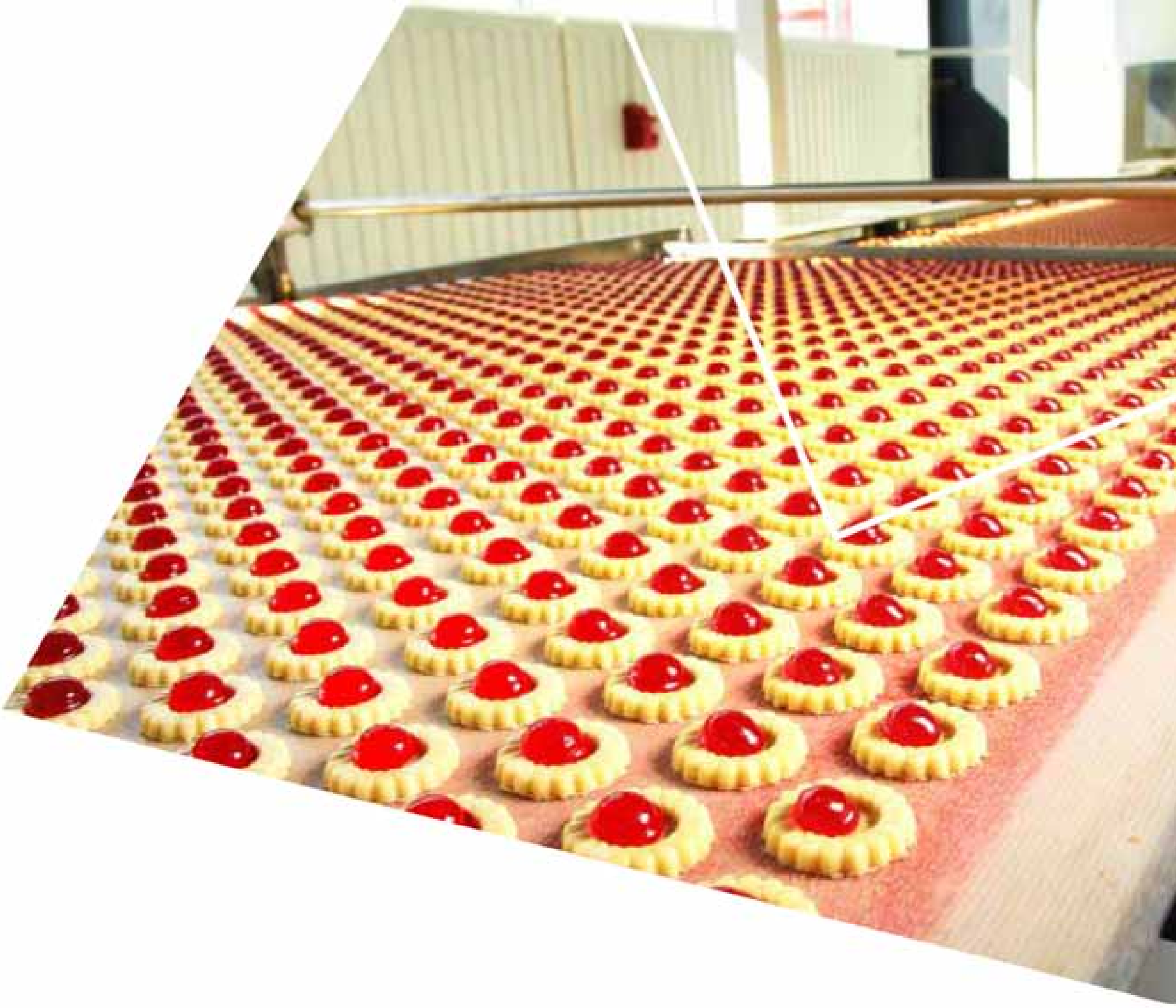

SECTOR: FOOD AND DRINK MANUFACTURING

STRATEGY AND ACTION PLAN

MAY 2014

CREATED ON BEHALF OF D2N2 BY THE FOOD AND DRINK FORUM

Derby
Derbyshire
Nottingham
Nottinghamshire

THE UK'S MOST INSPIRATIONAL POSTCODE

CONTENTS

FOREWORD

D2N2 and The Food and Drink Forum would like to thank the local businesses that contributed to the development of this consultation document. A full list of these businesses can be found in Appendix A.

We would also like to thank the following people for assisting with facilitation of the numerous focus groups held to understand the needs of the food and drink industry: Paul Rhodes (Sustainable Food Chains), Keith Taylor (Food Chain Links), Simon Fisher (NFU) and Andrew Critchlow (NFU). We would also like to thank the Peak District National Park Authority for hosting a number of focus groups.

A separate Sector Skills Acton Plan has been produced that addresses in more details the skills requirements for the sector and compliments this report. They key elements from the skills report have informed this report.

Chris Marples – Chair of the Group

EXECUTIVE SUMMARY

This report is a summary of findings from extensive engagement with the food and drink businesses in the Derbyshire and Nottinghamshire area. It identifies the growth barriers faced by these businesses and the industry as well as outline opportunities and areas of strategic support that can be provided by D2N2 LEP. D2N2's Skills Action Group for Food and Drink has also informed the outcome of this document.

The report comments on both the UK and local food and drink industry. It identifies the growth barriers faced by local businesses and the associated recommendations to overcome them under four key themes, which are:

- Supporting the Food and Drink Industry
- Increasing Skills Levels and Improving the Long Term Attractiveness of the Industry
- Innovation, Knowledge Transfer and Food Specialist Mentoring
- Productivity and the Low Carbon Agenda

The size of the local food and drink industry, its supply-chain links between rural and urban businesses and innovation strengths around products and processes as well as the opportunities available to improve health outcomes and reduce carbon emissions from production and logistics means it can contribute considerably to future sustainable growth in the D2N2 economy.

It should be noted that all LEPs are defining their roles and that mechanisms to support businesses and growth sectors are still in development. However, this report is produced by D2N2 LEP to create ongoing dialogue with Derbyshire and Nottinghamshire food and drink businesses to ensure they receive the right support for future growth and job creation. Consequently, D2N2 LEP welcomes comment and feedback about this report, which can be made by contacting D2N2 LEP or The Food and Drink Forum.

