



E16BN

F&D SHARE OF SCOTTISH 'GROWTH INDUSTRY'-TURNOVER -19%

TOTAL VALUE OF INDUSTRY TO SCOTLAND-

GVA FROM MANUFACTURING-£5.4BN



£2.24BN
INTO SCOTTISH
COMMUNITIES

AUTHORITY-4,000 ON AVERAGE

JOBS-123,000 (4.6% OF ALL EMPLOYMENT INSCOTLAND)

VALUE OF EXPORTS TO SCOTLAND:

£7.5BN IN EXPORT SALES



£4.3BN SALES TO THE REST OF THE UK

EXPORTS TO THE EU AND NON-EU COUNTRIES

£971M SALES TO THE US ALONE



EU = 65%
OF SCOTLAND'S
FOOD EXPORT VALUE

EXPORT GROWTH UP 9.8% IN A YEAR (2022-2023):

KEY EXPORT MARKETS:



US IS THE SINGLE BIGGEST COUNTRY FOR EXPORTS (£1.14BN)







### TOP 10 EXPORT DESTINATIONS:







NET ZERO GOAL:
INDUSTRY-WIDE
COMMITMENT
TO NET ZERO
BY 2045



SCOTLAND EXCELS:







### NUMBER OF GREAT TASTE AWARD WINNERS:

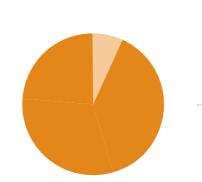
SCOTLAND WON 296 GREAT TASTE AWARDS IN 2024, INCLUDING:







PERCENTAGE OF SCOTS WANTING TO BUY MORE SCOTTISH FOOD AND DRINK:



82% (ESPECIALLY BEEF SOFT FRUIT, CHICKEN, VEGETABLES, AND DAIRY)

OUT OF HOME PROVENANCE PREFERENCES:



COTS: WANT SCOTTISH FOOD ON THEIR PLATES

TOURISTS: WANT SCOTTISH FOOD ON THEIR PLATES

### AN INDUSTRY FOR THE LONG TERM

Food and drink is one of Scotland's most enduring and successful industries. Evidence shows that salmon was traded from Aberdeen to Normandy as far back as 1327. Today, food and drink from Scotland generates around £16 billion in sales annually, with the total contribution to Scotland's economy exceeding £24 billion when accounting for local products and services purchased by food and drink businesses.

Food and drink has grown to become Scotland's largest manufacturing sector and third-largest employment sector, offering diverse careers from hands-on (and hands dirty) roles to advanced engineering and manufacturing. An average of 4,000 people are employed per local authority area (range: 250 – 17,000).

Research shows that around 14% of food and drink turnover goes toward wages, meaning £2.24 billion flows directly into Scottish communities each year.

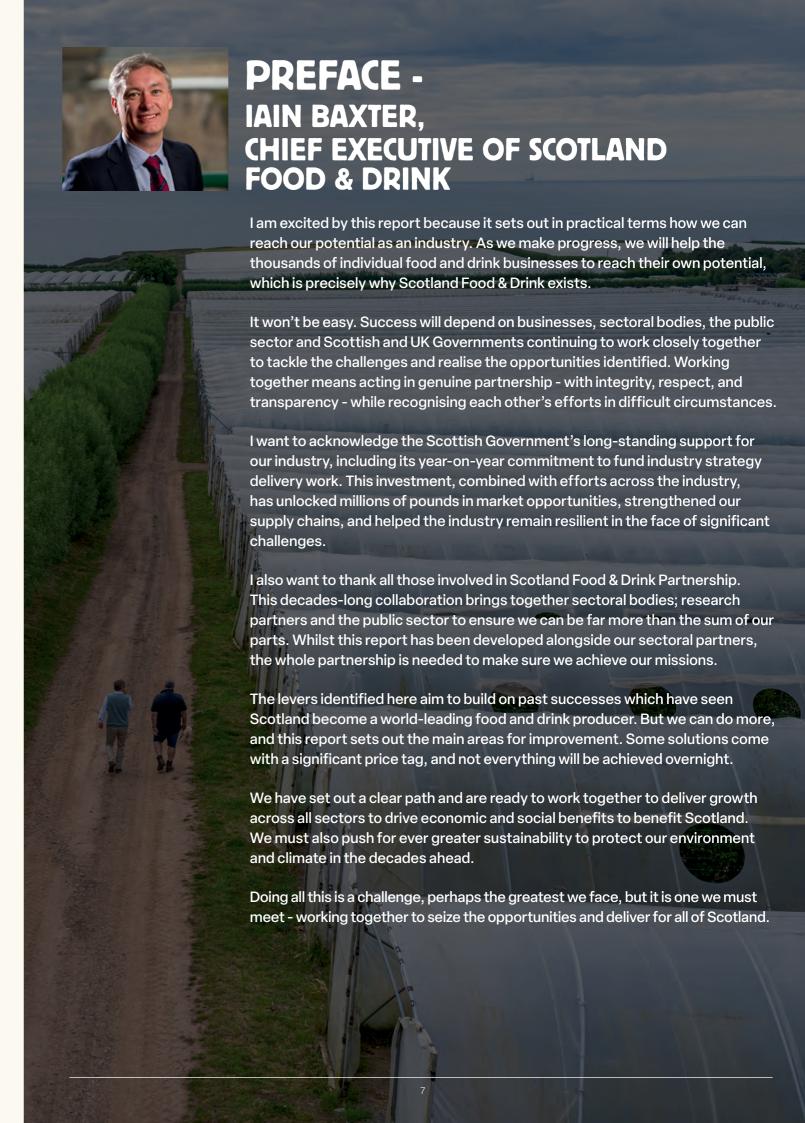
The industry contributes £5.4 billion in Gross Value Added (GVA) and generates billions more in tax revenue through business and employee taxes, VAT, and duties.

The industry doesn't just drive economic growth, and it isn't all about exports. Food and drink production shapes Scotland's landscapes, communities, and our way of life. It is bound up in how we manage our land and waters, balancing food production with environmental stewardship. Food and drink helps define Scotland's identity, both at home and abroad. Our food culture and move towards becoming a Good Food Nation is rooted in quality, provenance, and sustainability. This attracts visitors, strengthens local pride, and enhances our international reputation. A thriving food and drink industry isn't just good for business – it's vital for Scotland's future.

We want to double down on our successes, become fully sustainable, and build stronger businesses and supply chains. We forecast a potential £4 billion in additional annual sales by 2028 if we can help businesses reach their potential. Achieving this will involve working together even more closely with government and all those involved in supplying and buying food and drink, including the public sector, retail, and out-of-home providers.

Challenges exist in many forms, including infrastructural weaknesses; the essential transition to grid renewables; international competition from other food and drink-producing countries; production challenges around capability, investment, and labour; export difficulties; and persistent economy-of-scale challenges for SMEs.

But our food and drink businesses and sectors have always adapted to change and will continue to do so. With every challenge comes an opportunity, and with a coordinated effort we can seize those opportunities, to benefit all of Scotland.



