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GROWTH SECTORS BASELINING - FOOD AND DRINK

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ekosgen

HIE
Highlands and Islands Enterprise
Iomairt na Gàidhealtachd 's nan Eilean

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1 Introduction

1.1 In December 2014, ekosgen was commissioned by Highlands and Islands Enterprise (HIE) to undertake the first stage of a baselining study for the Sustainable tourism and Food and drink sectors.

1.2 This report sets out the baseline for the Food and drink sector.

Study Background

1.3 The study follows on from a scoping exercise completed by ekosgen in September 2014 to review the growth sector definitions and to identify the relevant indicators and datasets that could be used to measure the scale of the sectors and the contribution that they make to the Scottish economy. This resulted in:

- **A Sector Definition Paper** that discussed the coverage of the existing Scottish Government definitions and identified potential gaps and data limitations for each sector in the Highlands and Islands; and
- **The Highlands and Islands Growth Sector Measurement Framework** which set out the final sector definitions and a consistent and comparable approach to measuring the scale of each sector that can be updated over time and benchmarked against national performance. The framework also included recommendations on primary research that could be undertaken with the business base to gain a deeper understanding of local activities and gather information that is not available through standard datasets.

Measuring the Sectors

1.4 The measurement framework identified that (with the exception of sustainable tourism), each sector requires analysis to be undertaken for two definitions - a statistical, SIC based definition and a wider narrative based definition - to gain comprehensive coverage of the sector's activities.

1.5 The statistical, SIC-based sector definitions, which are consistent with the Scottish Government definitions, provide a useful means for directly comparing activity in the Highlands and Islands with the Scottish economy and consistently setting out the region's contribution to these sectors. They can also easily be applied to standard datasets.

1.6 The definitions are, however, restricted by SIC code limitations. This includes difficulties with identifying and isolating specific, and especially new or non-traditional, activities within wider SIC descriptions and capturing companies which cut across a number of sectors, given that companies are classified under the single code that reflects their primary area of business. As such, the SIC approach is typically more suited to providing estimates of direct economic activity within a specific sector, rather than the associated indirect employment in the supply chain, although this varies on a sector by sector basis.

1.7 The measurement framework provides further details on the narrative (or sourcebook) approach to measuring the growth sectors.

1.8 **This study focuses solely on analysis using the statistical based definitions.**

Data Sources

1.9 Scottish Government's national and Local Authority Growth Sectors Databases have been used to access the majority of data set out in this report. The databases draw upon data from the Business Register and Employment Survey (BRES), Inter Departmental Business Register (IDBR), and the Scottish Annual Business Survey (SABS) to provide key statistics on employment, businesses, GVA and labour costs for each of the Growth Sectors. In each case the data for the most recent year has been used, although the varying time lags of each dataset mean that this ranges from 2012 to 2014.

1.10 In order to provide sub-sector analysis, further analysis has also been undertaken of the BRES and requests have been submitted to Scottish Government for additional data from the IDBR and SABS.

Data Limitations

1.11 There are a number of limitations associated with the datasets that need to be considered when interpreting the analysis. These include issues which apply to all areas and sectors, as well as those which are more pronounced in the Highland and Islands:

- **Confidentiality:** In line with the Statistics of Trade Act, which imposes restrictions on the way that survey data may be used, there are a number of confidentiality issues which prevent data for small and/or sparsely populated areas, small sectors, sub-sectors and individual SIC codes being presented. These restrictions aim to protect the identity of individual enterprises from being disclosed or otherwise deduced. In some cases, this limits the availability and level of detail that can be presented for the Highlands and Islands, particularly when trying to provide sub-regional data for small sectors and sub-sectors.

- **Sampling:** The majority of standard datasets are based on surveys conducted with a representative sample of the business base. While all large companies with 250 plus employees are automatically surveyed each year, the sample of micro, small and medium companies varies. The reliability and confidence levels of the sample vary by sector and area although exact details on the estimated level of confidence are not available at this level.

- **Coding consistency:** As with any survey and data based approach, there is room for error in datasets and databases. Given that businesses self-select their sub-sector each time they are surveyed (sometimes with limited knowledge of the classification system) and that the classification focuses on the primary activity of the company, there are also issues around secondary and cross cutting activities not being recognised and companies being coded to different sectors and sub-sectors each year. These limitations could result in the activity against a specific sub-sector looking higher/lower than local economic development officers and specialists would expect and can affect the comparability of data in fine grained sub-sectors leading to unexpected fluctuations in time series data.

1.12 In the case of food and drink, the data limitations are less of a concern due to the scale of the sector. There is, however, a sector specific issue relating to accurately estimating the contribution of agriculture. The inclusion and exclusion of agriculture varies by dataset and geography and the sector is also subject to seasonal variations in employment that will not be captured through all surveys that are conducted at a set point in time.

