

Open Report on behalf of Richard Wills, Executive Director for Environment and Economy

Report to:	Economic Scrutiny Committee
Date:	13 September 2016
Subject:	Greater Lincolnshire Local Enterprise Partnership (GLLEP) Agri-Food Sector Plan and Related Activities

Summary:

The Greater Lincolnshire Local Enterprise Partnership (GLLEP) has identified the Agri-food sector as a priority sector and is supporting a wide range of work to support the development of this vital industry in the Lincolnshire economy. The County Council supports this work, primarily through the LEP, through administering EU funding and as part of its work on the Devolution Deal. Advice from Members on future priorities to support the growth of the sector will help officers of both the County Council and LEP work with partners to deliver a successful industry.

This report provides background. Martin Collison, Agri-Food Sector Advisor to GLLEP, will give a presentation to inform the discussion.

Councillor William Webb, Executive Support Councillor for Development, has taken a particular interest in the agricultural and food production sectors as part of his role.

Actions Required:

It is recommended that Members:

1. Note the good progress of the work being undertaken on the agri-food sector to deliver the Greater Lincolnshire Agri-food Sector Plan.
2. Comment on the challenges facing the food industry.
3. Comment on the role that Lincolnshire County Council should play in supporting the sustainable growth of the food chain, particularly through the Council's work on Devolution, infrastructure and economic development.
4. Ask Councillor Webb to agree letters of support to any bids that are made for agri-food schemes in Lincolnshire where they meet the priorities that emerge from discussion at today's Scrutiny Committee.

1. Background

The food and drink sector has grown faster than any other major industry in the UK in the last 6 years. It is the largest manufacturing industry in the country and the food chain employs (2015) over 3.8million people, generates sales of over £200billion and has a GVA of over £100billion.

Large future increases in global demand are projected, driven both by population growth and changing diets to embrace both different foods (e.g. more protein) and more value added convenience products. The resultant prospects for future sustained growth are very positive. Global constraints on production, notably climate change, energy supplies and water, require the adoption of technology to produce more whilst impacting less and using resources more efficiently.

Greater Lincolnshire has the UK's largest and most progressive food sector and well developed supply chains. The impact of the sector is much wider than farming, fishing and food processing, with sectors as diverse as engineering, data analytics, logistics, packaging, professional and businesses services all featuring within the sector's supply chain.

The food chain is estimated (2012) to generate a GVA of over £2.5bn and employs 56,000 people in the GLLEP area. If food retail and catering are included the figures rise to £3.4bn of GVA and over 100,000 jobs. Given the growth seen in the UK food sector since 2012, this estimation of the local economic value of the sector will be updated during 2016-17 and is expected to show that the sector has grown by a further 8-10% since 2012.

In April 2014 the GLLEP launched its Agri-food Sector Plan, which sets out the vision, targets, and activities that will help the food sector double its contribution to the economy by 2030. In order to realise the vision, the sector will need to:

- Reinforce its position as the national centre for commercial investment in high value agri-food production in sectors including fresh produce, fish and poultry;
- Adopt new technology and skills to deliver new product development, productivity and sustainability gains with a target to increase per employee GVA by 25% by 2020;
- Grow sector output by 30% through import substitution and export led growth.

The Agri-food Sector Plan suggested that by 2030 the sector will have:

- Doubled output and GVA, focusing on high value added food and drink products;
- Increased employment by over 10% and GVA per employee by over 75% by increasing the use of technology and higher level skills to service the needs of the 2030 food chain;
- Exploited direct motorway links to the Midlands, London and the South East to replace 10% of food imports with Lincolnshire produce;
- Trebled exports of food and drink from the GLLEP area by building on the area's ports to service priority markets in Northern Europe and emerging economies.

Delivery of the sector plan has been progressing well with the active engagement of industry, sector bodies and the academic base. However, as with all sectors the challenges faced continue to evolve and the plan will therefore be updated during winter 2016/17 to reflect new challenges and the changed economic circumstances facing the food industry since the plan was developed in the first quarter of 2014.

Challenges

There are two new major challenges to the food industry which have arisen since 2015, these are:

National Living Wage

- The introduction of the National Living Wage (NLW) from April 2016 was announced in summer 2015, with further substantially above inflation rises due through to at least 2020. For food chain companies in Lincolnshire this has both direct and indirect effects:
 - many farmers and food processors have some staff on the NLW and this will lead to a large direct increase in wage costs;
 - indirectly these companies supply two sectors, food retail and catering, who both have some of the highest proportions of staff paid at or near the NLW of any sector. These sectors will have to make substantial savings in their own cost base, including potentially by passing on price cuts to their supply base.
- The NLW will reinforce a long term trend to more automation as businesses seek to improve labour productivity to counteract the rise in labour costs.

