

Food & Drink  
Industry Insight & Report  
May 23



Adam Hardie

Partner and Head of Food & Drink

# Introduction to Johnston Carmichael

Largest accountancy firm in Scotland and **Top 20** UK firm

We have **60** Partners and **830** staff across **14** offices

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

advise **550** food & drink producers across UK

Have international capability as member firm of  **MOORE**

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



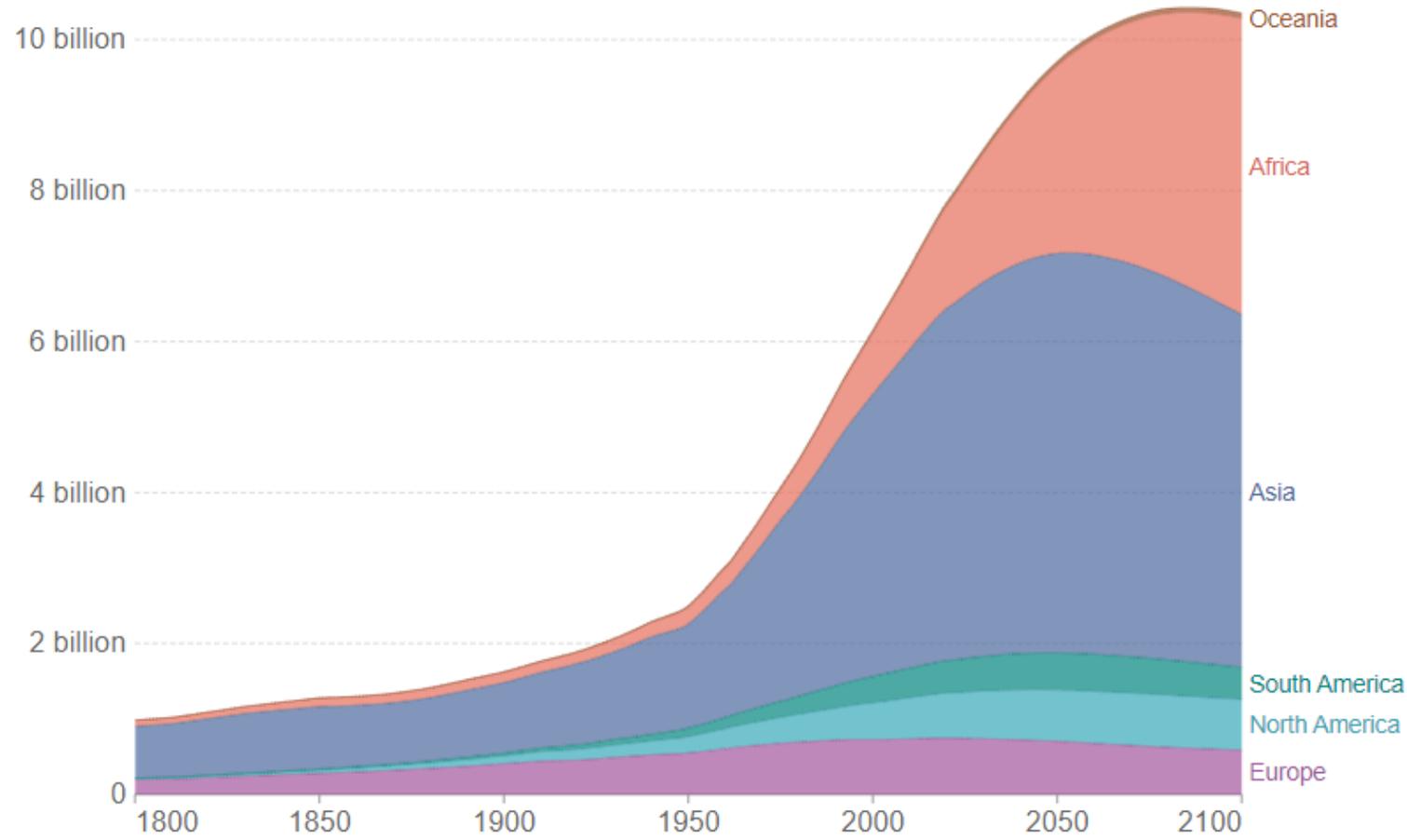
# What's going on in the Food & Drink Supply Chain



# World Needs 70% more food by 2050 (United Nations)

## Population by world region, including UN projections

Historic estimates from 1950 to 2021, and projected to 2100 based on the UN medium-fertility scenario.