### AN INDUSTRY STRATEGY -

### **DEVELOPED IN PARTNERSHIP TO DELIVER FOR ALL**

Launched in 2023, Sustaining Scotland, Supplying the World, sets out our vision to make Scotland the best country in the world to own, run or work for a food and drink business.

### **OUR MISSIONS**

### 1. Resilience

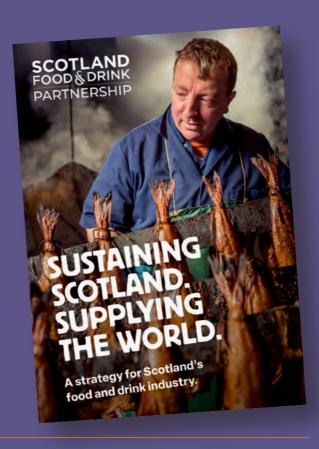
Build a resilient, innovative, and dynamic industry that can withstand market volatility, economic shocks, and supply chain disruptions.

### 2. Growth

Grow Scotland's food and drink industry by increasing domestic, UK and international sales.

### 3. Sustainability

Lead the way in environmental sustainability and achieve Net Zero by 2045.



### **DELIVERY PROGRAMMES**

- **1. Market Growth** Supporting value and volume growth across Scotland, the UK, and key international markets.
- **2. Policy & Regulation** Working to understand industry issues and constructively engage decision makers to find solutions.
- **3. Supply Chain Security** Strengthening supply chains to improve food security and business resilience.
- **4. Innovation** Exploring ways to innovate in health, technology and new product development.
- **5. People & Skills** Developing pathways for people to join the industry.
- **6. Net Zero & Environment** Supporting sustainable food and drink production.
- **7. Capital for Growth** Unlocking investment to help businesses achieve their potential.

### We work together to sustain Scotland and supply the world

Through continued close and meaningful collaboration across government, industry, and key partners, the Scotland Food & Drink Partnership is committed to delivering real, lasting impacts. Our strategic programmes help ensure that Scotland's food and drink sector remains resilient, competitive, and sustainable, ready to meet future challenges and seize both local and global opportunities.

### THE CASE FOR A SECTORAL FOCUS

We understand the argument in favour of a mission-oriented approach to industrial strategy, as it helps all sectors align towards common, ambitious goals such as growth and sustainability. Such missions are vital, but we believe they must be combined with a sectoral focus to protect industries of longstanding national importance for our economy, society and our environment. Food and drink is unique in this regard, given its enduring role and that no other industry interacts with society this way.

In terms of food security, whilst we are currently able to source food from around the world through sophisticated supply chains, these remain vulnerable to climate change and geopolitical events. This is why we must continue to protect, and increase the value of, the food and drink we produce in Scotland, and the UK. Active farming and crofting cover around 80 percent of Scotland's landmass and are key to helping meet our climate and biodiversity needs. In addition to producing food of the highest quality, agriculture underpins rural communities across Scotland.

It is right to seek to address large-scale societal challenges, but we think this can be combined with a sectoral approach to ensure that Scotland's economy builds on its strengths and continues to grow through its existing network of passionate business owners.

### **METHODOLOGY**

This report has been developed by sectoral partners in collaboration with Scotland Food & Drink. Each partner engaged with their members to identify priority actions that would drive growth and sustainability.

The report focuses on actions highlighted by multiple partners, so prioritises actions with cross-sector impact. Sector profiles provide more detailed insights into individual sectors. We have also drawn on research and advice from The Knowledge Bank and public sector partners. We are grateful for their input and continued support through the Scotland Food & Drink Partnership.

### REAL WORLD IMPACTS FROM POLICY CHANGES

If pulled, the levers detailed in this paper will have a meaningful impact on businesses across all sectors, and in all areas. Some examples of potential changes are given below:

### Food & Drink Manufacturing – Medium-Sized Manufacturer, Inverness

**Current challenges:** High production costs, difficulty recruiting skilled workers, limited digital capability **With the right levers:** Co-investment supports automation, digital tools improve efficiency and traceability, and skills pathways help fill new, higher skilled and better paid roles.

**Positive impacts:** The owners invest, create new jobs and secure their long-term future in an economically vulnerable area.

### Agriculture - Mixed Family Farm, Skye

**Current challenges:** Uncertain support, poor connectivity, delays in planning infrastructure **With the right levers:** Clearer long-term policy, improved rural connectivity and planning reform to enable infrastructure investment, better climate reporting, and collaboration through a regional cooperative.

**Positive impacts:** The family has confidence to plan and maintain the farm for future generations.

### Scotch Whisky - Distillery, Speyside

**Current challenges:** Poor road access, rising energy costs, export delays **With the right levers:** Infrastructure investment reduces freight disruption, export support eases access to new and existing markets, and decarbonisation funding lowers energy use and cost. **Positive impacts:** The team hires locally, expands production and has confidence to invest for the long term.

### Dairy - Medium Processor, Dumfries & Galloway

**Current challenges:** Tight margins, infrastructure delays, recruitment difficulties **With the right levers:** Planning reform and co-investment unlock essential upgrades, while improved apprenticeship support attracts local trainees.

**Positive impacts:** The business grows sustainably and creates skilled local jobs.

### Red Meat - Producer Group, Scottish Borders

Current challenges: Poor logistics, lack of cold storage, limited domestic markets
With the right levers: Targeted investment in shared infrastructure and local sourcing support improves market access, reduces waste and strengthens supply chain collaboration.

Positive impacts: Farmers in the group see real benefits from working together and feel more confident about the future.

### Seafood - Mid-Sized Processor, Argyll

**Current challenges:** Trade friction, labour shortages, outdated infrastructure **With the right levers:** Export processes are streamlined, workforce shortages are eased through improved training and visa access, and processing capacity grows through infrastructure upgrades. **Positive impacts:** Jobs are protected, and the processor becomes more resilient and future-facing.

### Baking - Independent Bakery, Perthshire

**Current challenges:** High energy costs, difficulty finding trained staff, supply issues **With the right levers:** Support for energy-efficient equipment, modern apprenticeships and local grain supply initiatives reduce costs and build resilience.

**Positive impacts:** The business shifts from surviving to growing, with a clear plan in place.

# LEVERS FOR GROWTH AND SUSTAINABILITY

Our food and drink industry has significant untapped potential. To unlock this, we have identified twelve key levers that will drive growth and help achieve sustainability. These levers have been developed in collaboration with sectoral bodies, ensuring they reflect industry priorities and opportunities.

It should be noted that, in many cases, action is already underway, or plans are in place to address these areas. Our focus is on maintaining momentum, scaling up successful initiatives, and accelerating progress where needed. Continued collaboration across government, industry, partners and stakeholders will be essential to maximise impact and deliver the changes.

