



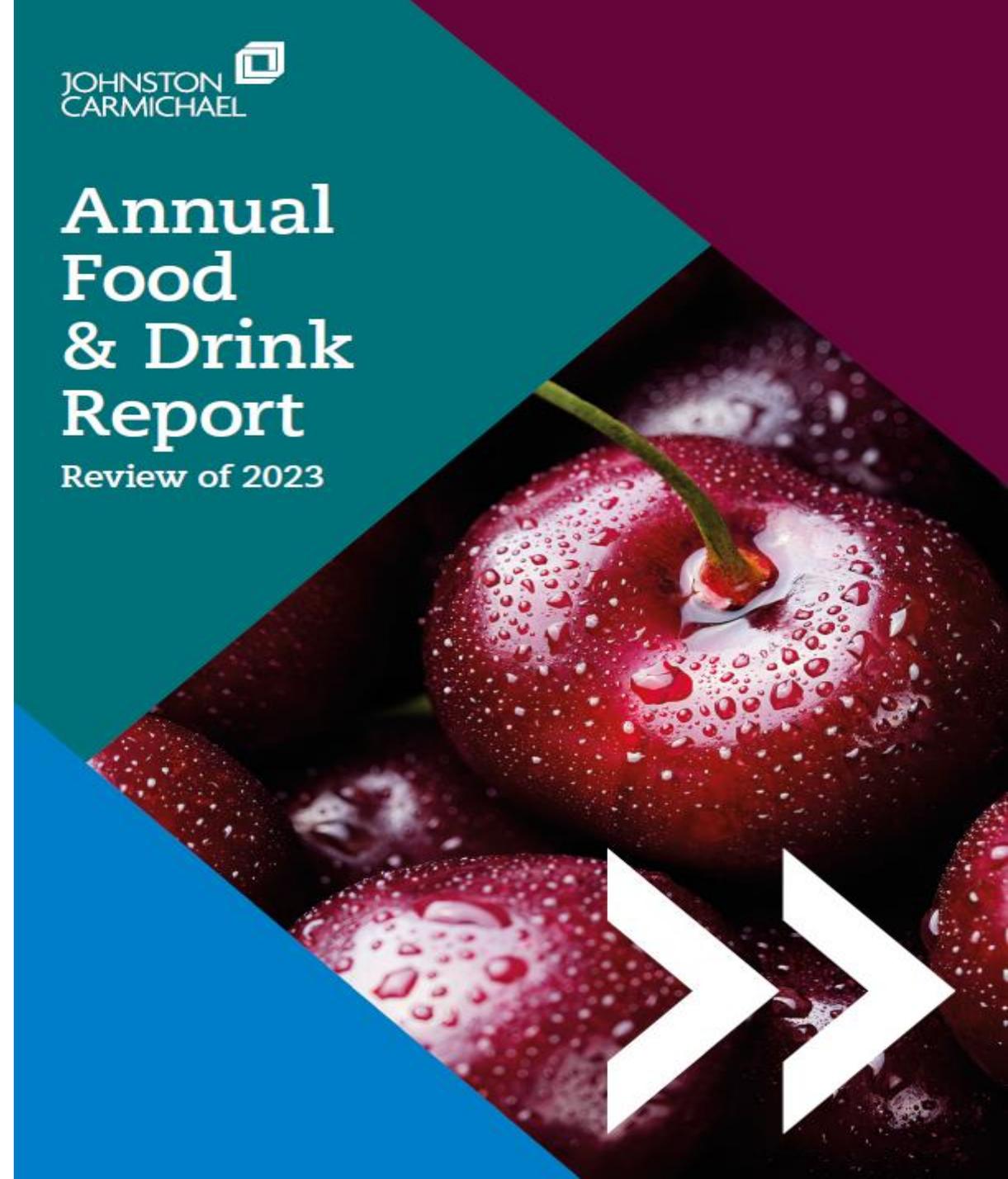
Annual Food & Drink Report

Review of 2023

Adam Hardie
Head of Food & Drink

1st March 2024

An independent member firm
of Moore Global Network Limited  **MOORE**



Introduction to Johnston Carmichael

Top 10 UK accountancy and business advisory firm

We have **68** Partners and **930** staff across **14** offices
international capability as member firm of  **MOORE**

audit more **Top 100** privately owned companies in Scotland than any other firm

advise **550** food & drink producers and **2,000** farmers/food growers

members of  **fdf** food & drink
federation
passionate about food & drink

and

 **F|D|E|A**
Food & Drink
Exporters Association



JOHNSTON
CARMICHAEL 

Annual Food & Drink Report

Who did we survey ?