Source: HYDE (2017); Gapminder (2023); UN (2022)

[OurWorldInData.org/world-population-growth/](https://OurWorldInData.org/world-population-growth/) • CC BY

# JC Food & Drink Industry Report Jan'23

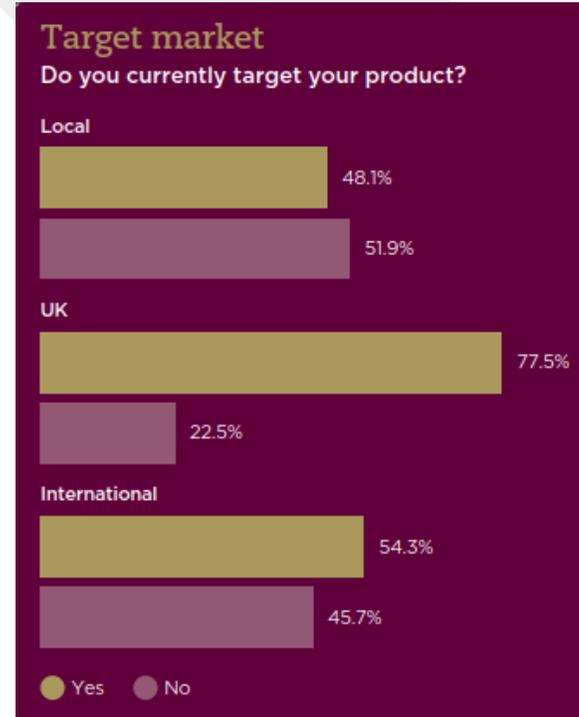
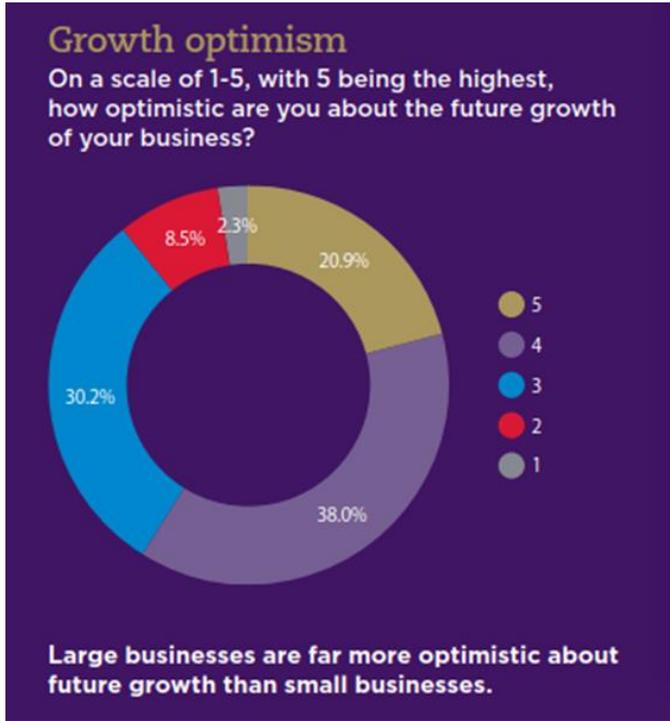


**129** companies

- **Level of optimism**
- **Increasing costs & mitigation**
- **Labour, automation & innovation**
- **Impact on journey to net zero**
- **Access to funding**

