Food and Drink Sector: opportunities and challenges for growth

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The food chain is a major part of the UK economy

Worth £97.1bn GVA

Employing 3.56m people

The UK’s largest manufacturing sector

Source: Annual Business Survey (ONS) & Agriculture in the United Kingdom (Defra)

Source: Labour Market Trends (ONS) & June Survey (Defra)
Competitiveness varies between sectors

- UK **food & drink manufacturing** is internationally competitive
- **Strengths** include
  - product quality
  - branding
  - Innovation and new product development
- Productivity growth throughout the recession
- But with variable levels of investment in the most efficient kit and increasing skills challenges

Retail is a highly competitive and world leading sector

Agriculture productivity is relatively low – but very variable between sectors and between individual business within sectors

Growth in total factor productivity of UK agriculture in the last 30 years has been low compared to international competitors
Setting the conditions for businesses to thrive

- **The lowest corporate tax rate in the G7 and among the lowest in the G20**

- **One of the best places in Europe to start, finance and grow a business**
  - The UK is currently ranked as the tenth most competitive economy in the world by the World Bank and World Economic Forum

- **A lower domestic regulatory burden**
  - Excluding EU regulation, the estimated annual net cost of regulation to UK business has fallen by £1.19bn since 2011

- **More finance for start-ups and business expansion**

- **Encouraging investment and exports as a route to a more balanced economy**
  - The UK has the third largest stock of FDI in the world, behind the USA and Hong Kong
  - In 2012 the UK was the largest recipient of FDI in the EU, and 6th in the world
  - An increase in exports to key target markets
  - Exports to BRICs increased by 30% in nominal terms between 2010 and 2012

- **Creating a more educated workforce and the most flexible in Europe**
  - Apprenticeship participation has risen by 77% from 2009/10 to 2012/13
  - Lowest burdens from employment regulation in the EU
  - The WEF Global Competitiveness Report ranks the UK as having the 10th most flexible labour market in the world, ahead of the USA, France and Germany

Department for Environment, Food & Rural Affairs
Challenges for the sector: Skills

- **Availability of skilled employees** and forthcoming demographic change are major challenges
  - Manufacturing needs 137,000 new employees between 2010 and 2017 – 45,000 in management, engineering and professional jobs

- **Image of both farming and food manufacturing** – making them attractive places to work, seen as a career opportunities

- **Apprenticeships and graduates**
  - 50,000 for the whole food chain; 7500 for manufacturing – 4 times the target
  - Apprenticeship Trailblazers simplify provision and give employers more say in design and delivery
  - New food engineering degree course
  - Creation of National Centre of Excellence for Food Engineering
Challenges for the sector: research and innovation

• **Research essential to underpin innovation** and to drive up productivity
  – key issues around resource efficiency (water and energy), packaging and waste reduction (including shelf life), supply chain development
  – Extensive best practice and new techniques can drive up agricultural productivity
• But only valuable if business can **access knowledge** and apply it
• Extensive **Government support** available:
  – £90m Sustainable Food and Innovation Platform
  – £12m collaborative research on resource efficiency
  – SMEs competitions to encourage innovation (e.g. ‘Feasibility For Growth’ and ‘Nutrition For Life’)
  – Transfer of research into practice through Knowledge Transfer Partnership Scheme
• **Agri-Tech Strategy** promoting UK as a world leader in agricultural technology.
  – £70m Catalyst to help commercialise new agri technologies and £90m to establish Centres for Agricultural Innovation
Challenges for the sector: exports

- A success story - food and drink exports worth £19.4bn in 2013 (3.7% increase on 2012)
- But scope for considerable growth
- Only 1 in 5 UK companies export – compared to EU average of 1 in 4
- Extensive support available from UKTI

How to raise ambition?
Challenges for the sector: Public sector procurement

- Public sector is a big procurer of food – worth about £2.6bn a year
- Opportunities for greater local procurement and for supply chain development – role for both procurers and suppliers
- There are examples of excellence (e.g. Nottingham Hospitals Trust), but many don’t make an effort
- Potential role as champion and catalyst for best practice in procurement, especially to support SMEs
- Defra developing new tools to help procurers source more sustainable and support local producers, within standard cost and EU procurement rules constraints
- Opportunities for LEPs to partner with central government to pilot new approaches
Opportunities for the sector: a focus on local

Protected food names – a badge of excellence and authenticity

- **Hospitality sector** important in tourist destinations
  - 377 million trips to rural England recorded in 2011, generating £12.432 billion in tourism spend
  - ‘Food and beverage service activities’ accounted for 42.1% of enterprises, 25.7% of turnover and 44.4% of employment within rural tourism industry in 2009/10

Food tourism
✓ addressing underperformance – from average to best productivity
✓ developing supply chains
✓ assisting the development of a skilled workforce
✓ using R&D to drive innovation and enhanced productivity
✓ supporting export growth
✓ encouraging inward investment
✓ using public procurement to support the sector
✓ helping businesses capitalise on local distinctiveness
✓ identifying and assisting with local opportunities