- 1. CONTINUED SUPPORT FOR INDUSTRY STRATEGY
- 2. BUILD THE REPUTATION OF FOOD AND DRINK FROM SCOTLAND
- 3. REDUCE TRADE BARRIERS AND IMPROVE MARKET ACCESS
- 4. MAXIMISE THE BENEFITS OF EXPORT TRADE WITH THE EU
- 5. CO-INVEST WITH GROWTH-READY BUSINESSES
- 6. ADDRESS LABOUR AND SKILLS SHORTAGES
- 7. SUPPORT DIGITAL TRANSFORMATION ACROSS SECTORS
- 8. MAXIMISE LOCAL SOURCING ACROSS THE PUBLIC SECTOR
- 9. IMPROVE RURAL INFRASTRUCTURE, ADDRESS THE HOUSING CRISIS, AND SUPPORT CONNECTIVITY
- 10. ENHANCE TRANSPORT AND FERRY ROUTES, INCLUDING TO STORAGE FACILITIES, HUBS, AND PORTS
- 11. INCREASE SUPPORT FOR NET ZERO TRANSITION
- 12. ENABLE WIDESPREAD ADOPTION OF RENEWABLE ENERGY AND ELECTRIFIED TRANSPORT



Key industries across all advanced economies rely on strategic public sector investment to create the right conditions for businesses to thrive. Scotland's food and drink industry is no different, and the Scottish Government's long-standing support has played a vital role in supporting industry growth and resilience. Ongoing commitment to funding will help maintain momentum towards our shared vision - delivering economic, environmental, and community benefits while strengthening the industry and its supply chains, to deliver even greater returns.



## ACTIONS THAT WILL HELP

### Industry

- Continue to work in partnership with Scottish and UK Governments to collaborate on key issues and to shape and deliver programmes of work that address cross-sector challenges and maximise opportunities.
- Understand the challenges facing businesses, and sectors, and seek solutions with decision makers.

### **Scottish Government**

- Build on existing investment with continued commitment to enable strategic programmes that align with national priorities around the economy, environment, and communities.
- Continue working with Scotland Food & Drink and industry stakeholders to identify priority areas for investment and track the impact of funding.
- Embed the newly created Policy Cycle across government to ensure all directorates apply it when developing policies that affect food and drink businesses.

### **UK Government**

- Continue to recognise the vital role of Scotland's food and drink industry as a key contributor to UK-wide economic growth, exports, and sustainability ambitions.
- Ensure Scotland benefits from UK-level funding and policy initiatives, including innovation and trade support, that align with industry strategy and priorities.
- Work collaboratively with Scottish Government and industry to address shared challenges such as supply chain resilience, labour availability, and market access.





Scotland has a strong reputation for premium food and drink, but global competition is intensifying. Other national brands from overseas are investing heavily, challenging our position and limiting our ability to fully capitalise on Scotland's quality credentials, which remain second to none. A stronger, more cohesive and well supported international identity for Scottish food and drink will increase market share, drive exports, and support premiumisation enhancing value and reducing reliance on price competition as a tool which erodes margins and increases business vulnerability. Our brand and reputation are critical to boosting our value.



### ACTIONS THAT WILL HELP

### **Industry**

- Collaborate across sectors to maximise the impact of national and sectoral branding in export and marketing activities.
- Engage with international trade shows and promotional campaigns to strengthen retailer and distributor relationships.
- Work with tourism and cultural partners to create immersive experiences that showcase the link between Scotland's landscapes, heritage, and food and drink.
- Provide insight into market trends and promotional efforts to inform future strategies.
- Continue to deliver reputation enhancing activities such as Scottish Food and Drink September.

### **Scottish Government**

- Continue to invest in targeted marketing and export support, ensuring alignment with national and sectoral branding.
- Continue to work with public bodies, tourism, and cultural partners to embed food and drink promotion within Scotland's wider brand identity.

### **UK Government**

- Continue to support international marketing efforts at a level that ensures Scotland remains competitive.
- Integrate relevant Scottish food and drink branding into UK Government led trade and promotional activities.
- Strengthen Scotland's presence at global trade shows with funding and logistical support for dedicated pavilions.
- Develop trade initiatives that enhance Scotland's profile in key international markets.



Continued regulatory challenges, including tariffs and non-tariff barriers, hinder exports, making Scottish products less competitive and limiting global opportunities. These barriers restrict market access, increase costs, and slow growth for producers. Reducing trade barriers will enable Scottish producers to diversify and expand export revenues, strengthening global competitiveness and ensuring long-term resilience for the sector.



### ACTIONS THAT WILL HELP

### **UK Government**

- Lead trade negotiations with both EU and non-EU markets, prioritising the reduction of both tariffs and non-tariff barriers for food and drink.
- Enhance the financial and/or logistical support for export-related initiatives, including trade missions and promotional activities.
- Streamline customs and regulatory processes, ensuring efficient and clear pathways for Scottish exporters.

### **Scottish Government**

- Continue to advocate for Scottish priorities in UK-led trade negotiations to ensure food and drink sector needs are represented.
- Consider ways to enhance support for SMEs with tailored programmes for export readiness, compliance, and product adaptation.
- Continue to co-invest in trade missions, market access teams, and promotional events to help Scottish producers access international markets.

### Industry

- Work with governments to identify market-specific barriers and opportunities.
- Participate in trade missions and promotional activities to build relationships with buyers and distributors.
- Provide input on trade challenges to shape proactive policy responses and ensure representation in government discussions.
- Continue to recognise the value of joint working – adding value by working together on key challenges.



### WHY THIS LEVER?

The announcement of a UK-EU trade deal, including progress on a new SPS framework, was a welcome step towards reducing trade friction, a longstanding request of Scottish food and drink exporters. Once implemented, it will ease some of the most persistent export challenges into our largest and closest international market.

Renewed cooperation between the UK and EU creates space to rebuild trust. streamline certification processes, and reduce costs and delays at the border. It also opens the door to more stable trading conditions, which are essential for long-term planning and investment.

The detail of how new agreements are implemented will matter – particularly for key products like red meat, dairy, fish and seafood, and fresh produce. There is a need to ensure:

- New arrangements are robust and implemented efficiently.
- We do not create hidden costs or compliance burdens for specific sectors.
- · Strong biosecurity and disease control as physical checks are reduced.
- Industry is promptly informed as to what specific regulations are intended to be in-scope of dynamic alignment to protect business certainty.
- · Industry is meaningfully consulted throughout follow-up negotiations and carve outs from dynamic alignment sought where necessary.
- Businesses get help to stay aligned with evolving EU standards in the necessary areas without losing access to innovation or third-country trade opportunities.

Ultimately, we need to make sure the potential gains are locked in, gaps are addressed, risks mitigated, and all parts of the industry are supported to trade confidently and competitively. That requires ongoing, coordinated action between governments and industry.