# Business Health

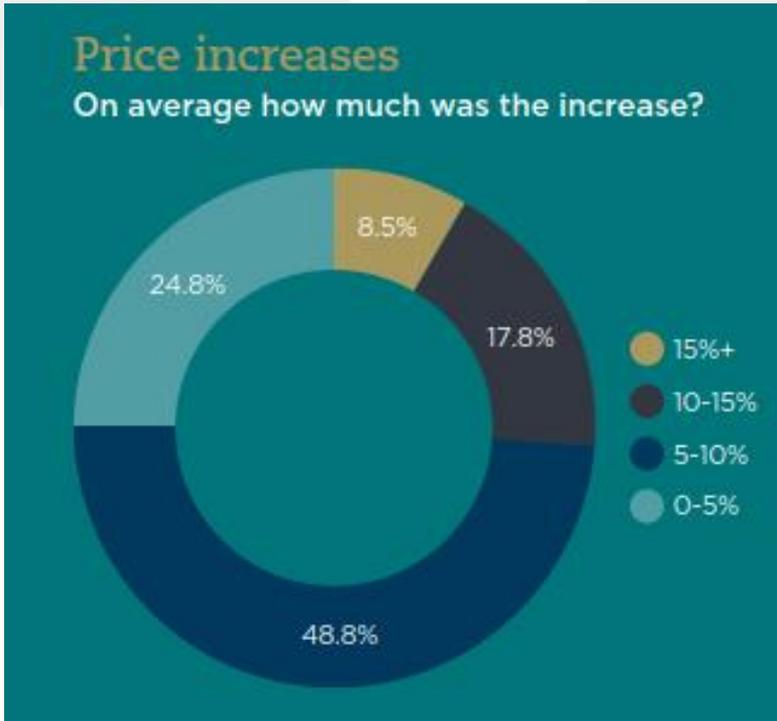
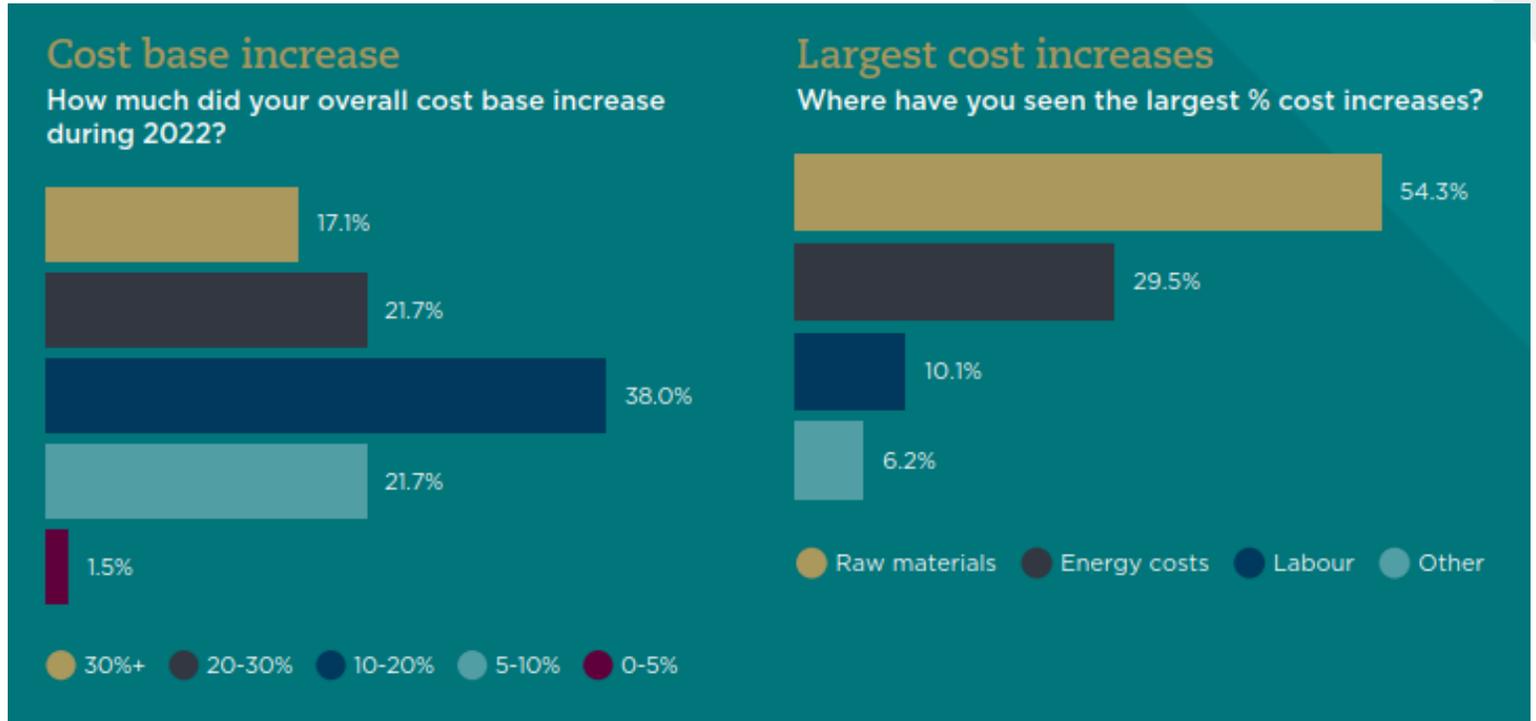
## JC Food & Drink Industry Report Jan'23