1.13 BRES (which is typically used to access employment data) only provides a national level estimate for agriculture. The agricultural census can be combined with BRES to address the data gap at the local level. However, it is important to note that the agricultural census captures full time and part time regular staff, casual and seasonal staff, working occupiers and spouses. The figures will therefore include casual and part time employment at crofts which typically involve small-scale production and where those involved and captured in the employment numbers will typically derive part or most of their income for other non-agricultural sources of employment. This needs to be considered when reviewing geographical concentrations of food and drink and agricultural employment which may be driven by crofts.

1.14 In the case of labour costs and GVA, agriculture is excluded from all figures. Care has been taken throughout the chapter to highlight when agricultural figures are included/excluded.

Report Coverage

1.15 This report sets out a baseline of the food and drink sector using the statistical based definition outlined at the start of the next chapter. The relevant key messages from the sector definitions paper and measurement framework relating to the coverage and gaps of the definition and data limitations are also summarised.

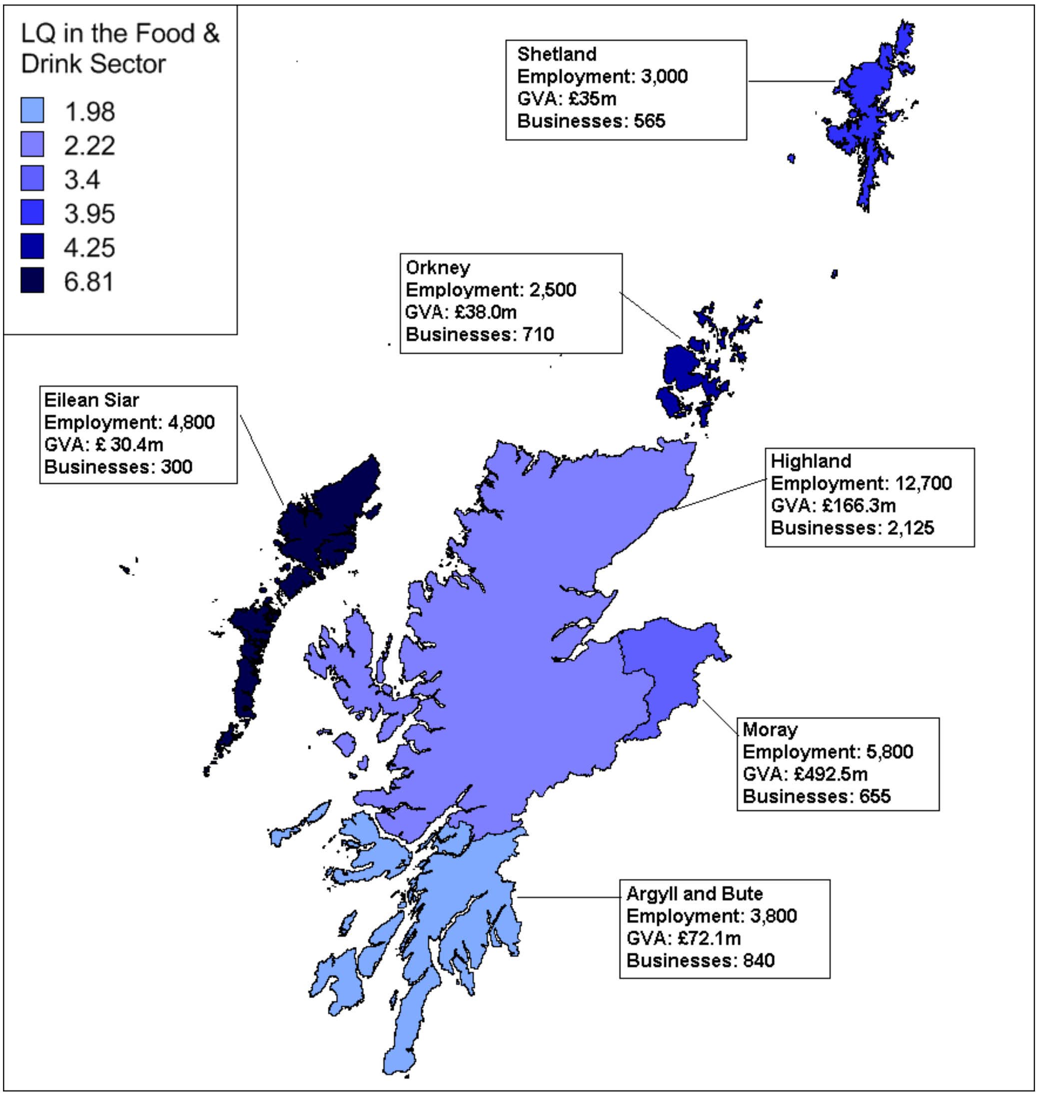
1.16 In parallel to this study, HIE are currently exploring options for taking forward analysis using the narrative based definitions and carrying out primary research on a sector by sector basis.