## ACTIONS THAT WILL HELP

### Industry

- · Share evidence on continuing trade challenges, particularly for high-risk or perishable goods (e.g. delays, inconsistent application of checks, compliance costs).
- Engage actively in government consultations to influence how SPS and • related agreements are implemented.
- Invest in up-to-date knowledge of EU regulatory changes and participate in training and support schemes.
- · Maintain highest levels of traceability, hygiene, and disease control systems to maintain trust as border checks are
- · Collaborate across subsectors to ensure that no part of the industry is disproportionately affected by

### **UK Government**

- Provide clarity on:
  - the timetable for secondary negotiations and how it plans to meaningfully consult with industry.
  - how the new agreement will be applied in practice, including timelines, the detailed scope of the new SPS measures and areas of dynamic alignment, roles, and any transitional arrangements.

- Work alongside Scottish Government
   Continue to advocate for Scotland's in devolved areas to ensure that the concerns of Scottish industry are adequately reflected throughout the process and any necessary carve-outs are negotiated.
- Work to ensure the UK can meaningfully influence EU decision making, particularly where the UK aligns with EU rules, to avoid inadvertently restricting innovation or other undesirable or unintended consequences.
- Offer tailored support for exporters to adapt to evolving rules - including funding for training, and logistics.
- Work with the EU to monitor the agreement's operation and resolve issues quickly through joint governance mechanisms, in particular encouraging the application of a consistent approach to SPS and customs rules across EU Member States.
- Maintain high biosecurity standards through risk-based surveillance and clear contingency plans for disease
- Ensure sectors who face continued restrictions because of the deal, such as the Scottish fishing fleet, receive continued support to mitigate the
- Seek to build on the progress made in the upcoming TCA review, for example seeking to incorporate mutual recognition of conformity standards into the TCA.

### Scottish Government

- diverse food and drink interests within new UK-EU governance arrangements and domestic trade policy forums. Work closely with UK Government to ensure that the concerns of Scottish industry are heard throughout secondary negotiations.
- Provide sector-specific advice and support, particularly for SMEs, to navigate regulatory change and maintain competitiveness
- Coordinate with UK Government on issues such as UK internal trade. biosecurity readiness and inspection and traceability systems.
- Use other levers in devolved areas such as skills, infrastructure, and enterprise support – to strengthen the overall resilience of exporters and enable exports to reach their potential.



Rising costs, inefficiencies, and slow adoption of new technologies are limiting the competitiveness of Scotland's food and drink sectors. While public finances are constrained, carefully targeted coinvestment would unlock industry-led growth, improving productivity, reducing costs, and driving innovation. This would help businesses adapt to market demands, achieve long-term growth, and enhance sustainability.

Co-investment is particularly critical for rural and remote areas to ensure growth opportunities where the market is unable to due to higher costs of production or transport. For a capital project costing £25,000, assuming an intervention rate of 40%, a public investment of £10,000 leads to a private investment of a further £15,000 – often into local supply chains, benefiting communities well beyond the business itself.

## ACTIONS THAT WILL HELP

### Industry

- Collaborate with governments to focus public funding on areas of greatest potential to unlock growth and private sector investment.
- Collect and share information on outcomes to showcase return on investment and inform future initiatives.
- Help businesses to identify and access investment and funding opportunities.

### **Scottish Government**

- Explore ways to offer funding for grants, matched investment schemes, and other collaborative ventures that strengthen supply chains and market access.
- Prioritise support for food and drink businesses, including in rural and disadvantaged areas, ensuring regional support.

### **UK Government**

- Co-fund investment programmes to increase the scale and reach of support for growth-ready businesses.
- Align co-investment schemes with broader national economic and innovation strategies to maximise their impact.





Scotland's food and drink industry faces acute labour and skills shortages. These threaten food security, productivity, and growth. The main challenges are unfilled vacancies, a complex and inflexible skills landscape, geographic disparities (affecting rural areas especially), a lack of clear plans, and shortage of investment and funding to enable businesses to access the skills needed for the future.



## ACTIONS THAT WILL HELP

### **UK Government**

- Ensure visa and immigration policies address both immediate labour shortages including through seasonal visas and new EU arrangements and Scotland's longer-term demographic challenges, by exploring Scotland-specific immigration routes.
- Provide urgent clarity on the Growth and Skills Levy to ensure it supports sectorspecific training needs and does not delay industry growth.
- Collaborate with devolved nations to create a more consistent and less complex UK-wide skills system, enabling businesses to access the training they need regardless of location.
- Ensure that the voice of industry is reflected in immigration, skills, and training policy development.

### **Scottish Government**

- Support targeted workforce development in key sectors through:
  - A wider range of funded apprenticeships, including for older workers, the economically inactive, and those with additional support needs.
  - Flexible upskilling programmes.
  - Accredited microcredentials across HE and FE Ensure all programmes are accessible to SMEs and rural employers.
- Simplify qualifications and align them more closely with industry needs, ensuring practical, accessible pathways and a well-managed transition to the new Scottish Funding Council arrangements.
- Ensure apprenticeships and vocational training are treated on a par with Further and Higher Education, including equivalent funding and support.

- Introduce policies to support rural workforce retention – for example through investment in housing and transport.
- Proactively involve industry in the design and delivery of skills and workforce policy.

### **Industry**

- Work with governments to align training and skills investment with sector needs.
- Invest in workforce development through training and apprenticeships.
- Contribute to policy development on visas, qualifications, and funding to ensure they are responsive to real-world labour and skills challenges.
- Engage with local authorities,
   Developing the Young
   Workforce groups, and
   education providers to
   promote food and drink
   careers and clearly showcase
   progression pathways.
- Continue promoting the wide range of career and job opportunities across the food and drink sector.



Limited uptake of digital tools and e-commerce platforms restricts market access, efficiency, and modernisation, particularly for smaller businesses in the food and drink sectors. Digital transformation enables businesses to enhance competitiveness, access new markets, and increase resilience, ensuring they remain viable and innovative in a rapidly changing global marketplace.



## ACTIONS THAT WILL HELP

### **Scottish Government**

- Explore digital transformation elements within grants and training programmes tailored to the food and drink sector.
- Establish partnerships with technology providers to deliver cost-effective solutions for SMEs, reducing barriers to adoption.
- Invest in digital infrastructure to improve connectivity in rural and island areas, ensuring businesses are not held back by technological limitations.
- Support the adoption of data-driven solutions, such as precision agriculture and predictive analytics, to enhance efficiency and productivity in primary production and processing.

### **UK Government**

- Co-fund initiatives to improve rural digital infrastructure and connectivity.
- Align digital transformation efforts with national productivity and competitiveness goals.

### Industry

- Identify priority areas for digital transformation and collaborate with governments to implement tailored solutions.
- Participate in and deliver training and advisory programmes to maximise the benefits of digital tools.
- Share success stories and case studies to encourage wider adoption of digital technologies across the sector.





Prioritising local sourcing for food and drink is challenging for both the public sector and those who supply into it. However, the effort is worthwhile, as it represents an investment in public health, the environment, and local economies.

One way to achieve this would be to treat food and drink differently from other goods in public procurement – recognising its unique role in society and daily life – to unlock its full potential. However, this is easier said than done. An explicit preference for local sourcing remains difficult due to international trade agreements, which require public sector contracts to allow equal market access for imported goods and services. While we believe this approach should change for food and drink given its connection to people, landscape and culture, the power to make such a shift sits beyond even our own governments.