**59%** were optimistic or very optimistic

# Cost & Price Increases

JC Food & Drink Industry Report Jan'23



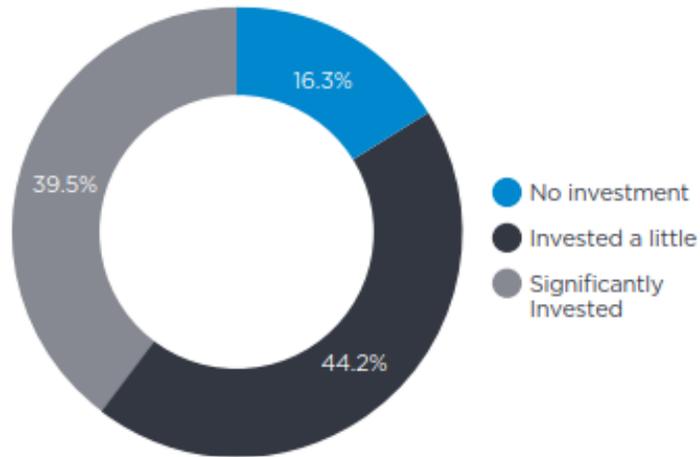
**There is a significant disconnect between escalating input costs (on the left) and price increases (on the right) - highlighting the constant challenge of managing costs !**