2 Food and Drink

Snapshot of the Food and Drink Sector in the Highlands and Islands

Employment	32,600	GVA	£834.3m
Location Quotient	2.86	GVA per Employee	£81,000
Businesses	5,165	GVA per Employee (% national av)	102%
zero/small	5,110	Labour Costs	£245.5m
medium	40	Labour Costs per Employee	£24,000
large	15	Labour Costs per Employee (% national av)	84%

2.1 The map below shows the distribution of the food and drink employment, business base and GVA generated across the Highlands and Islands. The Location Quotient (LQ) provides an indication of how highly represented the food and drink sector (including regular, casual and seasonal agricultural and croft activity) is within the employment base of each area compared to the national level[1]. As the map shows, the food and drink sector is highly represented in all of the local authority areas.



[1] A LQ of one indicates that employment in the sector is equivalent to the national level, while a sector with a LQ of more than one denotes a high level of representation and specialisation. A LQ of less than one highlights that a sector is under-represented.

Sector Definition

Definition

2.2 The current definition used by the Scottish Government focuses on the manufacture of food and drink and on the primary industries of agriculture and fishing. This was the core definition identified in the Food and Drink Key Sector Report produced by the Scottish Government in 2009. The definition is seen as providing a comprehensive overview of direct activity in the Highlands and Islands' food and drink sector, especially when compared to other sectors, reflecting the traditional nature of the activities being undertaken. In particular, it has moved away from the more historic emphasis (in sector policy) on the finished product for distribution, rather than on the primary industries – an issue that is also being addressed through Scotland Food and Drink.

2.3 The agriculture sector (SIC 01) covers the sub-sectors of livestock, crops and agricultural and horticulture; and the fishing sector (SIC 03) covers the sub-sectors of fish catching and aquaculture such as fish farming. The manufacture of food products (SIC 04) includes important Highlands and Islands' sub-sectors, including meat and fish processing and the production of animal feeds, as well as dairy. SIC 05, the manufacture of beverages, includes the Highlands and Islands' (and Scotland's) significant whisky production. Both whisky and fish farming (notably salmon) are high value and important to the Highlands and Islands and Scotland in export terms.

Scottish Government Definition of the Food and Drink Sector

- SIC 01: Crop and Animal Production, Hunting and Related Service Activities
- SIC 03: Fishing and Aquaculture
- SIC 10: Manufacture of Food Products
- SIC 11: Manufacture of Beverages

Gaps in Statistical Definition

2.4 In many respects, it is easier to articulate the coverage of the supply chain for food and drink activities than it is for other sectors. However, while the definition of direct activity is already beginning to capture some elements of the supply chain, namely the raw materials that are provided through the agriculture and fishing activities, overall, the coverage of the supply chain in the food and drink sector statistical definition is limited.

2.5 The statistical definition does not include companies which supply wholly into the food and drink sector (for example, manufacturing packaging that is solely for food or drink); the more 'holistic' supply chain, which includes businesses involved in the retail and wholesale of food and drink; or research and development related to food and drink, described as 'cross-cutting infrastructure'. This includes food and drink testing, some of which is quite technical using advanced processes associated with legislative and product development requirements and standards.

2.6 The 2009 Scottish Government report identifies holistic supply chain businesses as food and drink wholesaling (SIC 51.3); food and drink retailing, comprising retail sales in non-specialised stores and retail sales of food, beverages and tobacco (SIC 51.2 and 52.2); and non-residential catering, comprising restaurants, bars and canteens and catering (SIC 55.3-55.5).

2.7 However, including all three of these activities is likely to over-state the importance of the food and drink sector and result in double counting with the tourism and retail sector, particularly in relation to food and drink tourism, which includes hospitality outlets. There is also likely to be more modest added value from local retail of food and drink than is the case for primary producers (although they may have considerable local significance). Further, HIE has not typically considered food and drink retailers and local restaurants, for example, as key parts of the food and drink sector. It is therefore recommended that wholesale (SIC 51.3), retail (SIC 51.2 and 52.2) and bars, canteens and restaurants (SIC 55.3-55.5) are not included in the sector definition.

2.8 With regard to companies that supply wholly into the food and drink sector and research institutes, given that SIC codes focus on the specific activities and products produced (i.e. the manufacture of packaging and research and development) and do not provide an indication of the sector this relates to, it is not recommended that any additional SIC codes are added to the definition.