Even within the constraints of current procurement rules, progress is possible. There are already strong examples of best practice, as well as established programmes supporting procurement, menu design, and cooking skills, all of which can enable local sourcing. We want to work with public-sector bodies to ensure that policies and practices maximise opportunities to support Scottish producers when choosing, procuring, and serving food and drink.

Strengthening local supply chains will boost economic resilience, enhance food security, and provide long-term support for our producers. In turn, this will create wider economic benefits across Scotland.

## ACTIONS THAT WILL HELP

### **Scottish Government**

- Ensure local sourcing is embedded within our approach to Good Food Nation, to the furthest extent possible within international agreements.
- Refresh procurement and catering guidelines for public bodies to maximise the use of local within regulations.
- Consider new ways to connect public, private, and third-sector representatives to:
  - Gather and share data on demand, supply, and suppliers to drive improvement.
  - Unlock local supply chains where a public body identifies a specific opportunity and quantifies the need.
  - Share, promote, and celebrate successes in strategic procurement, showcasing best practice and challenging perceived barriers.
  - Expand successful local sourcing programmes within schools, hospitals, and other public sector settings, ensuring excellence is not dependent on individual commitment.

- Work with public bodies to develop and implement updated catering and procurement guidelines that prioritise local sourcing through all available means, including seasonal menus and SME provisions.
- Collaborate with producers and support organisations to strengthen supply chains and address gaps.
- Seek ways to more effectively monitor and report on the origin of food and drink purchased to track progress and drive continuous improvement.

### Industry

- Work constructively with public bodies to highlight the capacity and quality of local supply chains.
- Help identify businesses that want to supply into the public sector and support their ability to do so.
- Address identified gaps in supply chain capability to meet public sector demand.
- Ensure that catering and procurement policies align with local production capabilities and vice versa.

### **UK Government**

 Ensure that trade agreements and UK-wide procurement regulations enable local sourcing within legal frameworks.



Improved infrastructure enables rural communities to thrive, strengthens local economies, and ensures businesses have the resources they need to remain competitive, access markets, and can build their workforce. We have defined infrastructure as shared (not individually owned) assets that improve efficiency, quality, and/or sustainability. Infrastructure improvements strengthen weak points in our supply chains and helps drive inward investment and enable expansion. Investment in infrastructure, although fiscally challenging and time consuming, directly leads to higher productivity and economic growth.



## ACTIONS THAT WILL HELP

### **Scottish Government**

- Prioritise funding for rural infrastructure and housing projects, including community-led housing schemes and incentives for developers.
- Collaborate with local authorities to streamline planning processes and accelerate decisions.
- Invest in broadband and mobile infrastructure to improve connectivity in underserved areas, enabling remote working, education, and business growth.
- Develop planning and fiscal incentives to encourage businesses and service providers to operate in rural areas, ensuring long-term economic sustainability.

### **UK Government**

- Co-invest in infrastructure to address challenges, ensuring Scotland's communities are not left behind.
- Support fiscal incentives and programmes that attract businesses and developers to rural areas, boosting economic activity and job creation.

### Industry

 Continue to provide input on infrastructure gaps and collaborate on solutions to strengthen supply chains through the industry delivery programme.

### Scottish Local Authorities

- Facilitate faster planning approvals for rural infrastructure and housing developments to address critical bottlenecks.
- Work with governments to align funding and prioritise infrastructure needs based on local requirements.



Inadequate transport links limit access to markets, disrupt supply chains, and reduce economic activity, especially for rural and island communities. Producers face increased costs, delays, and uncertainty, which impacts their ability to compete. Expanded and improved transport routes, supported by modernised storage facilities, would increase connectivity, enhance market access, and build resilience - particularly for remote, island and rural businesses.



### ACTIONS THAT WILL HELP

### **Scottish Government**

- Undertake a review of transport and ferry routes to identify critical connectivity gaps and prioritise investment in areas with severe supply chain disruptions.
- Provide funding for ferry service upgrades, road improvements, and modernisation of storage and cold chain facilities at key transport hubs.
- Develop and implement subsidy schemes to reduce transport costs for remote, rural, and island producers, improving their market competitiveness.
- Explore public-private partnerships to fund and operate enhanced transport links, ensuring long-term sustainability of services.
- Develop contingency plans to mitigate disruptions, ensuring producers have alternative transport options during adverse weather or mechanical breakdowns.

### Scottish Local Authorities

- Maintain and improve local road infrastructure connecting rural producers to distribution hubs and ports.
- Collaborate with the Scottish
   Government to identify
   transport priorities and
   support the delivery of
   infrastructure enhancements.

### ndustry

- Engage with governments to highlight transport and connectivity challenges and identify practical solutions.
- Explore partnerships to co-invest in transport solutions and cold chain infrastructure where viable.
- Provide feedback on service reliability and performance to help shape future investments and ensure improvements meet industry needs.



Industries face high costs to transition to sustainable practices, which slows progress toward achieving net zero goals. The food and drink sector requires targeted support to overcome these barriers, adopt low-carbon technologies, and implement sustainable practices. Accelerating this transition will reduce emissions, enhance competitiveness, and enable the sector to meet national and global climate targets.



### ACTIONS THAT WILL HELP

### **UK Government**

- Provide funding and incentives
   for net zero initiatives,
   including grants for SMEs
   and investment in low-carbon
   innovation.
- Support the development and deployment of circular economy practices across industries, reducing waste and improving resource efficiency.

### **Scottish Government**

- Continue to support research and innovation in low-carbon technologies and sustainable farming practices to ensure businesses can access cutting-edge solutions.
- Support the strategic
   alignment of the food and
   drink sector with Scotland's
   national net zero targets
   through continued investment
   and policy development.
- Explore ring-fenced funding for the food and drink industry that de-risks innovation around de-carbonisation.
- Work with our Net Zero
   Programme to support
   the development and
   implementation of a national
   food and drink net zero
   transition plan.

### Industry

- Adopt sustainable practices and engage with available grants, training, and advisory services to accelerate the transition to net zero.
- Share best practices and participate in pilot projects to advance circular economy initiatives, such as repurposing by-products and reducing packaging waste.
- Provide feedback to governments on barriers and opportunities to improve net zero policies and funding mechanisms.



Insufficient grid capacity and infrastructure hinder the adoption of renewable energy and electrified transport, delaying decarbonisation and increasing costs for industries. Without targeted upgrades, producers face higher energy costs, limited access to clean energy, and logistical challenges in transitioning to electric fleets. Addressing these barriers will accelerate Scotland and the UK's progress towards net zero, improve energy resilience, and enhance the global competitiveness of our food and drink sector.



### ACTIONS THAT WILL HELP

### **UK Government**

- Prioritise upgrades to national grid capacity and energy storage solutions to meet growing industrial and transport demand.
- Develop incentives for decentralised renewable energy systems to empower businesses and reduce dependence on central grids.
- Explore regional pricing for electricity to ensure fairer energy costs for businesse in different locations.