# Investment in Innovation & Automation

JC Food & Drink Industry Report Jan'23

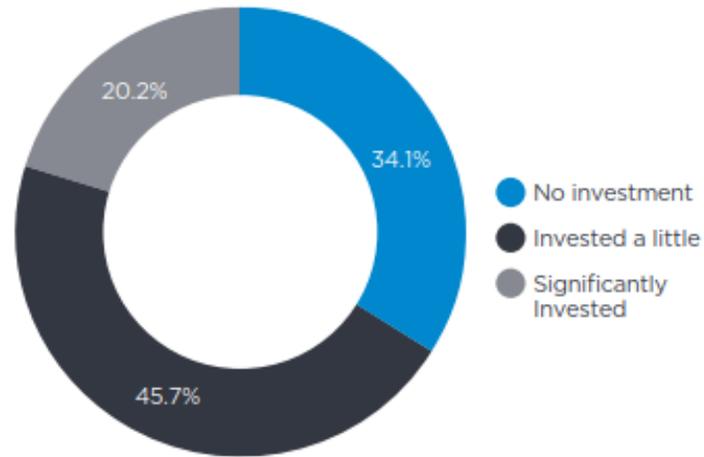
## Innovation investment

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



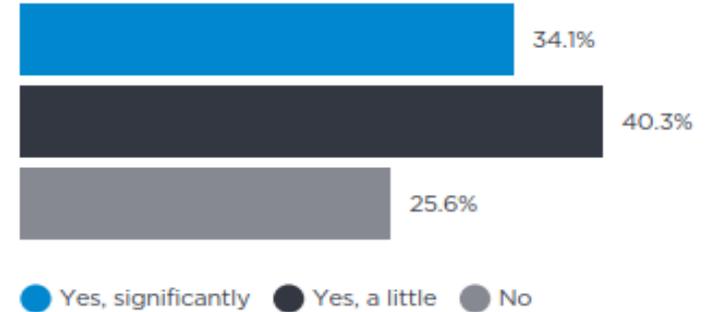
## Automation investment

How significantly have you invested in automation with an objective to reduce your costs and/or improve productivity in the last 12 months?



## Constraints on investment

Have your plans for investment in new product development and automation been constrained due to lack of resource?



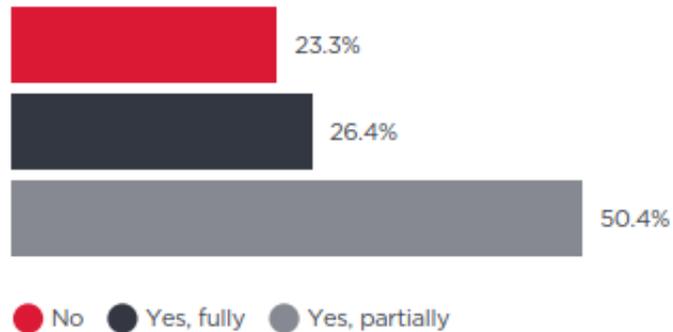
**Ability to innovate may be reserved to larger companies, however innovation is for all - and skilled people drive innovation**

# Funding for Growth

JC Food & Drink Industry Report Jan'23

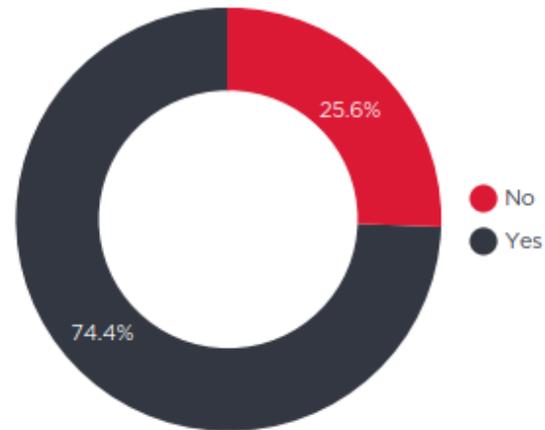
## Financial forecasting

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?



## Funding requirements

Have you identified the level of funding which can be met from cash resources of your business, versus what is potentially required from external sources?



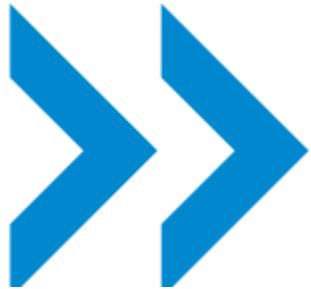
**Financial forecasting, cash management and funding are crucial to enable informed decision making - considering the level of funding which can be met from cash resources versus what is potentially required externally**

# Transition to Net Zero

JC Food & Drink Industry Report Jan'23

## Sustainability is high on the agenda

The businesses with an existing sustainability strategy varies significantly depending on size. In general, the larger the business, the greater the importance placed on a sustainability strategy:



