

**MINISTERIAL MEETING BRIEFING: FERGUS EWING**

<p><i>Engagement Title</i></p>	<p>David Thomson, Chief Executive Food and Drink Federation Scotland</p> <p>Gary Stephenson, Chair Food and Drink Federation Scotland (and Regulatory and External Affairs Director, Devro PLC)</p>
<p><i>Timing</i></p>	<p><b>Normal</b></p>
<p><i>Where</i></p>	<p>Scottish Parliament, T3.05</p>
<p><i>Date and Time of Engagement</i></p>	<p>Date(s): 8 January 2019 Time(s): 15.00-15.45</p>
<p><i>Background/Purpose</i></p>	<ul style="list-style-type: none"> <li>• Following Mr Ewing’s recent calls to Industry stakeholders on Brexit, it was agreed that David and Gary would come to Parliament for a meeting to discuss pressing food and drink issues.</li> </ul>
<p><i>Main message to communicate</i></p>	<ul style="list-style-type: none"> <li>• Committed to working with industry to support them through Brexit, particularly in preparing for and within a no-deal scenario</li> </ul>
<p><i>Summary Page/Biography</i></p>	<p><b>Annex: A</b></p>
<p><i>Agenda and Briefing</i></p>	<p><b>Annex B</b></p>
<p><i>Food &amp; Drink Key Facts/Ambition 2030</i></p>	<p><b>Annex: C</b></p>
<p><i>Official Support (incl. mobile number)</i></p>	<p>[redacted – personal information]</p>

## FOOD AND DRINK FEDERATION SCOTLAND

- Food and Drink Federation Scotland (FDFS) is an independent, industry funded trade association, representing food and drink manufacturers from major global brands through to small and medium-sized enterprises in Scotland.
- FDFS members include Nairn's Oatcakes, MacSween's Haggis, Tunnock's and Coca Cola.
- Membership of FDFS brings with it membership of FDF, giving support at UK and EU level and a detailed insight into the range of regulatory and policy issues that affect the industry.
- FDFS are key stakeholders in the delivery of the Ambition 2030 food and drink industry strategy, working closely with Scotland Food & Drink and other partners on a range of issues. Innovation and skills development are two of the most prominent areas they are involved in as part of this work.
- FDFS also operate a "Future in Food" Schools Programme – part funded by Scottish Government Food Policy team since 2012, (and now routed through the Ambition 2030 funding package, £390k over 2017-20) the project teaches young people about issues across the supply chain and careers in the industry.

### **David Thomson, Chief Executive, Food and Drink Federation Scotland**

[redacted – personal information]

### **Chair: Dr Gary Stephenson, Devro plc.**

[redacted – personal information]

**AGENDA**

This should be a relatively informal and constructive meeting with a close stakeholder – David and Gary are likely to focus on 2 main issues:

- Brexit, and specifically the prospect of a No-Deal
- Wider Government policy issues that have implications for the industry, specifically the Diet and Obesity agenda

**Brexit**

The Federation is very concerned about the prospect of a no-deal scenario and its UK Chief Executive, Ian Wright, has been very vocal on the potential negative consequences for UK business, both in terms of restrictions on export and the import of raw materials.

Recently, we have started a dialogue with the Federation around 2 related areas in an attempt to think about mitigation measures in response to a no-deal: firstly, looking at the capacity of and opportunities for our ports; and the issues around the import/export systems.

**Ports/Infrastructure:**

FDF has suggested that we undertake a review of Scotland's port capabilities with a view to increasing our capacity for imports and exports. Transport Scotland is in the process of reviewing capacity at the ports and airports to gauge what the options could be in the short terms. We have also commissioned an external study to assess the longer term capabilities of our transport hubs to facilitate for exports from Scotland – that study is due to report initially in March and will identify current spare capacity and the potential works needed to enhance our capability.

**Import/Exports:**

FDF has also flagged the implications for businesses in coming to terms with any new import and export requirements such as customs declaration, registering products, or recovering VAT/paying tariffs and suggests that consideration should be given to support for businesses. We are certainly open to more discussion with the industry on what additional support we could provide. Meantime, Scottish Enterprise has published a guide for businesses (Prepare for Brexit website) which seeks to help businesses prepare and also offers grants for consultancy support.

**Planning:**

David is a member of our Food Chain Liaison Group which has been meeting regularly before Christmas to talk through the implications of Brexit. We have said that we may want to formalise this group in the New Year and implement a more formal and regular programme of meetings to enable the flow of regular communication, planning and actions between the Government and industry.

## **Wider Policy Issues**

FDF Scotland has been a long standing critic of some of the measures coming forward by the Scottish Government in relation to diet and obesity, and wider issues such as actions around plastics/waste etc. Indeed, David Thomson wrote an article recently in the Scotsman on this issue and made a plea that **whilst the industry is focused on preparing for a no-deal Brexit the Government should put a halt on the wider policy initiatives such as diet and obesity proposals.** The article is below.

Industry action already underway includes: new Fruit and Veg Leadership group and strategy; bakery companies reducing sugar, salt and fat; low fat dairy products (Graham's); AG Barrs reducing Sugar by 50%; retailers reformulating own brand products to reduce sugar, fat and salt.