2.9 These gaps are covered by the narrative based definition in the measurement framework.

Data Limitations

2.10 As set out in the data limitations in the introductory chapter, one of the challenges in measuring the food and drink sector is accurately estimating the contribution of agriculture. The inclusion and exclusion of agriculture varies by dataset and geography and the sector is also subject to seasonal variations in employment that will not be captured through all surveys that are conducted at a set point in time.

2.11 BRES (which is typically used to access employment data) only provides a national level estimate for agriculture. The agricultural census can be combined with BRES to address the data gap at the local level. However, it is important to note that the agricultural census captures full time and part time regular staff, casual and seasonal staff, working occupiers and spouses. The figures will therefore include casual and part time employment at crofts which typically involve small-scale production and where those involved and captured in the employment numbers will typically derive part or most of their income for other non-agricultural sources of employment. This needs to be considered when reviewing geographical concentrations of food and drink and agricultural employment which may be driven by crofts.

2.12 A further challenge for the food and drink sector is reflecting the diversity of the sub-sectors and their different contributions to the Highlands and Islands economy. Whisky, within drinks manufacture, is high value (and profits) and a substantial exporter, yet employment, for example in relation to the distilling process, is modest (although it can still be significant in small remote communities). Parts of the aquaculture sub-sector, notably salmon farming, are also high value and export-focused, although, again, employment is more modest (but, again, often locally significant). Agricultural activity, by contrast, employs far greater numbers, yet much of this is quite lowly paid. For these reasons, and where data confidentiality permits, sub-sectoral analysis is important for the food and drink sector.

Employment

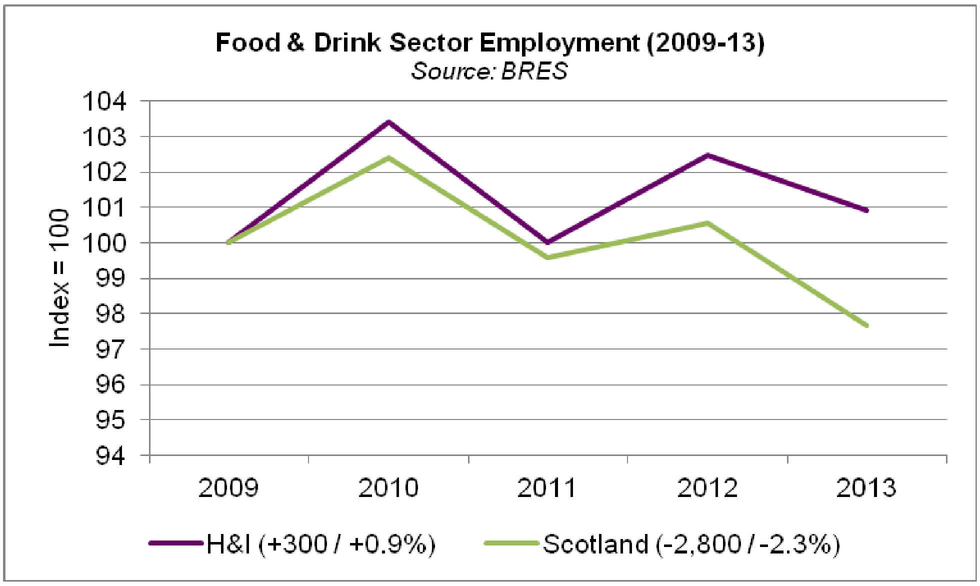
Scale of Employment

Employment in the Food & Drink Sector (2013)	
Highlands and Islands	32,600
Scotland	117,900
Source: BRES, Agricultural Census	

2.13 When agriculture is included, the food and drink sector is the largest of the Highlands and Islands growth sectors in employment terms. In 2013, there were over 32,000 individuals in employment in the sector, accounting for 14% of total employment in the Highlands and Islands and 28% of the national food and drink total.

2.14 Relative to the size of the local economy, the food and drink sector is highly represented in the Highlands and Islands, with employment shares almost three times the national average (with a location quotient of 2.86).

2.15 Between 2009 and 2013, employment levels have remained relatively stable in the sector, with a net increase of 300 jobs, compared to a slight decline nationally.



Sub-Sectors and Local Employment Specialisms

2.16 All four food and drink sub-sectors are large in employment terms, particularly agriculture, which employs over 22,600 people in the Highlands and Islands, accounting for 70% of the sector's employment. The manufacture of food products is the second largest sector with over 5,000 employees.

2.17 All of the sub-sectors are highly represented, particularly fishing and aquaculture where employment levels are over five and half times the national average. At three and a half times the national average, agricultural employment is also highly represented. The high representation of employment in beverage manufacturing includes whisky distilleries.