100 + food & drink processors, manufacturers and retailers surveyed
Dec'23 - Jan'24

THE NATIONAL ROBOTARIUM



Annual Food & Drink Industry
Report 2023



Your Business Health

2024 a year of global instability and uncertainty

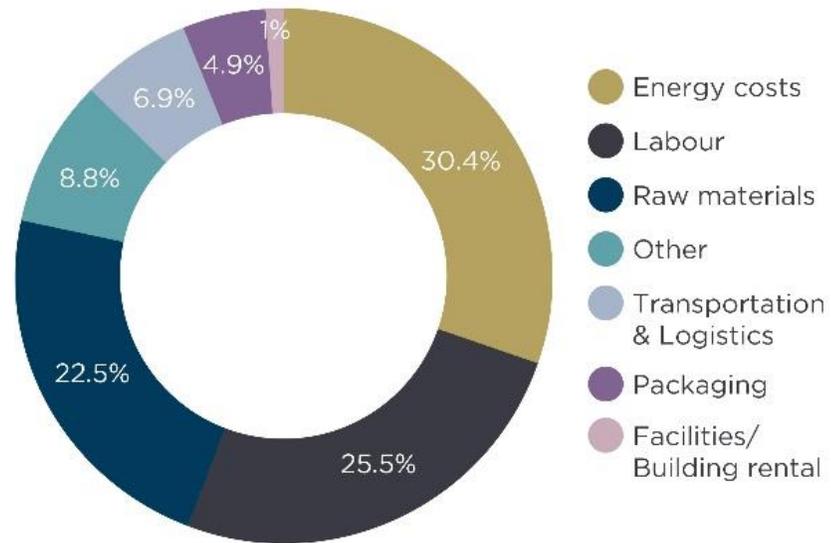
1. War in Ukraine continues to cast a shadow on food & drink industry in UK
2. Impact of extreme, unpredictable weather on food production - UK flooding
3. UK recession Q4 2023, UK and US General elections 40% of all countries '24
4. Farmers rising costs, low prices, post-Brexit subsidies focus on environmental
5. Supply Side inflation in food manufacturing; raw materials and energy
6. Trade and labour challenges of Brexit remain
7. Availability and increasing costs of labour + new living wage April'24.
8. Cost of living crisis impacts household budgets - private label now bigger than brand

Cost Increases

Energy, Raw Materials and Labour - always biggest costs for food manufacturers

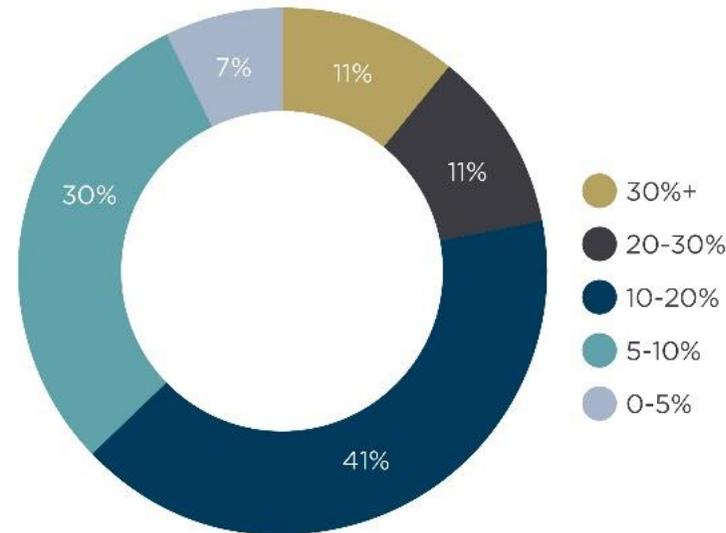
Largest cost increases

Where have you seen the largest % cost increases?



Cost base increase

How much did your overall cost base increase during 2023?



"Whilst oil-based commodities have come down, the costs of conversion has gone up, higher energy costs!"