£0-1m turnover

**25%** said yes to having a strategy

£1-10m turnover

**42%** said yes

£10m-100m turnover

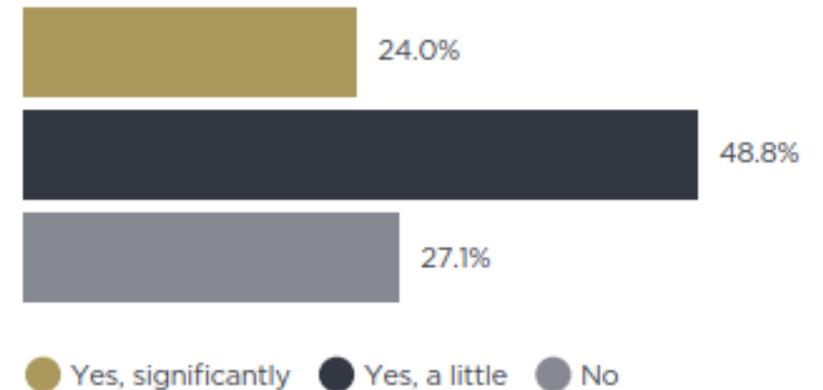
**50%** said yes

£100m+ turnover

**88%** said yes

## Impact of inflation

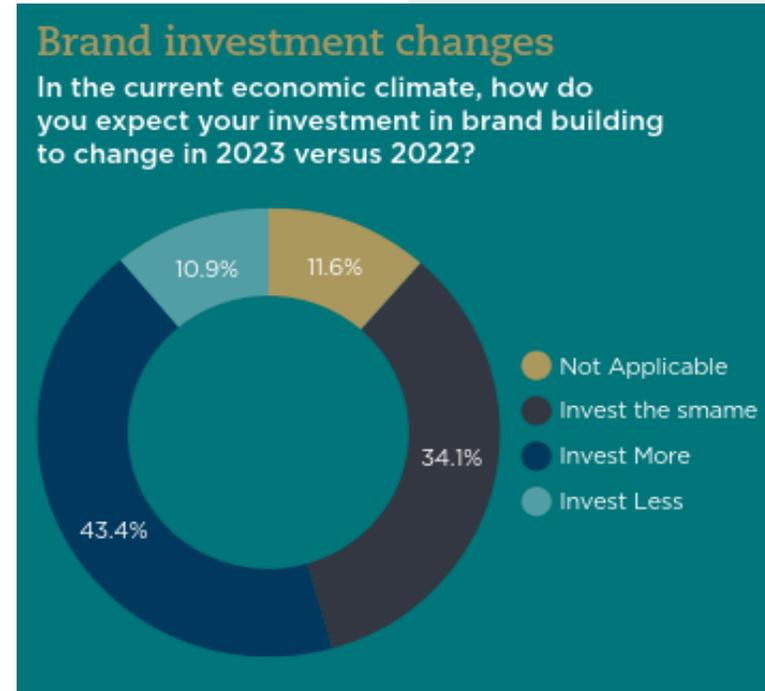
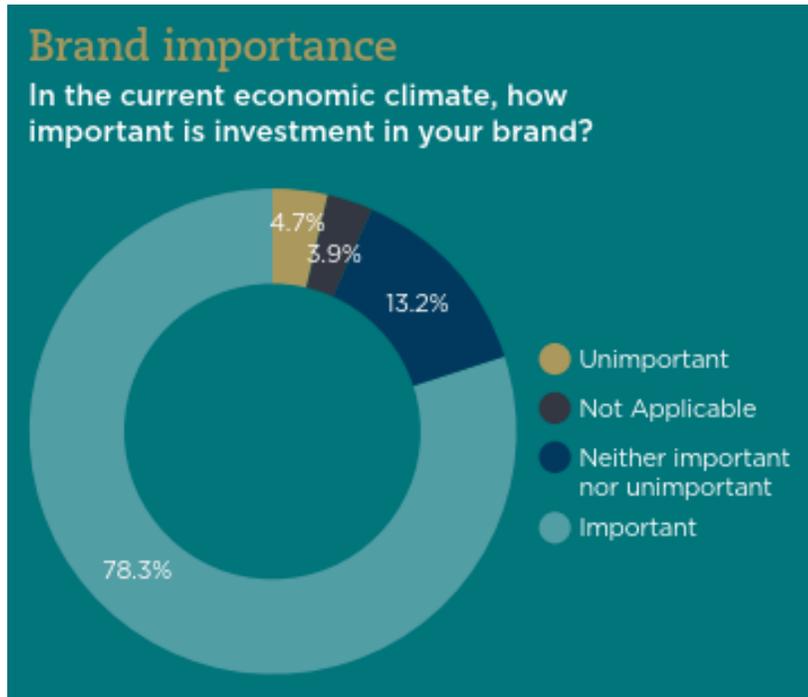
Have your sustainability plans been negatively impacted by the rising cost of inflation?