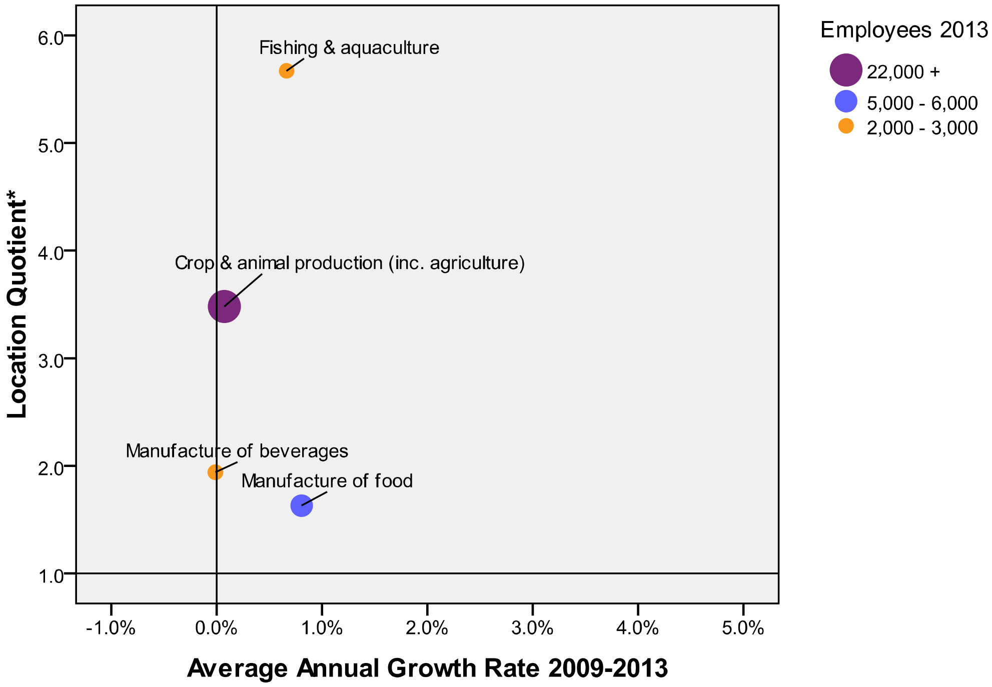
Employment in the Food & Drink Sector by Sub-Sector (2013)

SIC	Highlands and Islands	Scotland	Location Quotient
01: Crop and Animal Production, Hunting and Related Service Activities (including agriculture)	22,700	69,200	3.48
10: Manufacture of Food Products	5,200	33,000	1.63
03: Fishing and Aquaculture	2,700	4,900	5.67
11: Manufacture of Beverages	2,000	10,800	1.94
Total for the sector	*32,600*	*117,900*	*2.86*

Source: BRES
Note: Figures may not sum due to rounding

2.18 Between 2009 and 2013, three of the four food and drink sub-sectors increased slightly in employment terms, and the manufacture of beverages remained largely stable.

Highlands and Islands - Food & Drink Employment Growth (2009 - 2013) and Specialisation (2013)



*Scotland = 1

Geographical Composition of Employment

2.19 The food and drink sector is highly represented in each local authority area with employment levels at least twice the national average. There is a particularly high concentration in Eilean Siar, where food and drink employment levels are almost seven times the national average as a result of high levels of agricultural employment. However, this is likely to reflect high concentrations of croft activity where a large number of people captured in the employment number earn part or most of their income from non-agricultural activity. There are also particularly high concentrations of food and drink employment in Orkney, Shetland and Moray.

2.20 While still high, the lower concentrations in Highland and Argyll and Bute compared to the other local authority areas reflect the more diversified employment bases.

Employment in the Food & Drink Sector by Geography (2013)

Geography	Employment[1]	% of H&I		Location Quotient
		Food and Drink	All Sectors	
Highlands and Islands	32,600	100%	100%	2.86
Highland	*12,700*	*39%*	*51%*	*2.22*
Moray	*5,800*	*18%*	*16%*	*3.40*
Eilean Siar	*4,800*	*15%*	*5%*	*6.81*
Argyll and Bute	*3,800*	*12%*	*17%*	*1.98*
Shetland	*3,000*	*9%*	*6%*	*3.95*
Orkney	*2,500*	*8%*	*5%*	*4.35*

Source: BRES and Growth Sectors Database
[1]Employment here includes Agriculture (excluded from BRES but included in the Growth Sectors Database)
Note: Figures may not sum due to rounding

2.21 When agriculture is removed from the food and drink sector, the employment levels reduce significantly in each local authority. Moray is, however, affected to a lesser extent and becomes the area with the largest and most highly represented sub-sector, reflecting the high concentration of employment in distilleries.

