

John Swinney MSP,
Deputy First Minister and Cabinet Secretary for Covid Recovery,
Scottish Government,
Edinburgh
By email

9 December 2022

Dear Deputy First Minister

Scottish Government Budget 2023/24

It was good to meet you earlier this week to hear your thoughts ahead of the publication of the Scottish Government's budget for 2023/24. I thought it would be helpful to follow up on our discussion to reiterate the key challenges and opportunities for the food and drink industry and outline our suggestions for addressing these through the Budget.

As you know, Scotland Food & Drink is the leadership body for the food and drink industry in Scotland, working in partnership with other trade bodies and the public sector to grow our value and reputation. Over the past 10 years, the industry has enjoyed significant economic success growing our sales in both domestic and international markets and, in doing so, driving more economic benefit back into Scotland's communities through investment and employment.

Understandably, our progress has slowed due to major economic and political shocks in the form of the global pandemic and the United Kingdom's departure from the European Union. This is now compounded by unprecedented rising costs which are putting further pressure on the supply chain and, ultimately, our profitability and future viability. Despite these challenges, the industry is resolute, remaining highly ambitious and focused on growth, in the knowledge that demand for our food and drink remains extraordinarily high in both domestic and international markets.

We are mid-way through a process to re-write the industry-led national food and drink strategy, in which we will set out our ambition and plans for sustainable growth over the next decade. This will be market-led, informed by insight, and will align with the key priorities contained within the National Strategy for Economic Transformation.

We have been grateful for the sustained support from the Scottish Government to aid our endeavours and believe that continued investment in the industry will yield further economic success. At our meeting, I outlined some of the key areas where such support could have the biggest impact for the industry both in terms of future growth but also, critically, to bolster the resilience of many viable but vulnerable businesses in the short term.

Budget recommendations:

1. **Alignment of public sector resource:**

We believe we could achieve considerable additional value from exploring how we better align public sector resources to maximise their impact. At present, an extensive suite of financial support is allocated and administered across different, sometimes fragmented, parts of the public sector (Government, economic agencies, Scottish National Investment Bank). If this could be more aligned to national and industry-led strategies, we could ensure value for money from available resources. We support Ministers having a more directive role in seeking to better align funding.

2. **Continued investment for industry development**

We value the continued support provided by the Government for our current strategy, Ambition 2030, and the associated work we have undertaken to build business capability; curate new commercial market-facing opportunities; and develop and build our brand. As we finalise and roll out our new industry strategy it is vital that this support continues to ensure we can meet our growth ambitions, particularly as we increase our efforts around our journey to Net Zero. Whilst we recognise the wider pressures on budgets, we would ask for a modest uplift in support in order for us to accelerate our work and capitalise on the high demand for Scottish produce.

3. **Incentivise growth through investment**

Despite the challenges facing businesses, many remain ambitious to grow and, with the right support, are willing to invest now to accelerate their journey. The Government has supported investment through schemes such as the FPMC and marine funds, and we ask that these and other funds are bolstered and simplified in the year ahead. Growth can be achieved through targeted investments in innovation, technology, people, and new buildings, using all the financial levers available to us, whether grants or interest free loans, and we are keen to further discuss options for achieving this.

4. **Establishing a Food and Drink Resilience Fund**

We know that 2023 is likely to present extreme operational and financial challenges for businesses as they seek to navigate continued inflationary pressures, and the consequence will be significant pressures on cashflow and working capital. These are likely to be so extreme that the viability of some businesses could be at risk, even if otherwise healthy and profitable with a long-term viable future. We therefore ask for your support to establish a Food and Drink Resilience Fund to provide a lifeline of support for strong, profitable businesses that are encountering short term challenges. This type of intervention has been used very effectively by the Scottish Government previously and we think the current circumstances merit a similar

intervention. We do of course recognise that such a scheme would need to be scoped very carefully to ensure the right businesses are supported and we would be happy to discuss this and the delivery mechanisms in more detail.

5. **Reducing the cost of doing business**

As you indicated during our discussion, it is important that we look beyond the budget to all our levers to help industry navigate the current challenges. One way to achieve this is to reduce the cost of doing business and, specifically, the potential adverse impact of emerging regulation. We very much welcome your recent announcement to establish a Regulatory Taskforce and look forward to contributing to it. That said, we believe swifter action is needed to assess the raft of current proposals and, where appropriate, pause or delay them.

Thank you for considering these recommendations. We look forward to continuing to work in partnership to achieve Scotland's ambitious social, environmental, and economic goals.

I look forward to hearing from you.



John Davidson

Deputy Chief Executive