1 OVERVIEW OF UK FOOD AND DRINK INDUSTRY AND COMPETITIVE LANDSCAPE

- The UK food and drink industry is a significant element of the economy, especially when considering its supply-chain components from imports, agriculture and manufacturing through to retailing, foodservice and exports. The agri-food sector contributed **£96.3 billion or 7.4% to national Gross Value Added** in 2011, and **3.3 million or 14% of national employment** in 2013 (DEFRA, 2013). Through the recent recession, **food and drink manufacturing was the sector that reduced its output the least and has returned to pre-recession output levels the fastest** (IFM, 2010).

- The UK food and drink industry is globally connected:
    - In 2012, **24 countries together accounted for 90% of UK food supply. Just over half of this (53%) was supplied domestically from within the UK** (DEFRA, 2013).
    - Between 2000 and 2010 exports of both lightly and highly processed food products have risen by approximately 15%, showing a strong demand for UK products abroad (IFM, 2010). **Exports grew by 5% to £12.8bn in 2013**, with non-EU markets expanding 11.5% and outperforming EU growth of 3%. (Food and Drink Federation - UK Exports, 2014).
    - The increasing globalisation of production as well as the availability of cheap labour or higher production efficiencies in foreign countries means that **competition is also liable to increase in both domestic and export markets**.

- The industry is dominated by the UK food retailing industry, which, by definition, has consumers as its only buyers who often cite price and location as their main criterion for selecting a food retailer. The very high concentration of buying power in the hands of the retailers alongside the low switching costs and a relatively low level of product differentiation means that if one supplier does not fulfil their requirements, it is easy to find another to take its place. **Therefore, there is a strong incentive for food and drink manufacturers and suppliers of agricultural products to meet even the most stringent requirements for quality and especially price** (Datamonitor, 2007).

- The foodservice industry also plays a dominant role in the food and drink industry. Again, strong buying power held by foodservice operators and their customers, such as hospitals or large pub chains, alongside the lack of switching costs and low-margin returns mean **food and drink suppliers' focus is on providing good quality food at low prices** (Datamonitor, 2007).

- The recent squeeze on consumer spending, rising commodity prices and increased retailer competition has meant reduced profit margins as well as increased merger and acquisition activity for food and drink manufacturers and suppliers. **Average operating margins across the largest 150 food and drink companies have fallen to a 14 year low of just 5.8%** (BDO, 2013).

- **Innovation is a key strength of the food and drink industry** and accounts for over 4% of the total R&D spend reported in the annual R&D Scoreboard (IFM, 2010). Due to the highly competitive nature of the industry, there are over 1,500 new products introduced each quarter. This mix of product and process innovation is a core strength of the sector.

- **The food and drink sector could contribute significantly to future sustainable growth in the UK.** Due to its size, direct links to health outcomes and its impact on emissions from production and logistics, the food and drink sector should be a strategic focus of public and private action. Helping the sector to improve its trade balance, continue to invest in innovation and through supporting new low impact production technologies should be key public goals to retain a high value sector with significant social and environmental impacts (IFM, 2010).

2 KEY INDUSTRY CHALLENGES

- **The industry suffers from a poor image against other career choices due to the perception that jobs are related to manual work in factories and on farms, which are low-paid and hours are long.** Contrary to these common perceptions, however, the weekly earnings of employees in the food and drink manufacturing are above those of the economy as a whole and job tenure appears to be over nine years on average for employees of food and drink manufacturers with only 6% temporary workers (IFM, 2010). However, the poor perception of the industry means there is difficulty in attracting young and talented people. In the East Midlands, there are substantial skills gaps, especially in Machine Operatives and Managerial positions, and training requirements for Lean Manufacturing and Leadership Management (Improve, 2010). Importantly, there is a significant shortage of food science/technologists and production engineers that are crucial for future innovation and industry survival.

- **The industry is highly regulated** both by Government, via the Food Standards Agency, as well as through self-imposed food standards, such as through the British Retail Consortium, that ensure food safety and hygiene, product labelling, supply-chain traceability, animal welfare, food quality. Regulations and standards are set to increase due to recent supply-chain contamination issues ("horse gate"), placing more pressure on food and drink businesses across the supply-chain to ensure compliance. Furthermore, the lack of food science and technical skills means start-up businesses find it difficult to meet regulations effectively.

- The **UK food and drink industry is particularly sensitive to increases in global food prices**. This sensitivity has been evident over the past few years and especially in 2007/2008 during the global wheat drought and accompanying rises in oil prices. **Food prices rose 22% in the UK between 2007 and 2013 while rising only 12% in Germany and 13% in France** (DEFRA, 2013).

- Furthermore, food prices are a factor considered within food security where consumers have access to **affordable**, nutritional and safe food. UK households in decile 1 (lowest income group) spent 22% more on food in 2012 than in 2007. **Food is the largest item of household expenditure (16.6% of income) for low income households**, after housing, fuel and power in 2012 (DEFRA, Family Food 2012, 2012).

- The industry has made improvements regarding environmental sustainability and the low carbon agenda. However, there are still **significant opportunities for the industry to reduce green house emissions and waste as well as make better use of natural resources, energy and especially water**. The Institute of Grocery Distribution quotes DEFRA statistics, stating the UK food chain is responsible for 18% of UK GHG emissions, 14% of energy consumption by UK businesses, 25% of all HGV vehicle kilometres in the UK and over 50% of packaging entering UK waste streams (IGD).

- **Food and drink supply-chains are extremely complex**. Rural agricultural produce can take various downstream channels and permutations of intermediaries, such as commodity markets, primary processors, secondary processors, marketing agencies and so on, before eventually being supplied to the consumer. This complexity often imposes supply-chain barriers between farmers and commercial opportunities further downstream, such as offered by manufacturers and retailers.

- **The industry plays a significant role in the health and wellbeing of the population**, as processed foods are contributors to obesity, heart disease and other medical conditions. Sodium intake, for example, continued on a downward trend to 2.74 g/person/day in 2011 but is still above the SACN7 recommendation of 2.40g of sodium including table salt (DEFRA, Food Statistics Pocketbook 2013, 2013). A sugar tax may be introduced to curb obesity rates, as recommended by Dame Sally Davies the chief medical officer for England, if manufacturers do not reformulate their products (BBC, 2014). Importantly, the UK has become a leading source of new foods with health propositions. In 2007 36% of new health product launches in the European Union originated in the UK.

