



Case Study - Scottish Government Programming for Smart and Competitive Supply Chains

Introduction

The Scottish Government uses a number of measures both within and outwith the Scottish Rural Development Programme (SRDP) as supported by EAFRD funding to develop smart and competitive supply chains. The SRDP allocates 91.2 million euros to improve the integration of primary producers into the agri-food chains (Focus Area 3A).

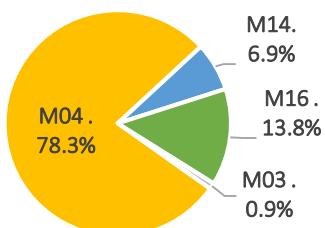
The strategic orientation of the SRDP aims to support investment in physical assets (dedicating 78% of the allocated funding) in combination with support to projects to improve animal welfare (SRDP Measure 14) and to support cooperation among the supply chain stakeholders (SRDP Measure 16). The integration of agri-food actors into quality schemes for agricultural products and food is also supported by the programme.

At the outset of the programming period, the SRDP would have supported 15.5% of the Scottish agricultural holdings for participating in quality schemes, local markets and short supply circuits, and producer groups/organisations.

In the analysis for Focus Area 3A, the needs were identified as follows:

- Continue to develop the reputation of Scotland as a land of food and drink
- Improve co-operation in the food and drink sector to shorten supply chains

FA 3A in Scotland - Intervention logic
Agri-food chain integration & quality



The actions to deliver this were seen as follows:

- Measure 4 will allow support for businesses to contribute towards sustainable economic growth
- Measure 16 will complement this by increasing cooperation and developing integrated supply chains
- Although not programmed as part of FA3A, measures 1 and 2 will complement this to allow advice, training, skills development and knowledge transfer throughout the supply chain.

Policy Framework

How is the supply chain supported at regional / national level?

The framework for the support of the food and drink supply chain is under the Scottish Government's Food & Drink Policy. There was a desire to support food and drink businesses which was combined a recognised need to grow the sustainability, reputation and the focus on health for Scottish food and drink products – public food and export markets being target sectors. The policy was consulted upon, and devised first of all with a focus on food and drink producers in 2009, under the title 'Recipe for Success'.

The policy was revised in 2014, under the heading 'Becoming a Good Food Nation', which refocused the policy direction towards health and consumers. Health had been a key component in consultation responses, and despite Scotland enjoying a high reputation for the quality of produce available both domestically and overseas, Scotland has a poor dietary reputation, with high incidence of cancer and heart disease.

A proposed 2025 vision for what Scotland as a country should be aiming to achieve:

- Plans for a Food Commission and local champions to drive change.
- Proposed priority areas such as food in the public sector, children's food and local food.
- A commitment to a variety of approaches, including strong community engagement and celebration of Scotland's food and drink.

This provides the framework for the food and drink industry, under the umbrella grouping of Scotland Food & Drink to take forward actions.

Although the policy does not make explicit reference to rural areas, this is implied as 70% of Scotland is in the category 'remote rural'



Food & Drink Policy – Key aspirations

- It is the norm for Scots to take a keen interest in their food, knowing what constitutes good food, valuing it and seeking it out whenever they can.
- People who serve and sell food – from schools to hospitals, retailers, cafes and restaurants – are committed to serving and selling good food.
- Everyone in Scotland has ready access to the healthy, nutritious food they need.
- Dietary-related diseases are in decline, as is the environmental impact of our food consumption.
- Scottish producers ensure that what they produce is increasingly healthy and environmentally sound.
- Food companies are a thriving feature of the economy and places where people want to work
- Other countries look to Scotland to learn how to become a 'Good Food Nation'

<http://www.gov.scot/Topics/Business-Industry/Food-Industry/national-strategy>

The organisation is a membership body which acts as an umbrella organisation for the whole food and drink industry in Scotland. All the stakeholders are members, together with food and drink companies, and support is also delivered by the Scottish Government for delivery of key services to the industry.

The specific services that are offered throughout the supply chain are supported by different funding types within Scotland, the UK and using EU funds. The first level support received by rural beneficiaries is through advisory services, with further support delivered further along the food and drink supply chain



Systems of Support

How are rural producers supported?

Scotland Food & Drink was created in 2007 after some research conducted to examine food chain collaboration at a national level, which looked at countries such as Ireland, Denmark and New Zealand. Specific support was considered throughout the chain, and Scotland Food & Drink is a unique leadership organisation. It is supported by the Scottish Government, and tasked with growing the value of Scotland's food and drink sector to £16.5bn by 2017. It brings together many of the existing stakeholders, representative bodies and industry support bodies to agree, drive and deliver actions across all sectors of food and drink: <http://www.foodanddrink.scot/about-us/our-partners.aspx>. This ensures that support is delivered in the development of food and drink through the supply chain.

The organisation brings in a wide range of existing stakeholders:



Advisory Services, Knowledge Transfer & Innovation

What is the structure of advice / knowledge transfer activities delivered to rural supply chains

The delivery of support through the advisory service support rural development in delivering outcomes and added value. Measures 1, 2 & 16 are delivered in combination in this area.

There are two levels of support. The first is through Advisory Services to farmers supported using EAFRD funds. The farm advisory service is currently delivered by Scotland's Rural College, which links advisory services to research and education. It has 23 regional advisory services across Scotland, supplemented by specialist advisory support in areas such as dairy, beef and sheep and diversification advice:

http://www.sruc.ac.uk/info/120182/farm_diversification

In Focus Area 1(a) the needs of rural producers are addressed in the RDP through training, skills delivery and Knowledge Transfer (KT) through Measures 1 & 2 to promote uptake of best practice. Measure 16 will support Operational Groups (OGs) aiming to implement new practices, processes and techniques.

