

Rural Economy Committee

Evidence from Nourish Scotland on the Food and Drink Budget

December 2017

Nourish Scotland is a civil society organisation working for a fairer, healthier and more sustainable food system.

Framing

National food (and drink) policy is set out in ‘Towards a Good Food Nation’, and is broader than Ambition 2030, which is the strategy for growth of the food and drink industry.

It is important to scrutinise the use of public money in the round to support our Good Food Nation aspirations, and recognise that we have interlinked objectives, for example:

- To grow food and drink production, and the financial resilience of the sector
- To reduce the adverse environmental impacts of food production, both in Scotland and internationally
- To improve the health of the people of Scotland through improving our diet and ensuring the safety and quality of food
- To reduce dietary inequalities and household food insecurity
- To strengthen our national food cultures and reputation

Public funding to help meet these objectives will not all necessarily come from the same source: which makes it even more important to have a coherent approach across all funding streams, whether from health, education, environment or food and drink.

Current challenges

The challenges we face are well-known, and include:

- a huge spread in productivity across our farming businesses with many unprofitable businesses paying low or no wages to the farmer
- yields, productivity, and nutrient use efficiency have been flat for some time; pesticide use efficiency has declined
- reduced natural capital, including declining farmland bird populations, static water quality and significant soil deterioration in pressured areas
- a lack of market orientation and co-operation, especially in beef and sheep
- geographic and climatic disadvantages which make it harder to compete in the global commodities market: output prices falling relative to costs of inputs
- a lack of business start-ups – the number of food and drink businesses in Scotland has not increased in the last ten years, while other sectors such as energy and creative industries have seen steady growth; and a lack of export-oriented businesses
- Population health problems related to poor diet; and significant food insecurity resulting from low, static and uncertain incomes alongside rising cost of living including food. Healthy food tends to cost more per calorie, and veg prices have risen 5.7% in the last year, so this is getting worse, not better.
- While there are good and well-paid jobs in the food and drink sector, many workers in retail and catering are on minimum wage zero hour contracts

- Food waste post-consumer has reduced slightly in recent years but is still too high and we do not yet know how to achieve the target of 33% reduction by 2025: there is more work to be done on reducing supply chain waste

Public funding should be directed to tackling the economic and social challenges set out above, and should as far as possible prepare for future challenges.

Future trends

Wider global trends will shape the operating environment for food in Scotland – the pushback against obesity, citizen expectations on animal welfare, tighter regulation on pesticides, peak meat, the global imperative to reduce antibiotic use, the need to mitigate and adapt to climate change. Green credentials will become even more important and require more evidence.

Falling costs of renewables along with better storage will mean that the typical farm is a net energy exporter. Driverless transport will further reduce the cost of moving goods, especially over shorter distances. While this – along with more grocery shopping going online – will make it easier for small producers to sell direct, it will also encourage home meal deliveries which will increasingly be cooked to order.

The goal - for Scotland and Europe - is zero-carbon, zero waste, post-pesticide agriculture and horticulture, supporting universal access to nutritious food and more sustainable consumption. We expect to see a greater overlap between what we produce in Scotland and what we eat, and less reliance on imported protein for animal feed (whether through home grown legumes, sustainable seaweed harvesting or better use of food waste).

Focus of funding

As set out in the SPICE briefing, the £100m+ funding to the food and drink sector is considerably smaller than the £500m or so spent on the CAP, and comparable to the public money spent on food procurement. While these come under different budget headings, and have different constraints, greater alignment is possible. Looking in turn at these three budgets:

Common Agricultural Policy

The problems with CAP Pillar 1 funding are well-known. Most of the funding is deadweight, with little influence on industry practice, and largely capitalised into land values. Post 2020, there is a clear opportunity to refocus funding, with a much larger emphasis on environmental public goods (species and landscape conservation) alongside a more targeted investment in more resource-efficient agriculture and horticulture and using regulation to drive innovation and best practice.

Whether Scotland is inside or outside the CAP, support for production is unlikely to continue indefinitely as 100% grants with no audit requirement, and will move over time to co-financing and loans, with a greater expectation on producers to hit benchmarks, provide data and co-operate.