3 D2N2 FOOD AND DRINK INDUSTRY

- The D2N2 area has **a strong agricultural and manufacturing pedigree**. Food products manufactured in the area have been driven by landscape and the historical agricultural output in each county. Derbyshire's hilly terrain, especially across the Peak District, lends itself to livestock and especially lamb production. Additionally, the availability of water containing a high proportion of dissolved salts has also meant this area is prominent in craft beer and real ale production. Nottinghamshire's relatively flat land and rich soil has led to mixed farming and a diverse range of agricultural and manufactured products, from fresh and arable farm produce through to dairy products, craft beers, ethnic foods and a wide range of meat products.

- **There are strong export opportunities for the area**, as UKTI is supporting the export potential for dairy and craft beer products as well as meats and ciders. Protected Designated of Origin (PDO) status of Stilton Cheese (White and Blue) offers protection of where product is manufactured with local producers including Cropwell Bishop Creamery and Colston Bassett Dairy. The area has a significant concentration of craft beer breweries, including Thornbridge, Amber Ales, Peak Ales, Blue Monkey, Leatherbritches, Buxton and Castle Rock to name only a few.

- Both counties posses a **diverse and high number of entrepreneurial SME manufacturers**. There are 217 manufacturers in Derbyshire and 185 in Nottinghamshire according the MINT database in 2013. It should be noted that the higher number of businesses in Derbyshire is due to the larger number of micro 'lifestyle' businesses. There are also large enterprise manufacturers in the D2N2 area, such as Thorntons (chocolate) and S&A Foods (Indian ready meals).

- **Manufacturing of food and drink is an important sector for the D2N2 economy, employing over 16,000**. It is particularly important for a number of the local areas, particularly the Peak District , Newark & Sherwood, Bassetlaw and Amber Valley, and especially in rural areas because of links to D2N2's agricultural base. The sector is also relatively productive in the D2N2 economy with output per full-time employee estimated to be 5.5% higher than the sector in the UK overall (Labour Market Observatory, 2014). It is estimated that the **total labour force in agriculture is 10,633** in the D2N2 area.

- **Local businesses benefit from distribution advantages** provided by excellent motorway connectivity, namely via the M1, and **closeness to its end-customer**, the consumer, which is concentrated in the South East of the UK.

- Both the University of Nottingham and Nottingham Trent University provide specific **food and drink research and innovation support to both agriculture and manufacturing businesses**. Additionally, there is a strong presence of innovation food ingredient suppliers, such as Flavour Base Sauce Company and Emminate, which are key contributors to manufacturing innovations. **Businesses in the area also benefit from the Food and Drink Innovation Network (iNet)** that supports food and drink manufacturers with innovation and grant funding. The model and mechanism of engagement and project delivery has been highly valued by businesses. Additionally, the aforementioned universities and University of Derby are able to provide innovation and business support across a wide range of non-food subject matters.

- There are **a number of colleges in the D2N2 area that provide skills training for food and drink businesses**, including West Nottingham College, New College Nottingham and Derby College. Additionally, The School of Artisan Food provides a range of short courses and a one year advanced diploma that are aimed to expand knowledge about food production.

- **The area offers strong inward investment opportunities** due to the availability of skilled labour, good distribution connections, excellent innovation support, close proximity to consumers and relatively cheap land for new production facilities or capital expansion.

4 LOCAL INDUSTRY ENGAGEMENT

- **Engagement with industry has been made along the supply chain**, from agri-food businesses (farmers), manufacturers and catering, hospitality and retail (CHR) businesses. These businesses are dispersed across the D2N2 area and reflect the importance of both the rural and urban economies to the food and drink industry as well as the historical links between farming and food production. Summary notes from focus groups and interviews can be found in Appendices D, E and F.

- Defining growth barriers and areas of opportunity followed best practise guidance defined by the 'Research on Understanding Localised Policy Interventions in Business Support and Skills' report (BIS, 2013) and from the 'Final Evaluation of Yorkshire Forward's Food and Drink Investment Programme' (MTL, 2011). The research **ensured considerable preparatory work, business engagement and learning from previous interventions**.

- The majority of engagement was conducted through a number of focus groups with each core element of the supply-chain, namely agriculture, manufacturing and catering, hospitality and retail (CHR). Information gathered was augmented with one-to-one interviews held with individual businesses.

- The information gathered was then analysed to seek common issues and themed recommendations that could be supported by D2N2. Businesses' suggested areas of support are also provided for each recommendation. These themes are:
    - Supporting the Food and Drink Industry
    - Increasing Skills Levels and Improving the Long Term Attractiveness of the Industry
    - Innovation, Knowledge Transfer and Food Specialist Mentoring
    - Productivity and the Low Carbon Agenda

- Expectations for growth are primarily sourced from the industry's ability to up-skill its workforce in order to innovate and become more efficient and environmentally sustainable in order to compete in a global environment.

5 THEME A: SUPPORTING THE FOOD AND DRINK INDUSTRY

- The availability of food grade manufacturing premises for both start-up and growing businesses is lacking but critical to the success of the local industry. The cost and time associated with the conversion of standard business units to food grade premises is significant, prohibitive and, importantly, draws financial investment away from growth activities, such as New Product Development (NPD) and business development.

- It was specifically suggested that food grade premises are required in Derbyshire to cluster and enable the significant number of micro and lifestyle businesses to access suitable premises to enable growth. Such premises could also be used by farm diversification businesses in the area.

- Information about available food grade premises is poor. It was suggested a database of available premises should be maintained to enable communication to industry and to inward investors so that the process of finding new premises is made easier.

- The development of a shared-user bottling facility was suggested for the craft brewery industry, as such services are not available locally. The facility could act as a business hub, providing training and access to support as well as facilitating the buying of common raw materials.

- Finally, the need for shared storage facilities for various temperature regimes at Southglade Food Park was recommended. This would allow space to be freed up for additional production capacity as well as reducing logistics costs for existing businesses.