**Investment in the journey to net zero has slowed in the last 12 months – small business in particular**

# Investment in Brand

JC Food & Drink Industry Report Jan'23



**Priority areas for brand development Jan'23 are enhancing profit margins, reviewing promotional strategy, retail distribution and securing a price increase**

# Summary

## Food & Drink Industry Report 2022

- Brexit - Covid - War in Europe - Raw materials, energy, labour & supply chain, consumer spending - food inflation now a 45 year high - unprecedented extreme times
- Need to mitigate increasing costs with use of forward contracts, investing in automation and operational efficiencies, such as avoiding expensive agency labour by strengthening production forecasting to reduce seasonal spikes
- Use of technology to improve efficiency in these tough time is crucial. **CMAT** a Johnston Carmichael software tool that allows our food manufacturers to optimise purchasing of raw materials and improve product pricing. Builds in raw materials, labour and process costs, factoring in process yield and production efficiency assumptions.
- Benefit; visibility of impact of raw material and labour cost changes on a product-by-product basis and model the impact of product pricing decisions on overall business, product & customer profitability.
- But we do need to eat - planet needs more food - food & drink is an industry of resilient innovators - 59% are optimistic or very optimistic about the year ahead

# A framework for business growth in 2023





Kirsty Reynolds  
Director Outsourced Finance Services

# The Outsourced Finance Services Offering

Outsourced Finance Services

Technology enhanced,

Client focused,

Flexible approach

To managing a client's finance function

# How we can help

## Outsourced Finance Services

Recruitment



Flexibility



Growth



# Our Services

## Outsourced Finance Services

The services we provide include:

- Set up of accounting systems
- Full maintenance of accounts payable & receivable (including payment run support)
- Full month end process including journals and balance sheet and bank reconciliations
- Statutory accounts preparation
- VAT compliance
- Provision of corporation tax returns
- Audit preparation and liaison with auditors
- Payroll
- Reporting to the Board
- Secondments to provide short-term in-house support
- Regular consultation

# Recent support in the Food & Drink sector

## Outsourced Finance Services

### 1. Secondment support to large organisations

Recruitment



### 2. Replacing the Financial Controller

Flexibility



### 3. Supporting start up venture

Growth



# Cost & Price Increases – Importance of Timely Reporting

## Outsourced Finance Services

This year vs Last year

PROFIT & LOSS	2022/2023 (YTD)	2021/2022 (YTD)	This year vs last year (YTD) (£)	This year vs last year (YTD) (%)
<b>Revenue</b>				
Sales	£7,437,646	£6,271,402	£1,166,244	18.60%
Sales - Consulting	£167,199	£222,166	−£54,967	−24.74%
Sales - Maintenance	£88,439	£15,331	£73,109	476.88%
Sales - Seminars	£0	£11,273	−£11,273	−100.00%
<b>Total Revenue</b>	<b>£7,693,284</b>	<b>£6,520,172</b>	<b>£1,173,112</b>	<b>17.99%</b>