The Monitor Farm Programme https://enrd.ec.europa.eu/sites/enrd/files/uk-s-agritourism-monitor-farms-gp_web.pdf is supported through Focus Area 1(b) and measure 16, and continues to be recognised as very successful.



Food Processing, Marketing and Cooperation Grant

How are food & drink supply chain producers supported by the RDP?

The Scottish Government's Food Processing, Marketing and Co-operation (FPMC) grant scheme opened for capital-related applications in 2015. The scheme will widen to non-capital and co-operation bids later in 2015. <http://www.gov.scot/Topics/Business-Industry/Food-Industry/grant timetable>.

The scheme will plough £70 million into food and drink processing in Scotland as part of the new Scottish Rural Development Programme (SRDP) 2014-2020. The scheme supports suppliers and producers to contribute to the Scottish Government's overall vision for food and drink in Scotland.

Food & drink sector will use M4 and 16 through this grant scheme to support projects that demonstrate strong innovation elements.

This vision sees the food and drink market helping to make Scotland healthier, wealthier and smarter, with stronger communities and production that is socially and environmentally sustainable.

There will be three funding rounds per year until 2020. Selection criteria are assessed involving technical and economic assessments that will consider various aspects, such as value for money, economic and environmental benefits and the need for funding.

- All cooperation projects will involve at least 2 entities except pilot/development projects which can be carried out by individuals.



KTIF (Knowledge Transfer and Innovation Fund) has been developed using M1 and M16.1 to address innovation and will address the challenges of climate change and the environment. M16.1 will be aligned with the EIP for agricultural productivity and sustainability. The Scottish Rural Network (SRN) will provide an Innovation Brokerage Service to discuss potential projects which can potentially cut across all RDP priorities & focus areas and publicised through M2. The SRN will have close links with M19. For Focus Area 1(c) Measure 1 will provide funding for vocational training, skills development & KT.

A second level of advisory services is wholly funded by the Scottish Government, and focuses on local food advisory systems https://enrd.ec.europa.eu/sites/enrd/files/uk-s-short-chains-think-local-gp_web.pdf.

This means that there are initiatives for all farmers, crofters & rural actors involved in the food sector. There is a strong role for advisory service which will become less fragmented and will interface with key agencies & stakeholder organisations. There are expected to be very strong links between the advisory service, LEADER and the Scottish Rural Network (SRN). SRN will disseminate the learning on 1 to 1 and 1 to many.

Supply Chain Support

What support is given further along the supply chain?

Support further along the supply chain is delivered by other Scotland Food & Drink project partners. Some representative and membership bodies (such as the National Farmers Union for Scotland, QMS, HGCA, SAOS and the Scottish Food & Drink Federation) and will disseminate advice and promote food quality, cooperation and their members' interests. Others such as the Business Gateway will deliver business advice at all levels of the supply chain: <http://www.bgateway.com/>.

Specific support to food and drink supply chains is delivered by Scottish Enterprise, where food and drink is specifically supported as one of their main priorities <http://www.scottish-enterprise.com/industry-support/food-and-drink>. This is conducted through a number of arms: food waste reduction and efficiency (Zero Waste Scotland); manufacturing efficiency (Scottish Manufacturing and Advisory Service) and export (Scottish Development International). Cooperation is encouraged through Cooperation Development Scotland. Scottish Enterprise will deliver one-to-one support for larger businesses and also administer the delivery of regional funding (ERDF) across Scotland and help to support the delivery of EFSI.

Role of the Policy at Local Level

What support is delivered through LEADER?

LEADER grants are awarded by Local Action Groups to projects that support delivery of a Local Development Strategy. It is anticipated the LEADER in the 21 Local Action Groups across Scotland will fund micro and SME development while larger firms will access support in other ways.

The aim of LEADER is to increase support to local rural community and business networks to build knowledge and skills, and encourage innovation and cooperation in order to tackle local development objectives.

Local Development Strategies include specific actions for the food and drink supply chain actions that allow individuals, communities and businesses to:

- enhance rural services and facilities, including transport initiatives
- enhance natural/cultural heritage, tourism and leisure
- support food and drink initiatives (for example short supply chains, community food)
- build co-operation with other LAGs in Scotland, UK and Europe

<https://vimeo.com/158084555>

- Projects must meet the minimum requirements of scheme including involving primary agriculture inputs and availability of match funding.
- Project assessment criteria will be developed in advance to meet Scottish Government key food and drink objectives.
- Support rates will vary depending on size of applicant and other criteria - table provided. In all cases grant rates will be set at the absolute minimum required to enable the investment to proceed (i.e. the incentive principle.) The assessment process will test this requirement.

Through FPMC, suppliers and producers can apply for:

- ✓ start-up grants for a new business
- ✓ development grants for an existing business

Funding can enable producers to:

- develop or create food processing facilities, including buildings and equipment
- market products in home and export markets
- run co-operative ventures to make sure more value is retained by both farmers and growers
- improve supply-chain efficiency

This is a competitive application process which food and drink producers apply directly towards, and a separate strand is allocated to businesses which collaborate or cooperate, and in doing so can access higher percentages of funding.

Further Discussion

How does Scotland use the RDP to:

- Access public food markets?
- Access urban food markets?
- Support entrepreneurs?

How does Scotland use the RDP measures to:

- Support the National Food Policy and RDP Strategy?
- Foster and support cooperation
- Support LEADER and local level delivery