Key Recommendation 1: Increase the availability of food grade premises and facilities for start-up and SME businesses

- *Conduct need and demand study for food grade premises, especially in Derbyshire, for manufacturers and farm diversifications;*
- *Conduct need and demand study for 'grow on space' for established SMEs looking to expand, including locations at Enterprise Zones in or near to D2N2;*
- *Examine the case for shared storage space at Southglade Food Park;*
- *Develop and maintain a database of available food grade premises across the D2N2 area;*
- *Examine the case for and growth potential from a shared bottling facility that also provides access to training and innovation services for the craft brewery industry;*
- *Invest in food grade premises, as defined by need and demand studies.*

Case Study: Southglade Food Park, Nottingham

The D2N2 area has benefitted significantly from Southglade Food Park, a flagship multi-million pound scheme offering food and drink companies a unique setting in which to develop. It was one of the first public / private food parks to be built and has been an exemplar for other food parks developed and being developed across the country. It provides high quality food manufacturing space with purpose-built units, enabling new and innovative food businesses to start up and grow. Southglade Food Park was opened in 2005, with the build and first three years of operation being funded by the East Midlands Development Agency, the European Regional Development Fund and Nottingham City Council. Since then the park has been self sustaining.

The Business Centre Facilities at Southglade Food Park and provide practical, affordable conference facilities for tenant businesses. The Food Park is based minutes away from M1 Motorway, making it a convenient place from which to distribute. The Forum offices are based on the park, enabling staff to always on hand to provide quality business and technical support. The Food Park has also been the focal point of delivery of business support activity, including the successful Food and Drink iNet project that supports and grant funds businesses' innovation needs. Nottingham City Council has announced support for the extension by agreeing to pay £1.67 million of the £6 million expansion plan.

SOUTHGLADE FOOD PARK

- Manufacturers and CHR businesses indicated that planning applications are complex and very time consuming and, in some cases, grant funding was being jeopardised by the delays in the process. National policy, through D2N2 Better Business for All, focuses on reducing red tape and the next phase will be to look at smoothing the process around planning applications and consent. However, some respondents mentioned local difficulties in the planning process to enable growth through the building of new or extended manufacturing facilities.

- The Craft Brewery focus group also highlighted that local Environmental Health Officers, who vet food hygiene standards, do not have a full understanding of food manufacturing processes and often apply rules and regulations that are not applicable and which often stifle business growth. Better understanding of the industry and business premises requirements, production processes and food regulations could contribute to growth.

- The Agri-Food focus groups specifically identified environmental sustainability as important to the industry but that planning permission and consent is the main barrier to the implementation of environmental projects. Planning applications are extremely onerous and time consuming with outcomes often complex and confusing.

Key Recommendation 2: Improve local authority planning application processes and understanding of food manufacturing, making them more efficient and conducive to business growth

- *Reduce planning application barriers and red tape to increase the take up of new environmental technologies and products;*
- *Provide support to businesses seeking to build or extend premises to alleviate complexity and cost when seeking planning permission;*
- *Improve local authority departments' understanding of food manufacturers' operations through training to facilitate efficient planning consent and better application of food regulations.*

- All focus groups raised concerns about regarding the intermittent availability of both broadband and mobile phone coverage. Businesses recognised the need for reliable broadband and mobile connectivity not only to operate but grow their businesses successfully.

- Today's businesses expect fast broadband to be available so as to enable communications, sales, business transactions, marketing and social media to connect with consumers as well as understand consumer buying habits and trends. CHR businesses also use fast broadband to attract customers through wifi availability.

- Businesses have experienced very poor mobile phone coverage that has hindered business operations. One business was without mobile phone coverage for 4 consecutive days. Services are particularly poor across Derbyshire with indications that some phone masts have been removed due to the mergers of mobile networks.

- There were also concerns that the Government's target to provide a minimum 90% of the UK with superfast broadband by 2015 means that businesses located in rural areas of D2N2 will be the 10% than do not benefit from investment. It should be noted here, however, the D2N2 Local Authorities are confident that coverage will be greater than 95% and that community solutions are currently being investigated by D2N2.

Key Recommendation 3: Champion Businesses' Access to Fast Broadband and Improve Mobile Phone Coverage

- *Engage with Government and UK service providers, representing industry need for fast broadband connectivity, especially in rural areas, and appropriate levels of mobile phone coverage;*
- *Examine financial support to facilitate fast broadband connectivity for the 10% of rural businesses disadvantaged under national schemes, e.g. Finance fibre optic to local exchange or linking with Business Broadband Champions that are available in Derbyshire.*

- Manufacturers were particularly concerned about road links that connect to the motorway network, especially the M1, which enable efficient distribution and high service levels to the customers. Concerns were raised about the state of repair of key roads and especially in Derbyshire and during winter and snowy periods.

- It was noted that several businesses were looking to relocate to enable expansion but motorway access, or lack thereof, is a significant consideration when looking for new sites or premises. This issue, therefore, would also be a decision factor for inward investors to the D2N2 area as well as for any new food grade premises developed by D2N2.

Key Recommendation 4: Repair damaged roads to ensure access to the M1 that ensure customer service levels are not affected

- The main barriers to growth identified through CHR focus groups related to relationships with local councils across a number of different subject areas. Manufacturing businesses also highlighted various concerns.

- CHR businesses identified the poor state and reputation of city centres. City centres are scruffy due to litter, have poor lighting as well as unkempt and boarded-up shops. This is especially true around tourist access points, such as train stations.

- The lack of nearby parking due to pedestrianisation and parking charges are perceived by CHR businesses to be turning customers away to out-of-town shopping centres that are easier to access and provide free parking. Additionally, some Nottingham manufacturing businesses have highlighted that parking levies have led to increased street parking near their premises that causes access issues for HGVs and deliveries to their customers.

- CHR businesses believe that the application of business rates is not supporting small and independent businesses in comparison to large chains.

- CHR businesses noted that Environmental Health Officers (EHO) do not provide adequate advice regarding food hygiene standards. Also, the relationship between the businesses owner/manager and the EHO can affect the score given.