Employment in the Food & Drink Sector by Geography (2013)				
Geography	**Employment[1]**	**% of H&I**		**Location Quotient**
		Food and Drink	**All Sectors**	
Highlands and Islands	10,300	100%	100%	2.19
Moray	*4,000*	*39%*	*16%*	*5.72*
Highland	*2,900*	*28%*	*51%*	*1.23*
Argyll and Bute	*1,200*	*12%*	*17%*	*1.57*
Shetland	*1,000*	*9%*	*6%*	*3.10*
Eilean Siar	*600*	*6%*	*5%*	*2.16*
Orkney	*500*	*5%*	*5%*	*2.25*

Source: BRES and Growth Sectors Database
[1]Employment here excludes Agriculture
Note: Figures may not sum due to rounding

Business Base

2.22 The data presented in this section is based on the Inter Departmental Business Register. It should be noted that data from the IDBR is subject to rounding in line with data confidentiality requirements. Typically numbers in the IDBR are rounded to the nearest 5. In particular, this should be noted when reviewing business data broken down by size band, sub-region and sub-sector, where a small number of businesses may be rounded down to 0 or up to 5. As such, these figures should be treated with caution. The agriculture sector is included in these figures.

Scale of Business Base

2.23 In 2014 there were over 5,000 food and drink businesses in the Highlands and Islands, accounting for 25% of the total Highlands and Islands' business base and 30% of the sector's business nationally.

2.24 The business density in the sector is over three times as high as the national average, with 17 businesses per 1,000 residents compared to 5 nationally, reflecting the high concentration of agricultural activity in the Highlands and Islands and the dominance of sole traders as set out in the following section.

Business Base in the Food & Drink Sector (2014)		
	Business Base	**Business Density**
Highlands and Islands	5,165	17.0
Scotland	17,445	5.03

Source: IDBR and Mid-Year Population Estimates
[1]Number of businesses per 1,000 residents using IDBR (2014) and Mid-Year Population Estimates (2013)

Size Profile of the Business Base

2.25 Nationally, the large majority (99%) of the businesses in the sector are micro and small businesses employing up to 49 employees. The dominance of small and micro businesses in the food and drink sector is slightly higher than across the national economy as a whole.

Business Base Composition (2014)							
	Small (0-49 employees)		Medium (50-249 employees)		Large (250+ employees)		Total
	No.	%	No.	%	No.	%	No.
Scotland Food and Drink	17,255	99%	135	1%	70	0%	17,445
Scotland total	160,450	96%	3,780	2%	2,295	1%	166,525

Source: IDBR
Note: Figures may not sum due to rounding

2.26 When the size profile of the Highlands and Islands' food and drink business base is compared to the national profile, the data clearly highlights the high business density is driven by sole traders. This group accounts for 70% of the total Highlands and Islands' food and drink business base compared to just over half nationally. Corresponding with this, there is a small proportion of small food and drink businesses with 1-49 employees in the Highlands and Islands.

Business Base Composition (2014)									
	Zero		Small (1-49 employees)		Medium (50-249 employees)		Large (250+ employees)		Total
	No.	%	No.	%	No.	%	No.	%	No.
H&I Food and Drink	3,595	70%	1,515	29%	40	1%	15	0%	5,165
Scotland Food and Drink	9,725	56%	7,530	43%	135	1%	70	0%	17,445

Source: IDBR
Note: Figures may not sum due to rounding

Geographical Distribution of the Business Base

2.27 In line with employment, over 40% of food and drink businesses are in Highland. The areas with the highest concentration of food and drink employment – Eilean Siar, Orkney and Shetland – also have the highest business densities. In each of the remaining local authorities, the density is below the regional average.

Business Base Composition in the Food & Drink Sector (2014)				
Geography	Total	% of H&Is: Food and Drink Sector	% of H&Is: All Sectors	Business Density[1]
Highlands and Islands	5,165			17.10
Highland	*2,125*	*41%*	*49%*	*14.56*
Argyll & Bute	*840*	*16%*	*18%*	*15.67*
Orkney	*710*	*14%*	*7%*	*52.59*
Moray	*655*	*13%*	*14%*	*11.05*
Shetland	*565*	*11%*	*7%*	*38.44*
Eilean Siar	*300*	*6%*	*5%*	*17.96*

Source: IDBR and Mid-Year Population Estimates
[1]Number of businesses per 1,000 residents using IDBR (2014) and Mid-Year Population Estimates (2013)
Note: Figures may not sum due to rounding

2.28 The size profile of the food and drink sector varies by local authority. Shetland and Eilean Siar have the largest concentration of sole traders. The size profile of the Moray food and drink business base is most different from the other Highlands and Islands local authorities and more in line with the national average for the sector.