### **Scottish Government**

- Prioritise island, rural, and remote community connectivity to renewable energy infrastructure, ensuring equitable access.
- Streamline renewable energy planning processes to reduce delays and encourage faster project development.
- Co-fund charging infrastructure and support businesses transitioning to electrified fleets.

### Scottish Local Authorities

- Assist in local infrastructure improvements, such as planning support and permitting for renewable energy and charging networks.
- Ensure regional energy transition needs are addressed effectively.

### **Energy Providers**

- Invest in grid upgrades, energy storage, and partnerships with businesses to facilitate the transition to renewable electricity and electrified transport.
- Offer cost-reduction programmes to support businesses in adopting clean energy solutions.
- Explore regional pricing for electricity to improve affordability for high-energyuse industries.

## FOOD AND DRINK MANUFACTURING

### **Key Fact**

Food and drink manufacturing produces nearly a third of all manufacturing output, making it both Scotland's and the UK's largest manufacturing industries.

### **Sector Overview**

Scotland's food and drink manufacturing sector accounts for 29% of manufacturing output and employs over 47,000 people. A mix of large multinational companies and smaller producers, it adds value to primary produce and drives innovation across the industry.

### **KEY CHALLENGES**

### **Sustainability**

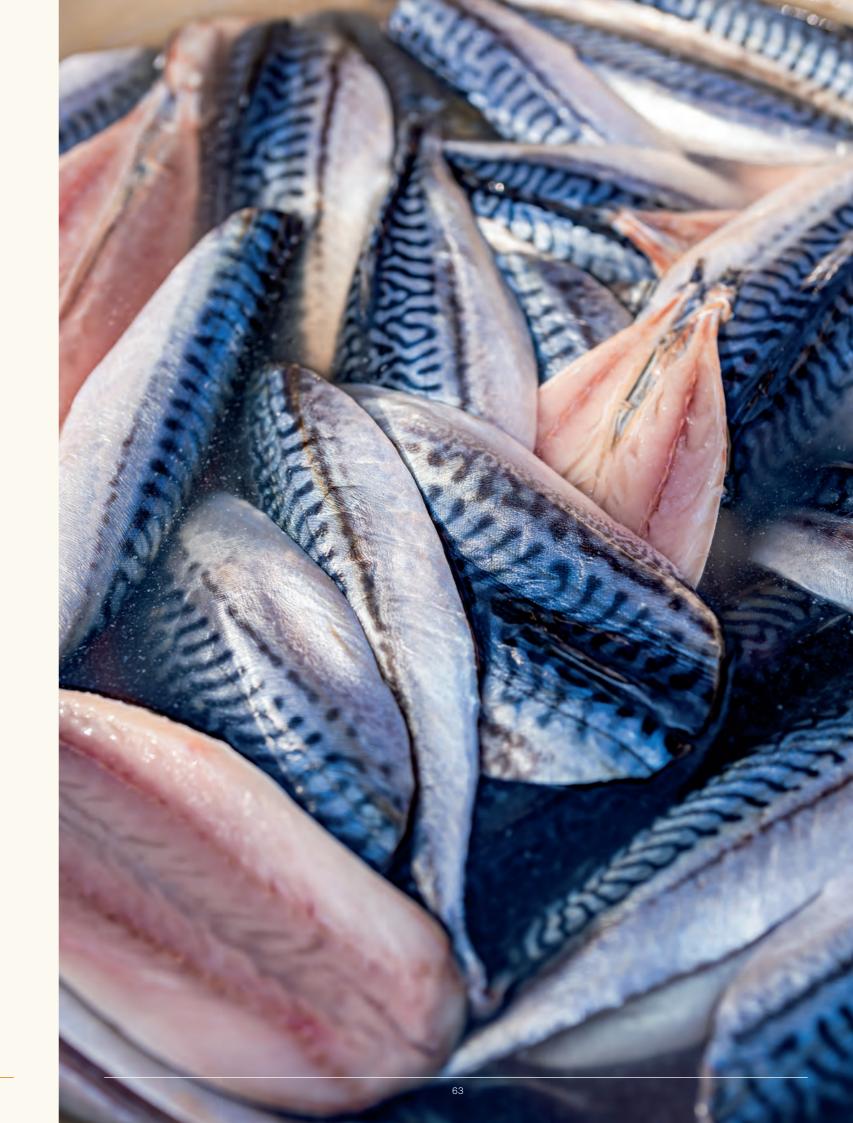
- Achieving net zero by 2045 requires action across the supply chain, including reducing emissions, improving recycling infrastructure, and supporting circular packaging systems. Aligning UK and Scottish food waste reporting will ease burdens on businesses while encouraging food redistribution.
- The Scotland Food & Drink partnership's Net Zero Programme is supporting the development and implementation of a national food and drink net zero transition plan.
- It is vital that we support businesses on the energy transition, both on grid and off grid solutions as appropriate, and that we de-risk innovation linked to decarbonisation including supporting businesses with energy transformation.
- Well-designed and efficient Extended Producer Responsibility (EPR) and Deposit Return Schemes (DRS), which drive efficiencies and ringfence funding for improving services, along with further incentives for green technologies, are key to driving environmental progress.

### Skills

 Skills shortages remain a challenge. Expanding funding for apprenticeships and short-term training will help develop a skilled workforce. Stronger collaboration with schools and colleges will attract talent and upskill workers, supporting the sector's future needs.

### Innovation

- Scotland's Scottish Government funded Reformulation for Health Programme has removed billions of calories and tonnes of salt and sugar from scottish food and drink products.
- Investing in technologies like automation and digital solutions will boost productivity and sustainability. Collaboration with retailers and communities can drive healthier choices, better recycling, and fairer supply chain practices.
- Focusing on growth, sustainability, skills, and innovation will ensure the sector thrives while meeting environmental and economic goals. Regulatory alignment can help support this by reducing the burden of compliance.



### AGRICULTURE

### **Key Fact**

Agriculture covers 80% of Scotland's land area and employs over 67,000 people, underpinning our rural economy and communities.

### **Sector Overview**

Agriculture contributes £1.5 billion annually to Scotland's economy and supports rural infrastructure, food security, and the distinct rural landscape. Its diversity - from uplands to lowlands, arable to livestock - adds resilience and drives many related industries like food processing and tourism.

### **KEY CHALLENGES**

- **Policy Uncertainty:** Farmers need clarity on support payments and trade protections to plan effectively.
- Workforce Shortages: A stable, extended Seasonal Worker Scheme is essential.
   Education and skills to facilitate access to the sector must be enhanced and signposted.
- **Trade Protection:** Agriculture must be treated as a sensitive sector in trade deals to protect domestic production.

### **PRIORITIES FOR GROWTH**

- **Fiscal Support:** Ensure support payments are fair and protect our ability to produce high quality food. Conditions attached to any support should be beneficial to the business and not increase operational costs.
- Innovation: Support investment in agri-tech to boost productivity and adapt to climate challenges.
- Fair Supply Chains: Improve pricing, market returns and transparency to sustain producer margins and food security.