Key Recommendation 5: Improve the relationship between CHR and manufacturing businesses and local authorities and seek ways to encourage growth in town and city centres

- *Examine parking availability and charges to encourage customers back to town and city centres. Ensure dialogue between councils and manufacturers affected by parking near their premises to ensure safe access for HGVs;*
- *Examine ways to improve the presentation of city and town areas and access roads where CHR businesses reside (e.g. Grants, alleviating business rate, street champions);*
- *Examining ways to exchange reductions in business rates to support growth via training, encouraging waste recycling and improving the presentation of town and city centres;*
- *Recommend that Better Business For All (BBFA) provide additional support to businesses regarding the Food Hygiene Rating Scheme via Local Authorities.*

- Issues regarding access to finance, grants and business support were raised by all focus groups. Their main issue was the need for much simpler and less time consuming grant funding application processes. Importantly, the level of cash-flow needed to facilitate defrayment of public funds makes it difficult for micro-businesses to access funds.

- Agri-food businesses stated that support is difficult to access by those that are in dispersed and rural areas and that the timing of support is also crucial, as small holdings generally have little time available during the working day. Finally, there is a perception of unfairness in that public support and grants have focused on collaborative projects that achieve more outputs (e.g. business assists) rather than the potential commercial and economic success of individual projects.

- Manufacturing businesses indicated that larger SMEs need finance for capital investment to enable production up-scaling or efficiency improvements and allow them to compete on quality and price. However, historically there has been little available through the public sector for investments over £40k.

Key Recommendation 6: Fair Access to Grants and Business Support

- *Simplify the mechanisms to apply for funds so they are less time consuming;*
- *Provide accessible (local, on-site) business support and training, especially for those businesses in dispersed rural locations or unavailable during normal working hours;*
- *Ensure fairness between collaborative and individual applications, where decisions are based on business growth and job creation and not the number of business assists;*
- *Ensure funds can be cash flowed and appropriate in size (£) by all sized businesses (staggered projects for micro and small SMEs to allow cash flowing and larger investment grants (£40k+) for larger SMEs);*
- *Where possible, ensure businesses utilise business support activity prior to seeking funds;*
- *Ensure grant funding is reflective of business size, ensuring larger business can access larger grants.*

- The food and drink industry is diverse, complex and operates across rural and urban areas. Key components, such as agri-food and manufacturing, do not integrate on industry issues as might be expected leading to a lack of synergy between activities. This is especially true regarding improving the attractiveness of the industry to young and talented people, which is discussed further on in this document.

- Best practise indicates the need for organised coordination activity for business support. A 'One Voice' approach would enable better communication, management and Strategic Added Value (SAV) for D2N2 activity across the food and drink industry. It would also create a degree of integrity, foster sign-posting and enable an ability to include wider policy context around health, environmental sustainability, education and so on.

Key Recommendation 7: Provide "One Voice" coordination of support activity to ensure SAV and ability to link in to wider policy context

- *Build upon the Skills Action Group, ensuring inclusion of all supply-chain components and delivery partners.*

6 THEME B: INCREASING SKILLS LEVELS AND IMPROVING THE LONG TERM ATTRACTIVENESS OF THE INDUSTRY

- It was very evident from local businesses that public perception of job roles in the industry is very negative along the breadth of the food and drink supply-chain, from agriculture and manufacturing through catering, hospitality and retail. There are perceptions that jobs are low paid with long working hours, are temporary jobs and not career options and are manual and low skilled roles. Additionally, the industry itself is very poor at collaborating to improve its image.

- There is a lack of industry engagement with local schools, academies and colleges that is amplified by the fact that the industry is not good at acting together to communicate the wide range of roles and career paths that are available. It was also suggested that young people are not connected to food and drink due to the removal of home economics from the curriculum and that businesses are not good at attracting talent and transferrable skills through their recruitment practises.

- The need to support career paths for young people was also recognised. Businesses indicated that young people could be better prepared for working in the industry citing the need for an improved work ethic, better numeracy and literacy skills as well as basic food hygiene qualifications. Businesses suggested that Apprenticeships could be better matched and managed to enable long term employment.

Key Recommendation 8: Improve the image and profile of the industry, raising the awareness of career opportunities in the industry along the whole food chain, to attract young and/or talented people to ensure the long term sustainability of the industry

- *Support key influencers or "champions" from manufacturing, farming and CHR businesses to communicate opportunities across the food chain, providing a common focus for outreach activity;*
- *Raise the industry image and profile through better engagement with career advisors and young people at schools, colleges and universities (esp. 17 to 19 year olds). Improve the visibility of local opportunities, career paths, pay, working conditions and job security through online and off-line materials;*
- *Seek links with national projects, such as those delivered by Improve / National Skills Academy, Food and Drink Federation and Institute of Grocery Distribution;*
- *Ensure that D2N2's intention to link with emerging plans from Lord Young to ensure schools have an Enterprise Advisor to support pupils gain a greater level of entrepreneurial skill include food and drink;*
- *Increase project work for school, college and university students (vocational activities for 16+) for both food and business related subject matters;*
- *Assist businesses develop recruitment best-practises that attract talent in-line with strategy.*

Key Recommendation 9: Support initial career paths for young people, enabling smooth transition (directly or indirectly) from school/college to higher and further education and ultimately to sector employment

- *Improve responsibility and work ethos of 16-18 through schools, colleges and academies;*
- *Develop and increase links between college, school and academy courses and employers' projects (food specific and generic) for young people;*
- *Improve the matching of apprenticeships to businesses, ensuring they have the required food hygiene, numeracy and literacy skills needed for businesses across the industry;*
- *Ensure businesses provide career opportunities to apprentices across the industry;*
- *Examine the opportunity to develop the University of Nottingham's 'Summer School' in conjunction with other FE and HE providers.*

- Poor industry image has lead to the lack of talented and young people entering the industry and widening skills gaps. This was specifically noted by manufactures regarding the extremely low intake of British students on food science degrees and the continuing lack of food technical skills available. Food technical skills are needed to handle food regulations and certifications as well as support product development and innovation.

- Business and engineering skills are also required by local industry. There is need to communicate and engage with university leavers and graduate placements to attract talent and better support them during their early careers.