**You are scheduled to meet with the Health Minister (and Education Minister) in the new year to discuss these issues.**

## **David Thomson article – the Scotsman 26 December:**

Since the UK voted to leave the EU in 2016, we have been working with the UK and Scottish Governments to understand what this will mean for the food and drink industry. We still have no real clarity on how our food and drink companies will be affected by Brexit in key areas such as workforce, trading, market access, food safety and regulation. The Prime Minister has postponed the vote in the UK parliament on her Brexit deal. This deal needs to be approved by UK Parliament and this further delay is making the prospect of a 'no deal' more and more likely. This would be catastrophic for our food and drink industry. David Thomson, CEO, Food and Drink Federation Scotland Despite the uncertainty, our members have been preparing for Brexit as best as they can. Guidance from governments has been welcome, but of limited practical use. Contingency planning around the possible outcomes for a deal between the UK and EU is very costly. In fact, one of our members has estimated that the staff time and resources invested in trying to understand potential outcomes has cost them £100,000 to date. In the UK, 97 per cent of food and drink manufacturing businesses are SMEs – many of these companies don't have the people, resource or money to do this kind of preparation.

As part of contingency planning, some of our members are reviewing their stock to ensure they have enough supply to ship before the end of March 2019. Much of this stock will be produced with the assumption it will be sold – which may not be the case. This is costing companies several hundreds of thousands of pounds in storage costs. Other companies may not be able to stockpile as there is a shortage of warehousing capacity in Scotland and the rest of the UK. Trade is one of the most important parts of the future deal between the UK and EU. If we don't have a trade deal the UK would be subject to World Trade Organisation (WTO) rules and tariff rates. Present WTO tariff rates on many agri-food products and goods will exceed the profit margin a company makes. Since the EU is an important export market for many food and drink companies across the UK this would be disastrous for our industry. WTO rules and tariff rates would also apply to ingredients and materials being imported from the EU into the UK. Around half of all the food we eat in the UK is sourced from abroad, 70 per cent of that from the EU. The weakening of the pound against other foreign currencies, but most importantly the Euro and the US dollar, is resulting in increased costs of purchasing ingredients, packaging and equipment. One of our members sources 30 per cent of ingredients and packaging from Europe and the rest of the world and has seen a sharp increase in raw material and packaging. This is before we have even left the EU. It is vital that a trade deal with the EU is agreed soon. Changes to customs arrangements at ports such as Dover could mean delays to perishable food and drink consignments. It remains unclear to whether the UK Government will get a deal in place before exit date. A no deal Brexit will threaten jobs and potentially cause food shortages.

Yet that isn't all our sector has to cope with. There are a huge number of policy initiatives and regulations coming from Holyrood and Westminster on areas such as diet and health and plastics. This includes both Scottish and UK Government's consulting separately on restricting promotions of food and drink products – which could mean companies have to comply with two different sets of regulations. The Scottish Government has consulted on the design of a deposit return system for drinks containers in Scotland and the UK Government announced they would consult on a similar system for England. Can you imagine having different systems in place in Scotland, England and other devolved nations? The UK Government is proposing a new tax on plastic packaging as well as changes to packaging and waste regulations. This list is not exhaustive and is very overwhelming for food and drink companies. With that in mind, for as long as a no deal Brexit remains a possibility it cannot be simply 'business as usual'. The time is fast approaching when the UK and Scottish Governments must 'stop the clock' on other policy initiatives and concentrate on getting the best possible Brexit deal to ensure our vital industry continues to thrive.

**FOOD AND DRINK KEY FACTS/AMBITION 2030****Key Facts**

- Food and drink is one of the largest industry sectors in Scotland.
- It has a £14.0 billion turnover (an increase of 36% since 2007).
- Retail sales of Scottish food and drink brands across the UK are almost £2bn, over £500m more than in 2007.
- The retail value of Scottish food and drink brands in Scotland is around £590m, up 27% in the last ten years.
- Overseas food and drink exports from Scotland are worth £6 billion, a rise of £570 million (11%) compared to 2016 and up £2.5 billion (70%) from 2007.
- Food exports from Scotland are worth £1.6 billion, a rise of 15% (£214 million) from 2016 and up 130% (£927 million) from 2007.
- Scottish agriculture produces £3 billion of high quality food and drink annually
- 93% of visitors to Scotland dine out, spending almost £1 billion per year in the process; 81% of Scotland's long-haul visitors try local food.

**AMBITION 2030 FOOD & DRINK INDUSTRY STRATEGY****Budget Allocation**

- £2m per annum to Scotland Food and Drink (SF&D) for 3 years (2017-2020)
- Overall package to support Ambition 2030 announced by First Minister equated to £10m investment on top of existing commitments: This included £7.5m from the public sector and £2.5m industry contribution. Public sector contribution:
  - £6m to Scotland Food and Drink
  - £1m for Market Driven Supply Chain Project
  - £500k of project spend

**Purpose**

- Industry led strategy launched March 2017 with ambition to double food & drink turnover value to £30bn by 2030. Focuses on the following themes: Brand; Market development; People & skills; Supply Chain; and Innovation.
- Money supporting work in the following areas:
  - Industry Development, work by SF&D, Seafood Scotland & SAOS
  - New UK Market Development Strategy
  - Regional & islands food development, including a new regional food fund range of sectoral action plans.