Considerable investment is needed in supporting the farming sector through the transition over the next decade. This includes a revised syllabus for further and higher education for the food producers of the future; a proactive, dynamic extension and knowledge transfer

and exchange service helping farming businesses to adapt and/or diversify; continuing professional development.

While the current Farm Advisory Service is more proactive and better-resourced than the comparator in England, we would argue for even greater investment – not least in training the advisors themselves so they are better able to guide farmers through the transition, and more closely connected with the world-leading agricultural, veterinary soil and environmental science coming out of our universities.

As one example, we want to see more support for Scotland's horticulture, including more opportunities for students to train in production horticulture at higher education level. This could include training in glasshouse production, where Scotland has an opportunity for Clyde Valley 2.0, using brownfield sites, renewable energy and new technology to supply at least the domestic market.

As always, there is a need to align research priorities with future rather than current needs, and to shorten the implementation lag between research and practice. We welcome efforts to do this through SEFARI, the recent link-up between Moredun and SRUC etc; however more could be done to align RESAS and other research funding more fully with Good Food Nation goals.

Public food procurement

Despite public support for, and policy commitment to, increasing the proportion of local and organic food in the public kitchen and raising the quality of meals, progress remains slow and patchy – with the emphasis in procurement decisions more focused on reducing costs than on maximising benefits to those eating the food and to the local economy.

While the Food for Life programme has had some success in recruiting public food providers, there has been limited investment in system change. We would propose a new budget line for a public food transformation project, developed in partnership with public bodies and trade unions, which combines systematic support for sustainable procurement and enhanced catering skills with effective supply chain development.

As demonstrated in Copenhagen, a time-bound investment in system change can lead to a better-performing public kitchen with no increase in the cost of meals

Food and drink funding

The SPICE briefing sets out in some detail the different funding streams through which government supports the food and drink sector.

The Committee asks 'what should be the over-riding objective(s) of support' – and then asks what sort of support is needed to achieve these objectives, including possible tax measures.

Nourish would argue that the objectives of support for the food and drink sector should be aligned to the Sustainable Development Goals, with creation of jobs and wealth through the food and drink industry (Goal 8) sitting alongside other goals, for example reducing malnutrition and promoting sustainable agriculture (Goal 2), improvements in dietary health (Goal 3), reducing waste (Goal 12) mitigating climate change (Goal 13) and sustaining life on land and in the water (Goals 14 and 15).

This approach would have two consequences. First, it would provide a framework for balancing objectives: rather than having Ambition 2030 purely focused on growth and put the social and environmental work somewhere else, we would have a more broad-based development plan. Similarly, our higher education syllabus, our food and drink tourism plan, and our other support measures would be using a common framework and direction of travel.

Second, it highlights the need for a high profile, well-resourced **change** project rather than **growth** project. The current funding pattern contributes to system inertia – the system tends to keep going in a straight line and doing more of the same. This is not to deny the achievements of the food and drink industry: but we will not deliver on Good Food Nation if we keep doing the same, faster.

We therefore propose a new budget line to replace and build on the existing £6m Scottish Government food and drink funding programme. Currently this is an annual budget, allocated across a number of initiatives with little transparency. We argue that this budget should be maintained or increased, but given a clear focus as a 'Good Food Nation transformation fund'. During 2018/19, as well as funding a range of development activities, we would want to see an inclusive process (working across government departments as well as with external stakeholders) to develop a smart and strategic five year change plan, supported by a cross-department group within government and a shared/aligned budget to fund change.

As one example of this: we see the strengthening of local food economies as an important strand in raising farm incomes and creating rural employment as well as reconnecting people with (typically unprocessed or lightly processed) food and improving the food offer for low income communities. However, the levers for doing this are not within one department and include health department support to community food projects (increasingly developing into community food hubs), social justice support to projects providing dignified access to food, city councils and local authorities providing the infrastructure of covered produce markets and having a proactive approach to procuring local food for the public kitchen, and advisory services working with farm businesses to help them co-operate and diversify to supply local markets cost-effectively.

This process would include an honest review of what's worked well and what hasn't, and of the challenges ahead.