Key Recommendation 10: Increase graduate intake, especially for food science, process engineering and business management

- *Develop work placements for undergraduates in local businesses, preferably providing short placements in different roles and businesses along the supply-chain to give broader experience of the industry;*
- *Attract young talent through university tours and engagement to increase graduate intake;*
- *Work with businesses to improve recruitment process and job advertisement to improve the uptake of talented graduates (esp. food science and process engineering);*
- *Developing 'fast track' career opportunities for talented graduates (esp. food science and process engineering).*

- The agri-food and manufacturing businesses recognised the need to improve senior management skills across a number of areas, including strategy, marketing and sales as well as lean production. Better leadership and management skills are required to implement new strategies and successfully realise business development plans as well as handle future food industry issues, such as those currently posed by water, energy, waste and recycling.

- Businesses indicated that skills improvements are also required at middle and lower management to reflect those gained at a senior level in order to ensure delivery of strategic plans. Similar skills are needed at this level but also included motivational skills, lean and performance management as well as specific referral to automation and robotics and low carbon technologies.

- Businesses recognised the knowledge transfer benefits of using industry mentors to assist with strategic developments. The opportunity to "learn from the best" (i.e. from Large Enterprises) was very much of interest.

- CHR businesses specifically recognised the benefits of better marketing and sales skills especially if provided through a mentoring approach. These mentors should have firsthand experience and knowledge of the industry to support businesses successfully.

- There are opportunities to further support high-growth companies that require a step-change in skills at all levels.

Key Recommendation 11: Improve senior management strategic capabilities, creating long term planning as well as better leadership and organisational management

- *Develop a food specific mentor programme, providing knowledge transfer of key skills required by businesses through industry experts. Specific focus on strategy requirement, including strategy, leadership, business development, marketing, lean and low carbon;*
- *Facilitate shared training and best practise activities for SMEs, especially learning from local Large Enterprises or successful SMEs;*
- *Develop and coordinate formal food-specific and high-level (for senior management) strategy, leadership and organisational behaviour courses that improves retention and development of 'home grown' skilled employees.*

Key Recommendation 12: Improve the skills levels of middle management and supervisors to enable more efficient manufacturing through lean manufacturing, automation and robotics and environmental technologies, services and management

- *Provide food specific management courses to improve efficiency and competitiveness, such as strategy, marketing, business development, motivational techniques, people management techniques, supply chain, process control and lean manufacturing;*
- *Provide programme for micro and SMEs businesses to raise the awareness between training, up-skilling, use of transferrable skills and businesses success;*

- *Develop a skills support programme for high-growth SMEs to enable fast track training for all employees.*

- Manufacturers were very vocal about their preference for in-house training and developing 'home grown talent' through their organisation. Internal courses are linked to either national standards or to a craft institute. Comments were made around the lack of availability of local high-level craft courses.

- Businesses recognised the need for best-practise sharing across a number of activities (see Theme C: Innovation, Knowledge Transfer and Food Specialist Mentoring), including training and skills development.

Key Recommendation 13: Recognise and support employer preference for in-house training that develops "home grown talent", especially for craft skills, and which match to national standards

- *Assist businesses map in-house training that offers career paths for employees, especially in craft categories (brewery, baking, butchery, cheese making etc.);*
- *Help businesses develop and utilise in-house existing training programmes to expand the range of courses provided to ensure training meets employers' long terms strategic needs (e.g. including lean manufacturing);*
- *Facilitate skills focus and action groups (e.g. butchery) to enable best-practise sharing. Communicate findings and developments as case studies to further highlight career paths in the industry;*
- *Map, identify training supply gaps and coordinate FE and HE provision that supports careers paths and complements in-house training, such as through 'bite size' short courses both on and off site.*

- Manufacturers highlighted the industry is already highly regulated and that the lack of food technical skills is being made worse following the horse meat scandal, where retailers are putting increasing demands on their suppliers. Businesses' ability to handle technical food regulations is made worse by the extremely low number of UK students undertaking food science degrees, as previously described.

- Although larger manufacturers have food technical skills in house, SMEs utilise expertise or support from local universities and organisations such as The Food and Drink Forum. Additionally, management training on food standards and product development in the form of short courses would assist businesses access timely training. Access to food start-up and enterprise courses, such as those delivered historically by the Food and Drink Forum and which include basic food hygiene, would improve the sustainability of start-up and micro businesses.

Key Recommendation 14: Increase Availability and Access to Food Technical / Production Up-scaling Courses for Start-up, Micro and SME Businesses

- *Develop food start-up and enterprise courses to provide key skills for entrepreneurs or socially excluded people to start and develop successful food manufacturing businesses. Courses should be timely and accessible ("bite size"), with emphasis on product development and food standards;*
- *Increase availability of technical support and training;*
- *Specific sector support and training to enable realisation of new ideas and innovations.*

7 THEME C: INNOVATION, KNOWLEDGE TRANSFER AND FOOD SPECIALIST MENTORING

- Agri-food businesses identified the lack and quality of Knowledge Transfer (KT), 'latest thinking' and best practise sharing as key issues and cited the need for reliable and honest research that is translated into practical information. Several examples of best practise projects provided by the English Beef and Lamb Executive (EBLEX) were noted that good shared best practise through networking, group training and development. AgriFood Advanced Training Partnerships (AATPs) provided through the University of Nottingham were also noted as highly beneficial to the industry but which could be used more by industry.

- Agri-food businesses and manufacturers identified a specific lack of best practise guidance about low carbon and environmental sustainability as well as other subjects such as automation and robotics. These areas of support are vital for the sustainability of the industry by ensure an efficient and competitive industry.

Key Recommendation 15: Increase and improve accessibility to best-practise knowledge (KT) for agri-food producers (farmers) and manufacturers, guiding businesses to be more efficient and environmentally sustainable

- *Develop online facility to deploy simple and practical guides of current research / thinking to farmers, focusing of efficiency and environmental sustainability;*
- *Establish best-practise networks and training groups, focusing of efficiency and environmental sustainability, and, where possible, building on existing and successful provision, e.g. Live to Dead EBLEX projects.*

Key Recommendation 16: Increase use of KTPs and ATPs by the industry

- *Improve KTP offer from Universities, which are not currently viable due to cost and the need for shorter support periods.*

- Supply-chain opportunities were identified by both manufacturers and agri-food businesses. Supply chain collaboration support could, for example, be utilised to actively engage livestock and fresh produce with local manufacturers and end customers. End customers include businesses in the retail and foodservice sectors as well as public sector organisations such as local authorities, schools and hospitals. Best practise found in previous interventions highlight the benefits of supply chain development (MTL, 2011).