GROSS PROFIT	£660,931	OPERATING PROFIT	£183,342	EBIT	£183,342
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	RESULT	TARGET	TREND	
<b>A PROFITABILITY</b>	DEC 2022		vs TARGET	
Total Revenue	£1,483,550	£1,545,713	✗ ▼	-4%
Gross Profit Margin	44.55%	42%	✓ ▲	2.55%
Operating Profit Margin	12.36%	12%	✓ ▲	0.36%
<b>B ACTIVITY</b>				
Accounts Receivable Days*	72 days	45 days	✗ ▲	27 days
Accounts Payable Days	54 days	60 days	✗ ▼	-6 days

# Innovation and Automation – Accounting system focus

Outsourced Finance Services



ApprovalMax



UNLEASHED



Zahara



JOHNSTON  
CARMICHAEL 

# Funding for Growth – Cash Flow Reporting

## Outsourced Finance Services

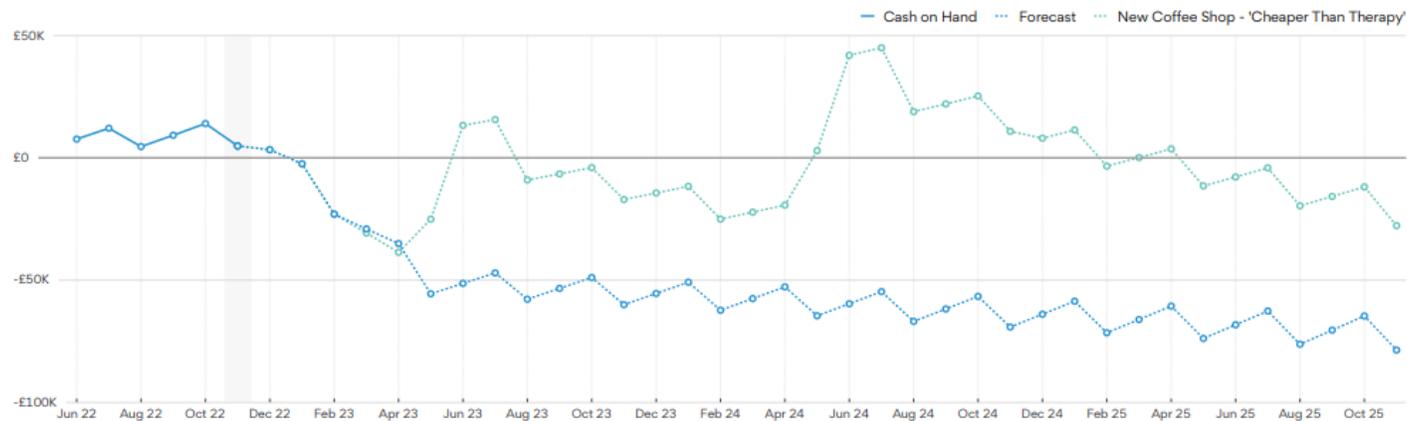
### Upcoming cash flow forecast

Built from your balance in Xero, invoices, bills and budgets.



### Cash Flow Projection

#### Cash on Hand



# Simplifying Food E-Commerce - technology and fulfilment

1230 -130pm Wednesday 24 May'23

Join us for our hybrid Food & Drink Club event with Ewan Reid, Managing Director of food fulfilment specialists, Move Fresh, specialists in pick pack and dispatch and Adam Hardie Head of Food & Drink at Johnston Carmichael. In the room and on zoom!

What we will cover - the building blocks for a successful ecommerce strategy and the benefits of best-in-class third party food fulfilment for your business.

Johnston Carmichael roundtable Food & Drink Club is for leaders of Food & Drink businesses to discuss current issues within the sector, the agenda is driven by those around the table, sharing opportunities, challenges and best practice.

[click here to book on zoom call 24th May](#)

Please keep in touch

[www.jcca.co.uk](http://www.jcca.co.uk)

[adam.hardie@jcca.co.uk](mailto:adam.hardie@jcca.co.uk)

[kirsty.reynolds@jcca.co.uk](mailto:kirsty.reynolds@jcca.co.uk)