Average costs

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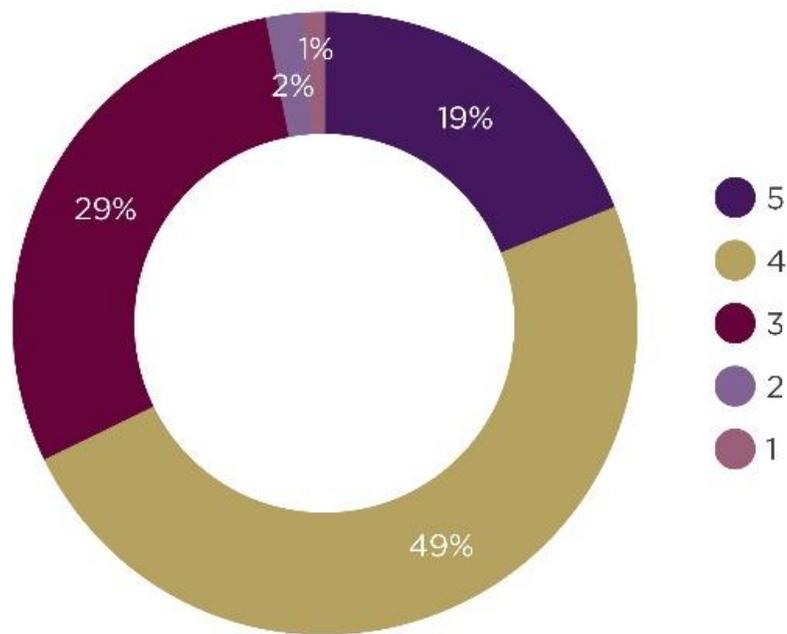
Average Price Increase of 7% in 2023

Business Health

68% either optimistic or very optimistic about future growth of their business - UK trade and export

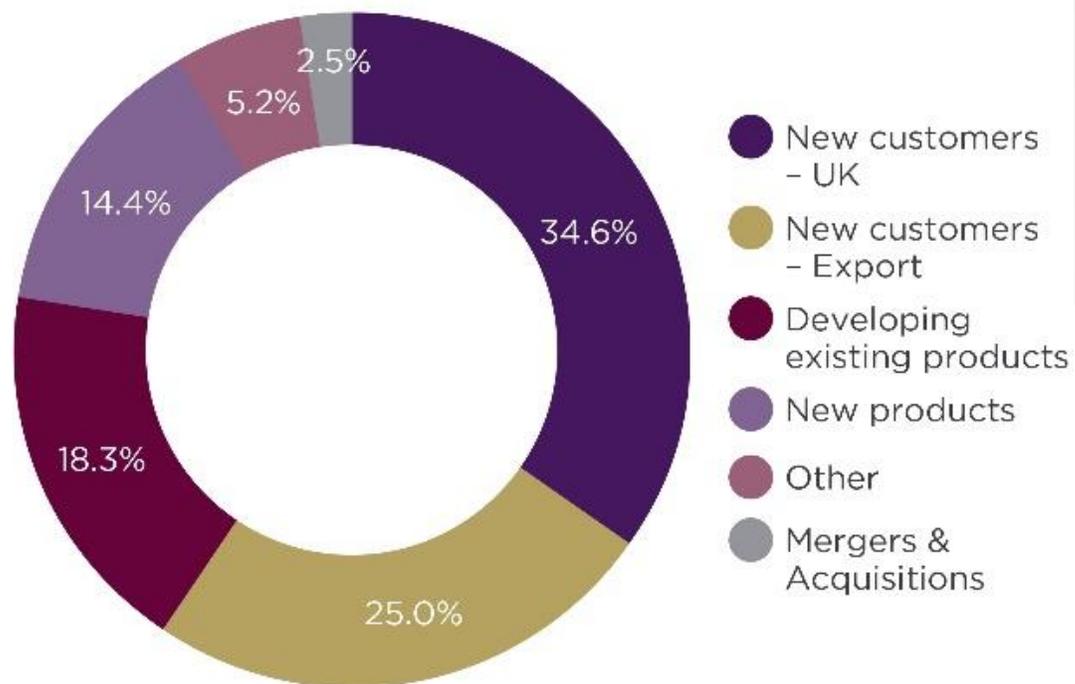
Growth optimism

On a scale of 1-5, with 5 being the highest, how optimistic are you about the future growth of your business?