Key Recommendation 17: Provide collaborative supply-chain development initiatives

- *Develop initiatives to connect farmers and manufacturers, identifying new markets, improving sustainability, efficiencies and skills;*
- *Develop initiatives to create collaborative approaches to public sector procurement to enable businesses to access school, local authority and hospital contracts.*

- Manufacturers and CHR businesses indicated the need for mentors to support on sales, business development and marketing at a strategic level to assist access new markets and encourage growth. Although formal training courses are needed, as per Theme B, the use of industry mentors brings firsthand knowledge, business connections, different viewpoints and an ability to reflect on business strategy and objectives that avoid costly pitfalls. Mentors and supply-chain development support could facilitate increased linkages between agri-food and manufacturing businesses.

- Agri-food businesses recognised the need and increased use of social media marketing but cited the lack internal skills as well as time and access to relevant training. The need to attract young people with these skills is critical in bridging these skills gaps. Social media and other technology innovations are important for consumer facing manufacturers, such as those produced by craft breweries, to understand consumer trends and buying habits. However, most manufacturers deal direct with retailers and wholesalers and are therefore not consumer facing with less requirement for social media.

- Local dairy, cheese producers and craft brewers have a significant opportunity to increase exports, which reflect UKTI's focus on these categories, although there is still need to attract local and national customers.

Key Recommendation 18: Improve agri-food, manufacturer and CHR marketing capabilities, developing strategies that enable access to new markets at home and abroad (exporting)

- *Develop food specialist marketing and social media mentoring programmes (ie industry experts) for manufacturing and CHR SMEs to enable transfer of expertise, facilitate industry connections and guide on strategy;*
- *Provide small grants to enable better marketing capabilities, especially through online and social media as well as 'internationalising' web sites;*
- *Facilitate networking and focus group activities to share best practise and identify growth opportunities, e.g. Dairy and craft brewery, cider, spirit and meats exporting;*

- Manufacturers recognised the importance of previous and current iNet support, describing the continued need for an intermediary between business and academia to help enable engagement and reduce confusion. The iNet also authorises and dispenses vital innovation grants to businesses to assist them on to the innovation ladder. The process of authorisation also acts to sift applications and projects likely to fail and avoids unnecessary investment.

- The iNet could be developed to address other innovation needs, such as assisting businesses lower the sugar content in product and facilitating innovation that complements businesses' long term strategies so that they are able to keep ahead and meet customer needs at the right price. It could also strengthen support around the low carbon agenda, again helping businesses be efficient and meet needs at the right price.

Key Recommendation 19: Continue the proven success of iNet support and grant assistance to engage with and help manufacturers innovate

- *Develop new collaborative projects that focus on ingredients/raw materials and especially those that help manufacturers develop low-sugar products;*
- *Include innovation support around the low carbon agenda;*
- *Develop Innovation Support Grants more are more reflective of the size of business supported, i.e. Larger grants for larger businesses etc.*
- *Examine the need for agri-food and manufacturer supply-chain development programmes, connection farm output to manufacturers.*

8 THEME D: PRODUCTIVITY AND THE LOW CARBON AGENDA

- Agri-food businesses recognised the importance of low carbon agenda and environmental sustainability in the industry as a method to become more efficient and productive. There is need to increase adoption of technologies, services and practises by businesses, with awareness raising and best practise support described as methods to induce improvements. However, an honest and holistic approach to support is required in order to maximise benefits and minimise impacts on other environmental projects. Agri-food businesses raised special concern for the use of water in terms of capture, distribution, management and use. The fresh produce sector believes it has strong green credentials in comparison to imported produce but requires evidence to prove this to its customer base.

- Similar views regarding the importance of the low carbon agenda and environmental sustainability were held by manufacturers. Additionally, they noted that retailers and public sector procurement contracts, such as for schools and hospitals, are expecting increased environmental assurance from suppliers and manufacturers. However, it was recognised that different sized businesses working in different product categories would require different technologies or innovations and that support should reflect this. Getting started on the environmental ladder is difficult, as some accreditation schemes are too complex to implement.

- CHR businesses raised concerns over the increasing costs for energy (gas and electricity) and water, especially when considering they are general micro or small business. There is need to assist these business assess and select suppliers to ensure they get beneficial rates. Waste and recycling costs are also considered expensive, especially for small independent businesses.

Key Recommendation 20: Enable the food and drink industry to understand and adopt low carbon and environmentally sustainable products, services and best practises that improve efficiency, productivity and environmental credibility

- *Provide access to 'first step' environmental certification to businesses, especially to enable manufacturers to access public procurement contracts (NHS, schools and local authorities), such as through NEP's iiE initiative;*
- *Develop mechanisms to communicate the commercial advantages delivered though low carbon technologies, services and practises as well as more efficient production technologies, automation and robotics, including dissemination at events, case studies and via multi-marketing channels. Link to existing national, local and university support;*
- *Assist agri-food businesses develop environmental sustainability plans and projects, ensuring projects are considered on a holistic basis and do not impact negatively on each other, through honest brokerage;*
- *Assist the fresh produce sector to confirm its environmental credentials compared to imported product through research;*
- *Provide CHR and manufacturing businesses with support reduce costs through utility bill assessments and switching of suppliers.*

- Manufacturers indicated that investment in energy efficient plant and equipment gives a real opportunity for the industry to be more efficient and competitive. Although some manufacturers must use traditional 'craft' production techniques, there are still opportunities to improve efficiency by using less resources and improving resource recovery, such as installing Cleaning In Place (CIP) systems in craft breweries. Opportunities may arise from many areas, including energy efficiency, recycling and energy production, but, in any all cases, pay back periods are always a consideration and often a barrier to adoption. It was suggested that existing support mechanisms, such as the iNet, could be tailored to deliver on the sustainability agenda.