Business Base Composition in the Food & Drink Sector (2014)								
Geography	Zero Employees		Small		Medium		Large	
	No.	%	No.	%	No.	%	No.	%
Highlands and Islands	**3,585**	**69%**	**1,520**	**29%**	**45**	**1%**	**35**	**1%**
Highland	*1,505*	71%	*595*	28%	*15*	1%	*10*	0%
Argyll & Bute	*540*	64%	*285*	34%	*10*	1%	*5*	1%
Orkney	*495*	70%	*210*	30%	*0*	0%	*5*	1%
Moray	*370*	56%	*260*	40%	*10*	2%	*10*	2%
Shetland	*440*	78%	*115*	20%	*5*	1%	*5*	1%
Eilean Siar	*235*	78%	*55*	18%	*5*	2%	*0*	0%
Scotland	9,725	56%	7,530	43%	135	1%	70	0%

Source: IDBR
Note: Figures may not sum due to rounding

Sub-Sectors in the Business Base

2.29 Agricultural activities dominate the Highlands and Islands food and drink business base, accounting for over three quarters of the businesses in the sector. Despite being the second largest sub-sector in employment terms, the manufacture of food products accounts for just 3% of the Highlands and Islands food and drink business base (compared to 16% of food and drink employment). Similarly, the manufacture of beverages just accounts for 1% of food and drink businesses compared to 6% of employment.

Businesses in the Food and Drink Sector by Sub-Sector (2013)			
SIC	Highlands and Islands		Scotland
	No.	%	%
SIC 01: Crop and Animal Production, Hunting and Related Service Activities	3,970	77%	85%
SIC 03: Fishing and Aquaculture	990	19%	10%
SIC 10: Manufacture of Food Products	150	3%	4%
SIC 11: Manufacture of Beverages	60	1%	1%
Total	**5,156**	**100%**	**100%**

Source: IDBR
Note: Figures may not sum due to rounding

2.30 The variances between the sub-sector profile of the employment and business base are reflected in the size profile of each sub-sector. The key points to note are:

- Agricultural and fishing and aquaculture activities are dominated by sole traders.
- The manufacture of food products and beverages have a much higher proportion of medium and large businesses. Small businesses are also highly represented.

Businesses in the Food and Drink Sector by Sub-Sector (2013)									
	Total	Zero Employees		Small		Medium		Large	
	No.	No.	%	No.	%	No.	%	No.	%
SIC 01: Crop and Animal Production, Hunting and Related Service Activities	3,970	2,855	72%	1,110	28%	0	0%	5	0%
SIC 03: Fishing and Aquaculture	990	695	70%	285	29%	5	1%	5	1%
SIC 10: Manufacture of Food Products	150	35	23%	90	60%	20	13%	5	3%
SIC 11: Manufacture of Beverages	60	10	17%	30	50%	15	25%	5	8%
Total	**5,156**	**3,595**	**70%**	**1,515**	**29%**	**40**	**1%**	**15**	**0%**

Source: IDBR
Note: Figures may not sum due to rounding

Key Employers and Local Assets

2.31 Key employers and local assets have an important role to play in supporting the sector to maximise opportunities in the future and ensuring that the area successfully captures its share of growth and investment in the sector.

2.32 In the Highlands and Islands' food and drink sector, key employers that contribute to the scale of the sector and that are important in employment terms currently include:

- The large number of **whisky distilleries.**
- The headquarters of **Baxters Food Group** in Fochabers in Moray, where the company's main manufacturing factory produces canned soup and preserves. Baxters also run a Highland Village Tourist attraction co-located with the headquarters in Fochabers.
- **Walkers Shortbread,** currently Scotland's largest food exporter, has a bakery and research facility in Aberlour, Moray and a production facility in Elgin, Moray.

2.33 Local assets within the Highlands and Islands food and drink sector include member organisations and sector bodies that provide sector specific information, promote and represent businesses operating in specific sub-sectors. These currently include:

- The **Scottish Crofting Federation**, which has its headquarters in Kyle of Lochalsh, near Skye, is aimed at protecting and promoting the interests of Scottish crofters and the crafting community. It is the UK's only member-led organisation aimed at promoting crofting and is also the UK's largest federation of small scale food producers. Members receive benefits such as representation, advocacy and advice, training and mentoring and marketing and approval of their produce through the SCF Produce Mark.
- The **National Farmers Union of Scotland** has regional managers in Highland, Argyll and the Islands, and Orkney & Shetland. The organisation's purpose is to '*promote and protect the interests of our members by influencing government, the supply chain and consumers in order to secure a sustainable future for Scottish agriculture*'[2]. Members in the Highlands and Islands can benefit from access to agricultural expertise, enquiries and appeals.
- The **Scottish Fishermen's Federation** has considerable representation in the Highlands and Islands. The organisation umbrella covers nine constituent associations including the Orkney Fisheries Association and Shetland Fishermen's Association.
- The **Sea Fish Industry Authority** is a non-departmental public body aimed at improving efficiency and raising standards across the seafood industry. The Authority offers research and data on a range of topics, including market insights, evidence gathering and industry economics information.
- The **Scottish Salmon Producers Organisation**, which acts as a source of information and industry voice for the salmon farming industry. The organisation has an office in Shetland, and provides industry information, research and development and acts as a media centre for the industry.