Growth drivers

What is the primary driver of growth in your business?



Suggestions for Governments

Business needs fewer strategic reviews and advisers paid by the public purse!

- ❖ Simplification of trade for EU exports/less red tape
- ❖ Increased availability of grant funding with a focus on automation
- ❖ Review of Labour Quotas
- ❖ Increased Draught Relief for Brewers

"Because of Red tape / regulation - it is becoming increasingly difficult to operate as so many restrictions and rules that are difficult to manage as they take time and cost money!"

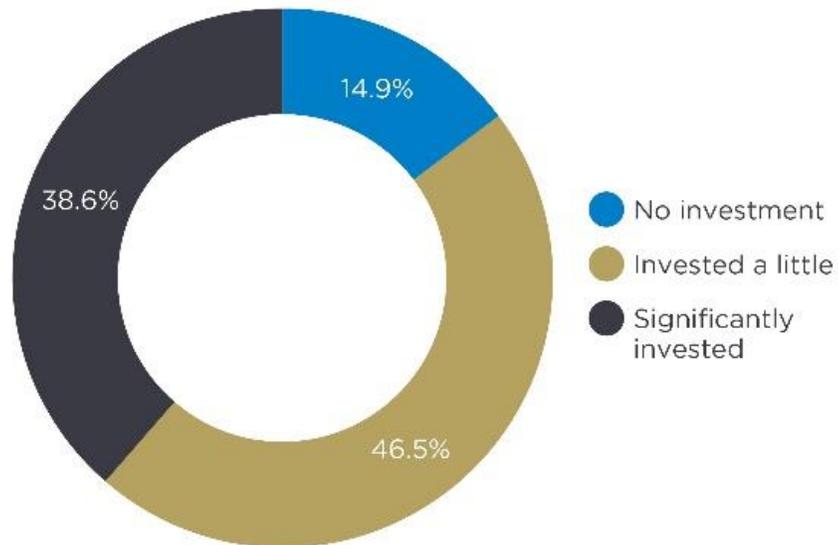
"Governments focusing on layering on more complexity rather than reviewing effectiveness of previous legislation. Legislation over Education mindset is the wrong approach!"

Innovation and Automation

Mixed views on affordability of automation

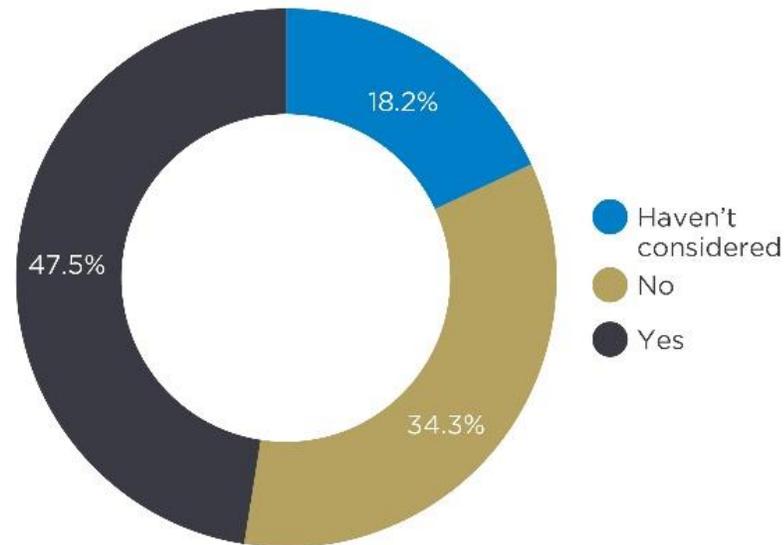
Innovation investment

How significantly have you invested in innovation or new product development (NPD) in the last 12 months?



Automation viability

Do you feel that automation solutions are a financially viable strategy for your business (i.e. they are becoming affordable and mainstream)?



"Automation now more reliable and affordable; mystery taken away; food producers should feel more comfortable with it!"

"Hello Leap Ai" UK robotics co, 60% reduction in labour costs and payback within 2 years!