With clear support, innovation, and collaboration, Scotland's agricultural sector can thrive while meeting economic and climate goals.



### SCOTCH WHISKY

### **Key Fact**

Scotch whisky contributes £7.1 billion to the UK economy, £5.3 billion of which is generated in Scotland, and makes up 74% of all Scottish food and drink exports.

### **Sector Overview**

Scotch whisky is one of Scotland's most iconic and economically significant industries, supporting over 41,000 jobs in Scotland and a further 25,000 across the UK. The industry is vital to rural economies, with more than half of the jobs located in island and rural communities. In 2023, exports reached  $\mathfrak{L}5.6$  billion, accounting for 22% of all UK food and drink exports and over 70% of UK beverage sales by value. It is Scotland's second-most productive sector after energy.

### **CHALLENGES AND PRIORITIES FOR GROWTH**

- **Trade Policy:** Advocate for zero tariff trade and prioritise Free Trade Agreements with important markets, continuing work to address market access barriers.
- **Taxation:** A fair UK Alcohol Excise Duty system, aligning with the EU average over the term of the parliament.
- **Sustainability:** Targeted support for decarbonisation, energy grid connectivity, and increased access to recycled materials.
- **Infrastructure Investment:** Delivery of safe, resilient and future-proofed upgraded strategic infrastructure, enhancing rural transport and digital connectivity to support distilleries and surrounding communities.

By addressing tariffs, reducing taxation, and driving sustainability and infrastructure investment and delivery, the Scotch Whisky industry is enabled to secure long-term growth while reinforcing its position as a cornerstone of Scotland's economy and identity.

Promoting responsible consumption and tackling harmful drinking is key to the success of Scotch Whisky and the wider alcohol industry. Scotland's drinks industry produces iconic and world-famous brands which are exported across the world from hundreds of small distilleries and breweries operating across Scotland from its islands and rural communities to major cities. The objective is to tackle alcohol misuse whilst simultaneously having a vibrant, successful alcohol industry. This can be achieved by working with government, healthcare bodies, the third sector and wider society on collaborative, evidence based and targeted approaches, promoting moderation (for those that choose to drink) and addressing harmful drinking.



### DAIRY

Scotland's dairy sector produces 1.45 billion litres of milk annually and contributes £400 million to the economy, with Ayrshire and Dumfries and Galloway at its heart.

### **Sector Overview**

The Scottish dairy sector is a cornerstone of agriculture, supporting thousands of jobs across farming, processing, and distribution. With over 900 dairy farms, it delivers significant economic value while maintaining Scotland's rich dairy heritage.

### **KEY CHALLENGES**

- **Food Security:** The sector needs agricultural policy to prioritise food security and boost UK dairy exports to meet rising global demand.
- Rising Costs and Labour Shortages: High input costs for feed, energy, and labour are straining
  operations, highlighting the need for policies to make dairy farming a more attractive career.
- **Regulatory Constraints:** Planning barriers and infrastructure needs, such as slurry storage, must be addressed to meet environmental and regulatory requirements.

### **PRIORITIES FOR GROWTH**

### **Productivity and Trade**

- Increased funding to enhance productivity and international competitiveness.
- Greater involvement of the dairy sector in trade negotiations to improve market access and safeguard standards.

### Sustainability

- Support for emissions reductions, biodiversity, and waste management through the UK Dairy Roadmap.
- Government backing for farm infrastructure and easing planning constraints to facilitate expansion.

### **Market Diversification**

- Investment in high-value dairy products like premium cheeses and yoghurts to leverage Scotland's quality reputation.
- Support for organic and ethically produced dairy to meet consumer expectations, reinforced by clear origin labelling.

### **Collaboration and Innovation**

Industry stakeholders, supply chain partners, and retailers must work together to drive innovation and sustainability. Promoting premium Scottish dairy products, engaging consumers on quality, and aligning with environmental organisations will ensure long-term resilience and success. With a focus on food security, sustainability, and market growth, the Scottish dairy sector can remain competitive and resilient in a rapidly changing agricultural landscape.



### RED MEAT

Scotland's red meat sector generates over £2.8 billion annually and directly supports nearly 40,000 jobs, producing globally renowned Scotch Beef, Scotch Lamb, and Specially Selected Pork.

### **Sector Overview**

Scotland's natural grasslands, cool climate, and high rainfall make it ideal for producing high-quality red meat. The sector contributes 36-38% of Scottish agricultural output and has a growing international presence, with red meat and offal exports reaching  $\mathfrak{L}137$  million in 2024. The supply chain is deeply embedded in communities, touching every parish in Scotland and supporting thousands of jobs across farming, processing, and auxiliary industries like veterinary services, feed merchants, and hauliers.

### **KEY CHALLENGES**

- **Sustainability:** Farmers need support and fair incentives to reduce emissions, improve soil health, and adopt sustainable farming practices to meet climate targets
- **Global Competitiveness:** Trade policies must protect Scottish producers from unfair competition while boosting export opportunities.
- **Food Security:** Policies must safeguard local food systems and uphold high UK food standards amid trade pressures.
- **Labour Shortages:** Extended seasonal visas are critical for roles like butchery to maintain supply chain resilience. Long term, education and skills related to the sector must be overhauled and promoted in order to sustain the future workforce.

### **PRIORITIES FOR GROWTH**

### **Sustainability and Innovation**

- Financial incentives for carbon sequestration, feed efficiency, productivity improvements and emissions reduction.
- Investment in research and development for sustainable livestock farming.

### Infrastructure and Planning

• Reduce planning constraints to enable modern farm housing, improving rural workforce retention and animal welfare.

### **Financial Stability**

• Protect a multi-year agricultural budget to enable long-term planning and investment in sustainability and growth.

### **Market Development**

- Promote whole-of-life-assured Scottish meat products to strengthen Scotland's brand and increase exports.
- · Collaborate with retailers to highlight sustainability, quality, and traceability.

By prioritising sustainability, infrastructure, and market competitiveness, Scotland's red meat sector can continue to thrive, supporting rural communities and maintaining its global reputation for excellence.



## FISHING, SEAFOOD AND SALMON

### **Key Fact**

Scottish salmon is the UK's most valuable food export, generating over £600 million annually and supporting 11,700 jobs. The wider seafood industry, including wild-caught fish and shellfish, contributes significantly to Scotland's economy, providing a wide variety of employment opportunities across fishing, seafood processing, and aquaculture.

### **Sector Overview**

With targeted action on trade, workforce, and sustainability, Scotland's seafood and salmon sectors can drive rural economic growth, maintain environmental leadership, and secure their position as global industry leaders.

The Scottish seafood and salmon sectors are critical to Scotland's marine economy, contributing  $\mathfrak{L}1.2$  billion in direct GVA and employing over 14,000 people. These sectors underpin rural coastal communities, particularly in Argyll and Bute, the Highlands and Islands, and Aberdeenshire. Aquaculture, led by farmed Atlantic salmon, drives significant economic activity, supporting jobs across the supply chain, including boat builders, logistics firms, and research institutions. Scottish fishers bring in a variety of wild-caught fish and shellfish, including high-value products such as mackerel, lobster, scallops, and langoustines. These are essential to the seafood processing sector, which adds value through cleaning, packaging, and distribution. Companies in this sector, especially in coastal regions, employ thousands of people in roles ranging from processing and distribution to cold storage, logistics, and export.