Brexit

- The food industry is an international sector, with about 40% of the UK's food supply imported and a trade deficit of £18billion. Whilst food exports have been growing (now £19billion per annum) faster than imports, closing the gap remains a key industry and government objective.
- The decision to leave the EU has, at least in the short term, reduced the value of sterling and thus made UK food and drink production more competitive in the UK and export markets. However, many Lincolnshire based food processors import raw food products and the costs of these have risen as a result.
- Food sector companies are chiefly concerned about two aspects of Brexit:
 - The impact on trade given that 70% of UK food and drink exports go to the EU;
 - The availability of labour given that at least 25% of the food processing and farming workforce are migrants and concerns about how they can make up any shortfall resulting from potential future restrictions on migration.
- At a recent Big Food Debate held by the Greater Lincolnshire LEP in July 2016 the food industry leaders present, whilst in general not in favour of Brexit, were determined to rise to the challenge and stressed the need for the public sector to work with them to focus on three main areas:
 - Competitiveness through ensuring that infrastructure (workspace, roads, ports, broadband, water) is fit for purpose to support growth;

- Skills and labour supply so that they have the motivated and skilled staff they need to drive growth;
- Innovation in both the products and processes they use to enable them to compete and address challenges such as the NLW.

Response

To address these challenges the County Council has been working closely with the Greater Lincolnshire LEP and emerging Combined Authority on a number of key areas to ensure that support for the agri-food sector continues to facilitate growth. Key areas of activity include:

- Devolution Deal – this includes a commitment to support the growth of the area’s major sectors, including agri-food, with a specific ‘ask’ of government to support the creation of a centre to bridge the gap between the food industry and the applied research and skills sector.
- Linked to the Devolution ‘Ask’, GLLEP and Lincolnshire County Council has been supporting work to develop the work of the University of Lincoln in the food chain. During late 2015, the University created the Lincolnshire Institute for Agri-food Technology (LIAT) which is rapidly becoming the most successful bidder for Innovate UK funding for the sector to complement the work already conducted at the National Centre for Food Manufacturing. A scoping exercise for a national technology and innovation centre for the food chain, focused on key industry challenges such as automation, food waste reduction, food safety and new product development, is being developed and discussed with government.
- A review of the sector’s skills needs has been undertaken with employers (pre the Brexit vote) which concluded that there were major challenges in attracting young people to the industry and a need to increase skills in food engineering and commercial management. In response the County Council and LEP have been supporting continued growth at Bishop Burton’s new campus, proposals for new food apprenticeships at the University of Lincoln and the production with industry of a video showcasing the attractive careers on offer in the Lincolnshire food sector.
- Continued work on the three Greater Lincolnshire Food Enterprise Zones at Europarc (Grimsby), Central Lincolnshire (Hemswell Cliff) and Holbeach is continuing with public consultation on the Local Development Orders (LDOs) due in autumn/winter 2016/17 and work on the business plans for each site.
- A 25 year plan for water across Greater Lincolnshire, *Water for Growth*, has been developed. This plan specifically looks at the need for water to support agri-food sector growth alongside the water needs of other development and to meet the needs of the environment and challenges of climate change. This plan was publicly launched in the House of Commons on 6th September and work is taking place to link it fully into the wider regional Water Resources East (WRE) programme led by Anglian Water.
- A Big Food Debate was held in July 2016 in Spalding with 40 senior industry members and John Hayes MP. A further big food debate is currently being planned for November 2016 in Grimsby. These events are designed to allow senior food industry representatives to raise issues directly with the County Council, LEP and local MPs, to inform future work to support the industry.

- The County Council continues to support the work of the (Greater) Lincolnshire Forum for Agriculture and Horticulture which also reports directly into DEFRA's national Rural and Farming Network. This Forum continues to inform the prioritisation of rural funding and, in the light of the Brexit vote, will be holding a meeting in October 2016 to formulate ideas for a future UK agricultural policy which can be fed into government.

Members' views on the role that Lincolnshire County Council can play in facilitating sustainable growth of the food chain would be welcomed.

2. Conclusion

The Agri Food sector continues to be a vital part of the Lincolnshire economy and future growth prospects remain positive. However, in such an international industry there are naturally concerns about the impact which Brexit may have both on trade and UK agricultural and food policy. Furthermore, the impact of the National Living Wage along the food chain will drive a need for automation and investment to facilitate labour productivity.

Members' comments on the role that Lincolnshire County Council can play in addressing the challenges raised in this report would be welcomed.

3. Consultation

a) Policy Proofing Actions Required

n/a

4. Background Papers

The following background papers as defined in the Local Government Act 1972 were relied upon in the writing of this report.

Document title	Where the document can be viewed
Agrifood sector plan	http://www.greaterlincolnshirelep.co.uk/assets/downloads/Agrifood_sector_plan_final.pdf

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