International Growth

Trade with EU is still a challenge post BREXIT, however, HMRC data confirms exports of manufactured goods to EU countries **have not** been hit any more than non-EU



www.great.gov.uk

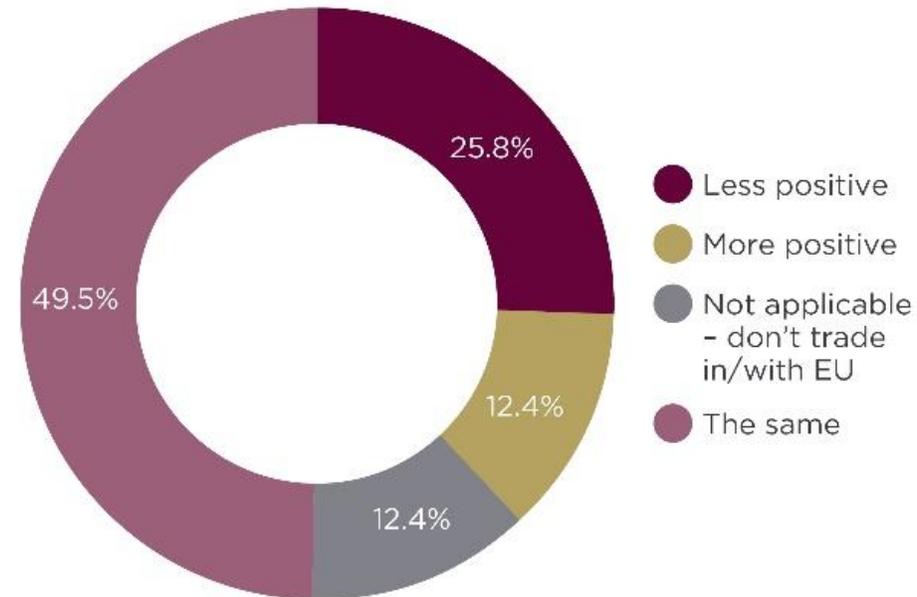
British Food & Drink recognised for quality and innovation around the world

#1 export market for those surveyed is Europe followed by Asia then USA

Appointing distributor #1 route into new market, most cost-effective & lower risk

Brexit sentiment

Going into the third year post-Brexit, are you feeling more or less positive about trade in/with the EU than 12 months ago?

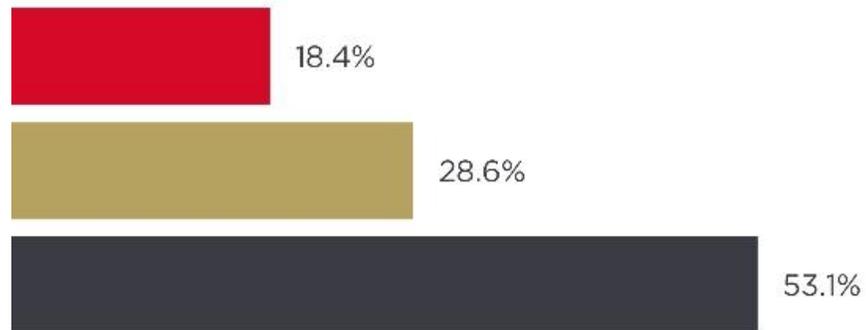


Funding for Growth

18% of businesses do not have projections !

Financial forecasting

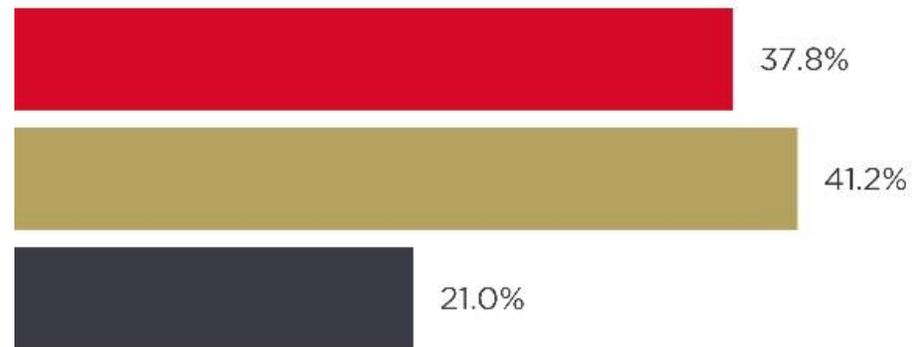
Do you have robust financial forecasting tools and processes that allow you to undertake scenario planning, assess opportunities and risk, make strategic decisions and identify funding requirements?