[2] http://www.nfus.org.uk/

GVA

2.34 The GVA figures exclude agriculture at both the regional and national level. To ensure consistency in the calculations, agriculture has also been removed from the employment number for the GVA per employee calculation.

2.35 The Highlands and Islands' food and drink sector contributes an estimated £834.3m to the Scottish economy each year, accounting for 10% of the Highlands and Islands' total GVA and 22% of national food and drink GVA. The productivity levels of the food and drink sector are slightly higher than the national average, with £81,000 of GVA generated per employee. The sector has the second highest productivity levels of the growth sectors and generates twice as much GVA as the average for the overall Highlands and Islands economy.

GVA in the Food & Drink Sector (2012)			
		Highland and Islands	**Scotland**
Food & Drink Sector[1]	Total	£834.3m	£3,839.3m
	Per employee	£80,929	£78,892
Whole Economy	Total	£8,211m	£113,819m
	Per employee	£38,369	£46,737

Source: SABS & BRES for the Food & Drink Sector, NUTS1/3 & BRES for the Whole Economy
[1]Excluding Agriculture

2.36 The overall average for the sector masks the varying levels of productivity in each of the local authority areas.

2.37 Moray has by far the highest productivity levels with over £122,000 of GVA generated per employee, significantly outperforming the average for the national food and drink sector. This reflects the high concentration of whisky production in the Speyside region, particularly of Speyside single malts. Speyside is the biggest Scottish region in terms of whisky production, with half of the country's distilleries located there[3]. These include Glenfiddich and The Glenlivet – the two best selling single malt Scotch whiskies in the world. Other large distilleries include Macallan in Craigellachie, Glen Moray in Elgin and the Aberlour Distillery.

GVA in the Food & Drink Sector by Geography (2012)			
Geography	**GVA[1]**	**% of H&I**	**GVA per employee[1]**
Highlands and Islands	£834.3m	100%	£80,929
Moray	*£492.5m*	*59%*	*£122,027*
Highland	*£166.3m*	*20%*	*£57,484*
Argyll and Bute	*£72.1m*	*9%*	*£57,865*
Orkney	*£38.0m*	*5%*	*£71,161*
Shetland	*£35.0m*	*4%*	*£36,045*
Eilean Siar	*£30.4m*	*4%*	*£48,331*

Source: SABS
[1]Excluding Agriculture

2.38 Across the remaining local authorities, productivity levels are below both the average for the sector in the Highlands and Islands and nationally.

Labour Costs

2.39 The labour costs figures exclude agriculture at both the regional and national level. To ensure consistency in the calculations, agriculture has also been removed from the employment number for the labour costs per employee calculation.

2.40 Total labour costs for the food and drink sector in the Highlands and Islands are approximately £245m, accounting for 18% of the national food and drink total. The labour costs per employee are, however, below the national average (equivalent to 84% of the national average) despite productivity levels being higher. As the local authority data shows,

[3] http://www.visitscotland.com/about/food-drink/whisky/distilleries/

this gap is driven by Moray's labour costs per food and drink employee being in line with the national average despite much higher levels of productivity.

Labour Costs in the Food & Drink Sector (2012)			
		Highland and Islands	**Scotland**
Food & Drink Sector[1]	Total	£245.5m	£1,374.7m
	Per employee	£23,814	£28,248

Source: SABS & BRES for the Food & Drink Sector, NUTS1/3 & BRES for the Whole Economy
[1]Excluding Agriculture

2.41 Across the remaining local authorities, the labour cost per food and drink employee is only higher than the regional average in Argyll and Bute.

Labour Costs in the Food & Drink Sector by Geography (2012)			
Geography	**Labour Costs[1]**	**% of H&I**	**LCs per employee[1]**
Highlands and Islands	£245.5m	100%	£23,814
Moray	*£114.8m*	*47%*	*£28,444*
Highland	*£60.0m*	*24%*	*£20,740*
Argyll and Bute	*£31.8m*	*13%*	*£25,522*
Shetland	*£17.0m*	*7%*	*£17,508*
Eilean Siar	*£13.5m*	*6%*	*£21,463*
Orkney	*£8.4m*	*3%*	*£15,730*

Source: SABS
[1]Excluding Agriculture

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