- Agri-food businesses also suggested diversification investments could be made using the low carbon agenda, such as in glass houses that are attached to anaerobic digesters or power stations and through which heat and CO2 are available for growing. Shared user storage facilities for the fresh produce sector were also identified a potential investments.

Key Recommendation 21: Enable SMEs in the food and drink industry to de-risk investment in efficient plant and machinery, including automation and robotics, to facilitate 'short payback periods' and especially those which enable adoption of low carbon, environmentally sustainable technologies and services

- *Identify and define key low carbon technologies, services or practises to enable 'larger' SMEs from agri-food (farmers) and manufacturing to support the low-carbon agenda (must provide short payback period), e.g. CIP systems for brewers, examining uses of bio-waste or water saving technologies for farmers. Develop grant and finance support to encourage adoption and de-risk investment;*
- *Develop innovation support mechanism similar to F&D iNet to enable 'smaller' SMEs from manufacturing and agri-food to take up low carbon and environmentally sustainable projects.*

- Manufacturers and especially craft brewers recognised the need to improve the way goods are transported to customers, with the potential to collaborate on distribution through shared services and reduce costs. There are also opportunities to investigate improvements through support available from local universities, such as using route planning software to optimise distribution.

- Arable agri-food business noted that there has been significant change in the supply chain due to the arrival of the energy crop customer. Arable farmers are growing more bio-fuel crops, which leads to less food crops being produced. This could potentially lead to food price increases for consumers across a number of food categories. It was suggested that collaborative approaches to optimise logistics efficiencies through better communications and route planning would reduce carbon emissions, help meet customer specification and negate food price increases.

Key Recommendation 22: Encourage the efficient distribution of goods

- *Develop collaborative approaches to distribution of goods for different categories, such as craft beers, and for exporting;*
- *Increase the use of route-planning software to optimise routes and fleet numbers for businesses across both agri-food and manufacturing businesses.*

APPENDIX A: LIST OF CONTRIBUTING BUSINESSES

Company Name	
Amber Ales	JW Mettrick & Son
Annie's Burger Shack	Land Locked Brewery Co
Applied Poultry	Leatherbritches Brewery
Arable Alliance	Luke Evans
B&J Parr	McArtneys Wine Bar
Bagshaws Auctioneers Bakewell Market	Mike Maloney Country Butchers and Bakers Ltd
Bitesize Catering	Millside Barrowcliffe
Bluebell Dairy Ltd.	Moonshine
Bridge Inn	Murphy & Son Ltd
British Growers Association	Naish Farms
Butt Foods Limited	NCN
Cake & Biscuit	NEP
Camgrain	NFU
Cropwell Bishop Creamery	Northern Tea Merchants
Deli Conti Food Service	Openfield
Eminate	Owen Taylor & Sons Ltd
F&DiNet	Peak Ales The Barn Brewery
Farming Life Centre Manager	Peak District Authority
FH Sargent & Son (Baldfields Farm)	Peak District National Park Authority
Flagg Hall Farm	Raviva Drinks (Gold Crest Trading)
Fraser Brown Solicitors	RE Howard & Sons
Fresh Growers	Roast Event
Ghar Ka Khana	So Smoothies
GHW Dakin & Son	Strawsons Energy
Gonalston Farm Shop	The Flavour Base Sauce Company Limited
Gourmet Express	Thornbridge Brewery
Grange Farm	Topley Head Farm
HASSOP	Upper Booth Farm
Hope Valley	Well Agriculture
J & JB Dalton	West Notts College
Jack Rabbits	Woodborough Park
John R Wells	

APPENDIX B: SUMMARY OF KEY RECOMMENDATIONS

Themes	Ref	Key Recommendations
A: Supporting the Food and Drink Industry	1	Increase the availability of food grade premises and facilities for start-up and SME businesses
	2	Improve local authority planning application processes and understanding of food manufacturing, making them more efficient and conducive to business growth
	3	Champion Businesses' Access to Fast Broadband and Improve Mobile Phone Coverage
	4	Maintain and ensure access to key distribution roads and especially the M1 to ensure customer service levels are not affected
	5	Improve the relationship between CHR and manufacturing businesses and local authorities and seek ways to encourage growth in town and city centres
	6	Fair Access to Grants and Business Support
	7	Provide "One Voice" coordination of industry support activity to ensure strategic added value and ability to dock in to wider policy context
B: Increasing Skills Levels and Improving the Long Term Attractiveness of the Industry	8	Improve the image and profile of the industry, raising the awareness of career opportunities in the industry along the whole food chain, to attract young and/or talented people to ensure the long term sustainability of the industry.
	9	Support initial career paths for young people, enabling smooth transition (directly or indirectly) from school/college to higher and further education and ultimately to sector employment
	10	Increase graduate intake, especially for food science, process engineering and business management
	11	Improve senior management strategic capabilities, creating long term planning as well as better leadership and organisational management
	12	Improve the skills levels of middle management and supervisors to enable more efficient manufacturing through lean manufacturing, automation and robotics and environmental technologies, services and management
	13	Recognise and support employer preference for in-house training that develops "home grown talent", especially for craft skills, and which match to national standards
	14	Increase Availability and Access to Food Technical / Production Up-scaling Courses for Start-up, Micro and SME Businesses
3: Innovation, Knowledge Transfer and Food Specialist Mentoring	15	Increase and improve accessibility to best-practise knowledge (KT) for agri-food producers (farmers) and manufacturers, guiding businesses to be more efficient and environmentally sustainable
	16	Increase use of KTPs and ATPs by the industry
	17	Provide collaborative supply-chain development initiatives
	18	Improve agri-food, manufacturer and CHR marketing capabilities, developing strategies that enable access to new markets at home and abroad (exporting)
	19	Continue the proven success of iNet support and grant assistance to engage with and help businesses innovate
D: Improving Productivity through the Low Carbon Agenda	20	Enable the food and drink industry understand and adopt low carbon and environmentally sustainable products, services and best practises that improve efficiency, productivity and environmental credibility
	21	Enable SMEs in the food and drink industry to de-risk investment in efficient plant and machinery, including automation and robotics, to facilitate 'short payback periods' and especially those which enable adoption of low carbon, environmentally sustainable technologies and services
	22	Encourage the efficient distribution of goods