● No ● Yes, fully ● Yes, partially

Equity investment

If potential equity investment is required, have you considered the value of your business and what % of equity you may be willing to sell to secure the level of funding required?



● Yes ● Not applicable ● No

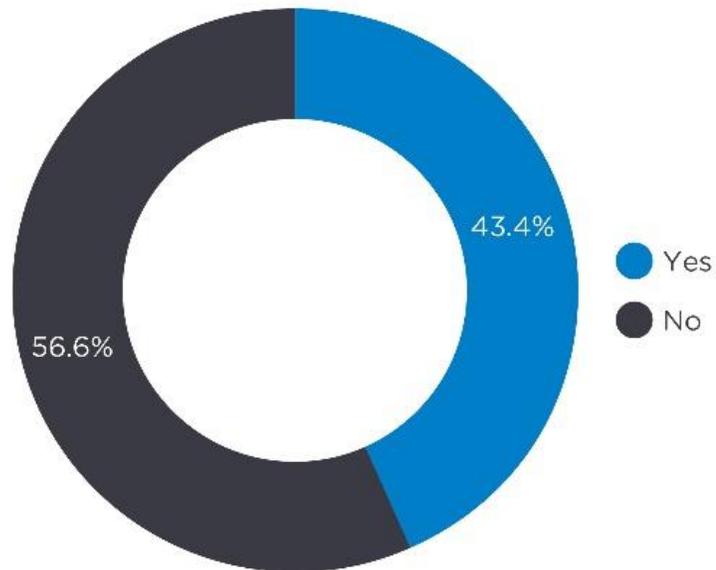
When margins are so tight - how do know what funding can be met from your existing resources - how do you know where are you going - or when you have got there?

ESG and Stakeholders

Journey to Net Zero

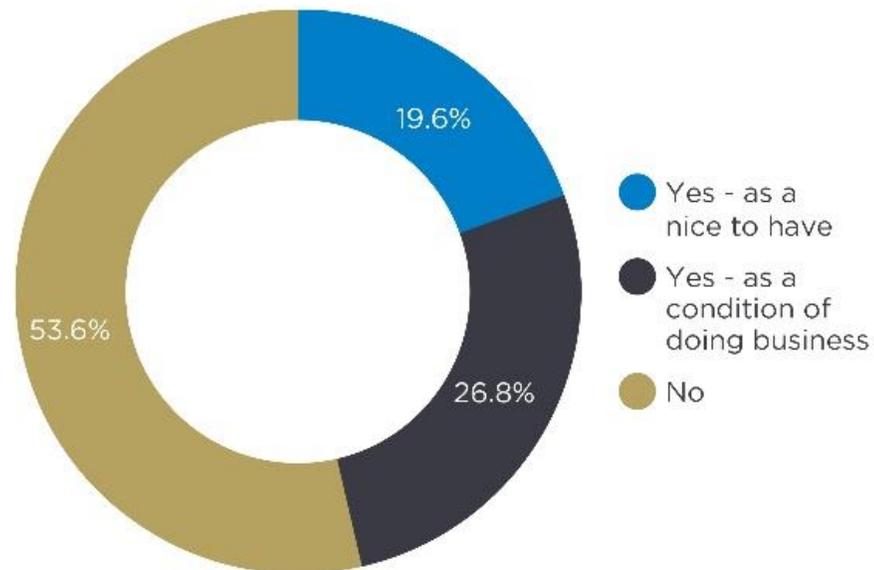
ESG strategy

Do you have a current ESG strategy?



Stakeholder expectations

Are your external stakeholders asking to see your ESG strategy?



