DRAFT BUDGET 2015-16: INCREASING EXPORTS

SUBMISSION FROM SCOTTISH SALMON PRODUCERS’ ORGANISATION

The Scottish Salmon Producers’ Organisation (SSPO) is pleased to submit its evidence on the draft budget in response to a specific request to comment on questions relating to the Scottish Government commitment to develop exports.

SSPO has responded to this request with regard to the salmon industry’s position as Scotland’s top food export, valued by a recent independent report commissioned by the Scottish Government at a minimum at £470 million per annum. It has also taken into account its relevant experience with other food exporters as a member of the Executive Committee of Scotland Food and Drink.

The recent Imani report concluded that “Scotland has a high value (salmon farming) industry for “Brand Scotland” which has one of the strongest growth opportunities in the 21st century. Global demand could rise to multiples of current production”.

With that stimulating view of the future in mind, we have produced the following responses with regard to the prize, but mindful of budget constraints in a challenging financial environment.

Q1 - Has sufficient funding by the Scottish Government, Scottish Enterprise and Highlands and Islands Enterprise been made available since 2012-13 to support the ‘increase exports’ National Performance Framework indicator?

A1 - From a food and drink industry perspective, there is now a single export plan in place. The Scotland Food & Drink Export Plan is a product of partnership between the main industry trade association, including SSPO, and the public sector agencies through Scotland Food & Drink. We believe that, through that, sufficient funds are now committed to develop dedicated food and drink market adviser posts in the seven highest priority export markets. The industry has committed £400,000 in funding for the plan, which has been matched by SDI. The Scottish Government has agreed in principle to match the gap funding of around £3.5 million over the next 5 years. However, perhaps more money and resource could be put into the following:

1. Mentoring for start-up exporters
2. The development of a food and drink export “cluster”
3. The establishment of a national credit guarantee scheme for start-up exporters for the first 2 years in business

As a principle, it is critical that the Scottish Government and key public sector agencies continue to recognise that food and drink is now Scotland’s fastest growing export sector, with exports up 50% in value over the last five years and new, ambitious targets in place for 2017.

Q2 – What are your views on the extent to which Scottish Government policy and spend can lead to “increasing exports”?

A2 – There are two main channels of growth to influence:
1. To encourage small company entry and innovation in food products and to develop small companies to have the confidence to export

2. To encourage established companies to enter export markets and to help them grow in them successfully

However, if we want to ensure that the food and drink sector continues to be the fastest growing export sector in Scotland, then more ambition, in the form of greater amounts of money and specialist skills and resources in market analysis and product development, will require to be found by government in the next 3 years.

The amount to be considered would need to reflect the current return being achieved from the investment already in place and extrapolated (using the same return) to achieve the outcomes forecast for total food and drink exports to 2017. Scotland is on track to nearly double its export activity in this decade. Worth £3.7bn in 2007, Scotland Food & Drink has set a new £7.1bn export target for 2017. Industry is committed to invest in this growth and Scottish Government and enterprise agency support will be critical too.

Government policy can really only encourage such action to be taken by entrepreneurs.

Greater success will be achieved if government can give the companies greater confidence in themselves to achieve export growth.

There is a fear factor that needs to be overcome and government agencies can help with market research, dealing with the regulation, mentoring and credit guarantees.

Once companies have overcome the lack of confidence barrier, there will be greater understanding of the benefits of commitment to exporting.

Q3 – What are your views on the type and level of public support being provided through the draft budget to increase exports? Is it being targeted in the right areas?

A3 – In general, the response to both questions is “yes”. However, as explained in response to Question 2, we believe more specific commercial and trade work could be done to help companies overcome the initial fear factor in exporting.

There is also an issue with “route to market” in some new developing target markets, whereby a small food exporter may partner with a distributor who has no resource or no knowledge of account management.

If new products are not properly “account managed” in new markets, it is likely they will not succeed. Government agencies should therefore do market research to understand who the good distributors in markets are and recommend accordingly. This sort of information could also come out through an exporters’ cluster for which government money (say £100K) could be set aside.

Q4 – What alternative spend would you propose within the draft 2015-2016 budget and from what area should such resources be diverted?
A4 – As referred to in previous questions, more emphasis on mentoring companies through the export process through advice and greater market and distribution intelligence would be an appropriate alternative spend of resource.

These resources should already be available within Scottish Enterprise and SDI and greater emphasis should be placed upon them.

Scottish Salmon Producers Organisation
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