### **KEY CHALLENGES**

- **Workforce Stability:** A flexible immigration strategy is needed to recruit foreign talent in rural areas, paired with investment in housing solutions.
- **Trade Barriers:** Post-Brexit export costs and logistical hurdles must be addressed, particularly through electronic health certificates and a bespoke Sanitary and Phytosanitary (SPS) agreement with the EU.
- **Housing Shortages:** Affordable housing projects in the Highlands and Islands are vital for retaining workers and preventing rural depopulation.
- Regulatory Complexity: Streamlining regulations, such as challenges relating to fishing quotas and marine spatial planning, and tackling environmental concerns, such as fish health and sea lice impacts, is critical for sustainability.

### **PRIORITIES FOR GROWTH**

### **Sustainability and Innovation**

- Invest in sustainable feed production and advanced aquaculture technologies to reduce environmental impacts and boost efficiency.
- Encourage collaboration throughout the seafood supply chain to ensure sustainable practices in waste reduction, 100% fish utilisation, energy efficiency, and resource management, both in the aquaculture sector and in seafood processing operations.

### **Workforce and Housing**

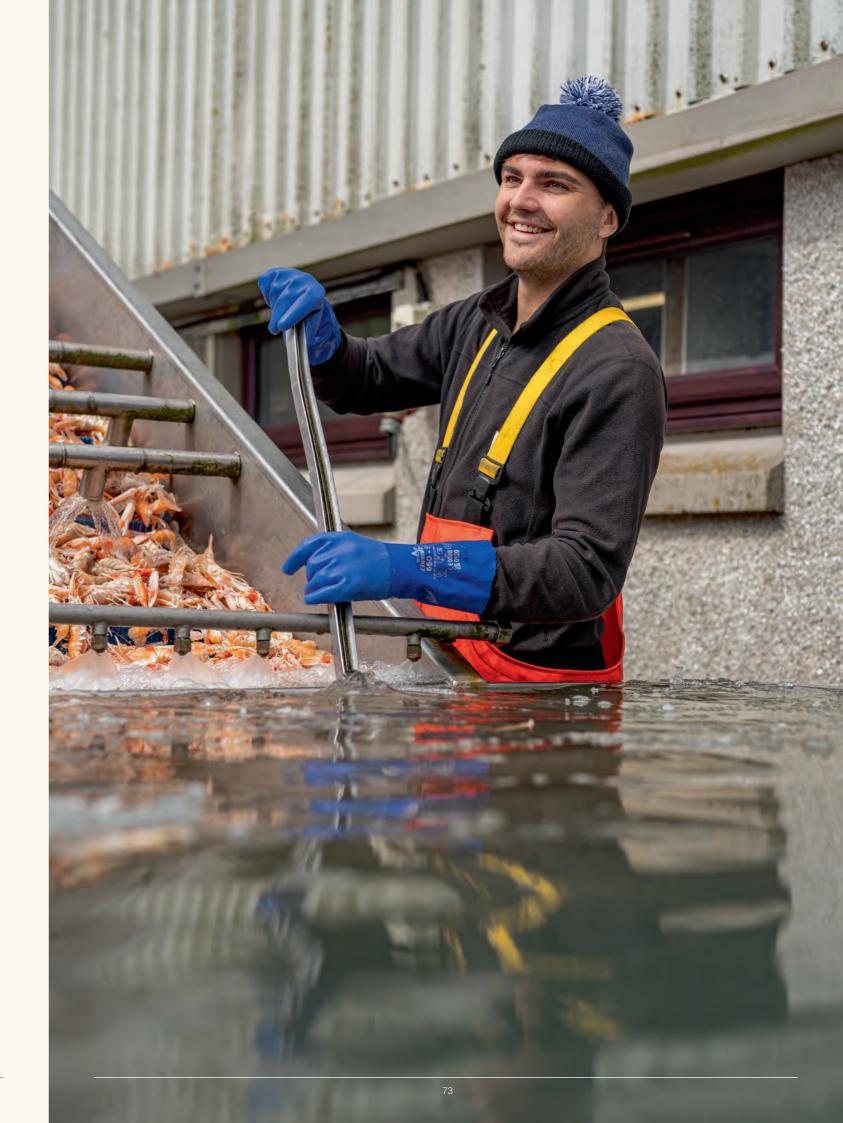
- · Allocate Crown Estate Scotland funds to affordable housing projects in rural areas.
- Develop training and skills programmes to attract and retain and diversify talent in coastal communities.

### **Trade Competitiveness**

• Reduce trade barriers with simplified export processes and SPS agreements to streamline flows with the EU.

### **Community Engagement**

• Collaborate with local communities and retailers to promote sustainable practices, boosting Scotland's global reputation for premium, responsibly sourced seafood and aquaculture.



### SCOTTISH BAKING

Scotland's baking industry blends rich tradition with innovation, producing everything from classic shortbread to artisanal breads while supporting thousands of jobs across local economies.

### **Sector Overview**

The Scottish baking industry is primarily made up of small and medium-sized enterprises (SMEs), playing a significant role in local communities and economies. Combining heritage with modern trends, the sector thrives on artisanal quality and evolving consumer preferences.

### **KEY CHALLENGES**

- **Workforce Shortages:** Skilled baker recruitment and retention are difficult, particularly in rural and urban areas facing labour gaps.
- **Rising Costs:** Energy prices and ingredient costs strain operational budgets, requiring targeted financial relief.
- **Supply Chain Resilience:** Dependence on imported grain highlights the need for increased local grain production.
- **Skills Gaps:** Sustaining apprenticeships and training is critical to address workforce shortages and modernise skills.

### **PRIORITIES FOR GROWTH**

### Skills and Workforce:

- Invest in apprenticeship and training programmes to upskill and retain bakers.
- Develop recruitment initiatives, particularly in hard-to-staff areas, supported by affordable housing solutions.

### **Operational Support:**

- Provide financial relief to offset energy and ingredient costs.
- · Support facility modernisation and digital marketing to boost competitiveness and visibility.

### **Supply Chain Strength:**

- Increase investment in local grain production to stabilise supply and ensure quality.
- · Collaborate with supply chain partners to explore cost-saving and sustainable practices.

### **Market Development:**

- Promote traditional and artisanal baked goods through local and international markets, leveraging e-commerce and trade exhibitions.
- Work with retailers to prioritise local products on shelves, enhancing community visibility and consumer awareness.

By addressing workforce challenges, stabilising supply chains, and expanding market opportunities, Scotland's baking industry can continue to grow while preserving its heritage and strengthening local economies.



The ability to deliver this ambitious strategy is made possible thanks to the commitment of the Scotland Food & Drink Partnership.