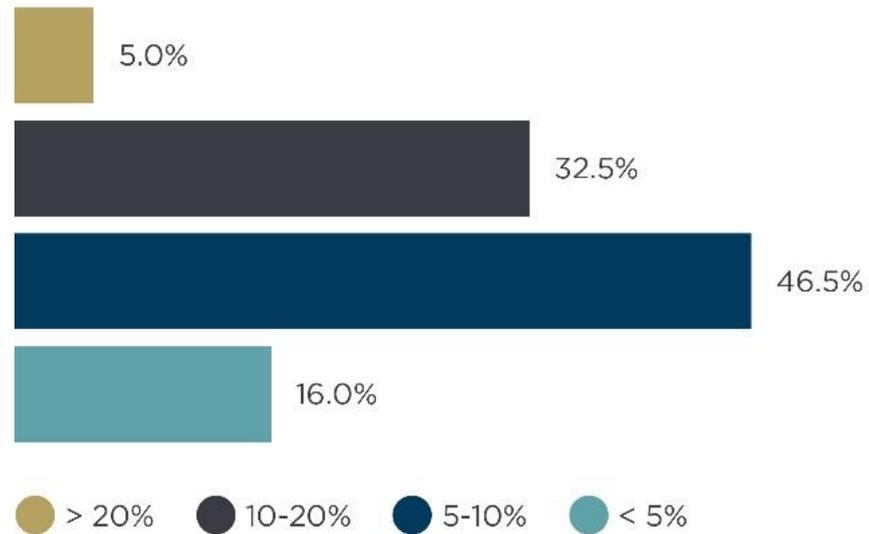
ESG and stakeholders of larger companies clearly want and need to see ESG strategy yet majority of those surveyed (sub £10m t/o companies,) have no ESG strategy, but likely undertaking ESG initiatives

Focus on People

Availability and increasing costs of labour + new living wage a significant challenge.

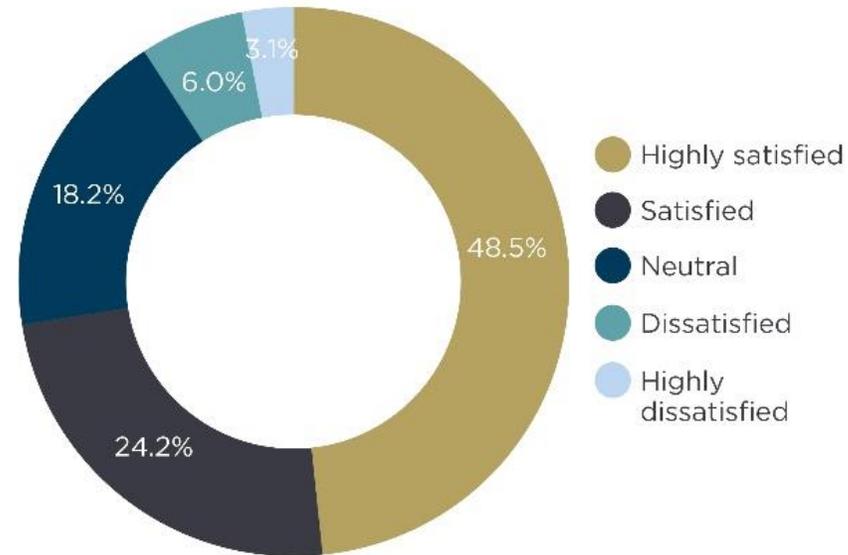
Staff cost increases

How much did your staffing costs increase during 2023?



Satisfaction with current workforce

How satisfied are you that your current workforce can meet the demands of your business into 2024?



Summary

Final thoughts from Johnston Carmichael food & drink survey 2023/24

1. Continued unpredictability of global events - war, weather and migration, impacting on labour, energy and raw materials - so continuing cost pressures for business.
2. Consumer are trading down - but world needs to eat and consumer spending is increasing.
3. Brand UK recognised globally for quality & security - more optimistic than 12 months ago
4. Momentum with automation - effective, more affordable and part of labour solution
5. We need to save the planet, need less food miles and eat what we grow
6. On Shoring - shortening of supply chains, moving processes back to the UK
7. Better financial information allows better decision making.
8. Biggest challenge is price and only person who pays for is consumer
Prices must keep increasing ahead of costs - hard but true !

33M
INDIA



57% of new consumers in 2024 will come from either China or India.

ASIA
AFRICA

LATIN AMERICA
REST OF WORLD

31M
CHINA



6M
OTHER

5M
INDONESIA

5M
BANGLADESH

4M
VIETNAM

3M
PAKISTAN

2M
PHILIPPINES

1M
TÜRKIYE

1M
THAILAND

2M
EGYPT

1M
NIGERIA

1M
BRAZIL

1M
MEXICO

5M
REST OF THE WORLD

7M
OTHER

4M
OTHER

There will be 113 million new consumers in 2024 and they all need to eat !

Consumer definition spending \$12 a day



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Thank you

email me if you like Industry Report

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