certain sectors. What policies or actions are needed and over what timescale to address labour supply problems?

Making sure that employment in Scotland provides The FDF is an active member of the Scotland Food and Drink industry partnership supporting careers advice, education and industry partnership through our Scottish Government funded 'Future in Food programme'. As part of the work with Scotland Food and Drink partnership, we published advice to food and drink employers on recruitment and retention¹.

For reference, we are also calling on the UK Government to:

- Introduce a 12-month covid recovery visa for the food and drink supply chain – to deal with immediate pressures on the industry and allow employers to expand recruitment to EU and other overseas workers
- Commission an urgent review by the Migration Advisory Committee of the needs of the food and drink sector
- Waive the fees to employment visas for the food and drink supply chain until 2023

3. How can Scotland's supply infrastructure be future-proofed in the face of changes to stockpiling and demands faced as our economy shifts to net zero?

¹ https://www.foodanddrink.scot/media/2518/recruitment-retention-toolkit_web.pdf

As the “Just in time” model of food supply has dramatically changed due to the EU exit and pandemic, there is a lack of food suitable warehousing and refrigerated storage – Incentives for cold storage companies to invest in Scotland perhaps with a focus on creating carbon neutral ultra-efficient cold stores would help Scottish food companies to store perishable goods and cut food waste.

Products

4. What are the short and medium-term challenges in accessing markets to enable the raw materials needed to be imported? And in accessing markets for Scottish exports?

Most food that is imported or exported to/from Scotland goes via England relying on trunk road and ferries from the short straits. For more perishable goods most of this comes/goes via Heathrow. Short and medium term challenges include border delays with the EU, HGV driver shortages and a huge increase in the cost of freight. For example, booking a single freight container is more than ten times more expensive than 18 months ago and global issues with port delays are causing shortages of certain products and packaging materials

Where are the emerging markets for Scottish products? What needs to happen to ensure Scottish businesses maximise these market opportunities?

The FDF represents over 900 businesses across the UK and markets for certain products or services are diverse and numerous.

The committee may wish to explore the Scotland Food and Drink export plan – Delivering for Today, Planning for Tomorrow² which lists the emerging markets for Scottish food and drink as Italy, India and South East Asia.

It is important to remember that many food and drink products produced in Scotland may not be seen as indigenous to Scotland but there is a huge opportunity for Scottish food and drink companies to capitalise on the Scottish food and drink production sector’s high food safety and authenticity standards as well as environmental and fair work credentials.

Are there sectors and products where Scotland relies on imports but there could be opportunities to grow a domestic supply chain? What are the barriers to doing so?

For the food and drink industry, many ingredients have to be imported. UK government statistics show the value of imported food and live animals to Scotland as over £1billion for 2021 to date³.

Whilst there is no Scotland specific data, the table below is a useful indicator to highlight the areas where the UK are heavily reliant on imports⁴. It is reasonable to assume that the picture in Scotland is not drastically different from the UK as a whole.

The table clearly shows the value of imports was greater than the value of exports in each of the broad categories of food, feed and drink except ‘Beverages’ which had a trade surplus of £1.81 bn, largely due to exports of Scotch Whisky. ‘Fruit and vegetables’ has the largest trade deficit. In 2019 imports were £11.5 bn while exports were worth £1.3 bn, giving a trade gap of £10.2 bn.

² <https://scotlandfoodanddrink.blob.core.windows.net//media/2302/export-final-2.pdf>

³ https://www.uktradeinfo.com/media/0lzdbabz/rts_q2_2021.xlsx

⁴ <https://www.gov.uk/government/statistics/food-statistics-pocketbook/food-statistics-in-your-pocket-global-and-uk-supply>

Table 1: 2019: UK trade in different food groups, 2019

2019	exports £billion	imports £billion
Fruit and veg	1.3	11.5
Meat	2.1	6.6
Beverages	7.9	6.0
Cereals	2.4	4.2
Dairy & eggs	2.0	3.3
Fish	2.0	3.5
Misc	2.2	3.4
Coffee, tea, cocoa etc.	1.5	3.8
Animal feed	1.1	2.4
Oils	0.6	1.9
Sugar	0.4	1.2

With the ending of free movement, the food and drink industry has lost many EU workers particularly in processing jobs. We may see an increase in importing of ingredients that require some degree of manual processing before they are used in food manufacturing.

Opportunities - As we move to a more circular economy in Scotland, there may be inputs into the food system that can be increasingly sourced from Scotland e.g. insect protein for animal feed. We note the Scottish Government's consultation on local food supply which includes many questions on the viability of vertical farming which may be able to supply small scale, high-value products that would be currently imported due to Scotland's climate and topography – arguably the biggest barrier to Scottish ingredient supply.

[How can small Scottish businesses be supported to win market share while also meeting fair work principles and other legislative requirements?](#)

Sector specific support - The Scotland Food and Drink partnership is actively working with Scottish food and drink SMEs through an initiative called The Academy - a unique, market-focused, and commercially orientated training programme that helps Scottish food and drink producers - at every stage of their growth journey - sell themselves, build their brands and thrive in grocery and foodservice markets both at home and abroad.

SMEs go through a series of structured training programmes designed by market-focused industry experts to enable real and sustainable business growth. Underpinned by tailored

one-to-one support, each programme matches the needs of individual businesses with appropriate specialists and mentors.

In addition, the Scotland food and Drink partnership provides market insights to food and drink businesses through The Knowledge Bank's insight service which gives businesses access to a unique blend of customised market research, data analysis and consumer insights. The expertise available covers everything from using intelligence to inform strategy, identifying new routes to market and developing resilient supply chains.

Both of these services are funded by the Scottish Government and we ask the Committee to press the government for continued funding of these services.

Fair work There may be an issue with the term “fair work”. FDF members see and hear about Scottish Government fair work policies and are assuming that this is a specific “initiative” that they are being asked to “sign up” to rather than a broader set of principles.

Engagement with FDF members have shown that the majority of Scottish food and drink businesses are already advanced in their fair work journeys and reporting on this through supplier audits and independent certifications such as Investors in People, BCorp and Living Wage Foundation accreditation and value fair work principles. Fair work is a commercial opportunity for our sector as we compete on a world stage where buyers are increasingly demanding.

Other legislative requirements Scottish food and drink SMEs are already facing an avalanche of new requirements post-EU-exit whilst still working under covid guidelines.

They are facing legislative changes such as:

- extended producer responsibility which will see SMEs face paying for the full cost of cleaning up packaging related litter,
- restrictions on the promotion and marketing of foods deemed as “discretionary” by the Scottish Government

But Scottish government legislation is not the only worry for Scotland’s SME food producer’s survival let alone competitiveness - wages bills are increasing rapidly, supply chain shortages are causing disruption, labour shortages are impacting on productivity and global costs and shortages of packaging, raw materials and transport are increasing rapidly.

At the 2021 Scottish Parliamentary elections, we called on candidates to support the FDF call for a moratorium on new legislation that would negatively impact on Scottish food and drink businesses to give them time to recover from covid and the EU exit, something that again, we urge the committee to consider.