SUSTAINABLE SCOTTISH SALMON

Scottish Salmon Farming Economic Report June 2015
Investing in sustainable jobs, communities and business
SSPO Economic Analysis period: January to December 2014
Export Statistics Source: UK Business and Trade Statistics
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For the past six years, we have been reporting economic success in the Scottish farmed salmon industry. 2014 continues this positive message with heartening news on jobs and spending on suppliers and services. This ongoing wealth creation in some of the most remote areas of Scotland and its islands demonstrates the enduring economic sustainability, which the Scottish Government seeks from all sectors of the food industry.

In addition to national statistics, this report also includes regional information for Shetland, Orkney, the Western Isles, Highland and Argyll and Bute. This demonstrates to our employees, our investors and our stakeholders how their operating area performs relative to their overall peer group. By doing this, we can highlight where current growth in jobs and investment is taking place.

The employment story is particularly good, with full-time jobs overall growing by 10%, to reach over 2000 for the first time. Part-time work has also increased by 13%.

One of the eye-catching figures is that company expenditure on suppliers and services grew by 29% to reach £570 million in 2014. 73% of this expenditure was made in Scotland benefiting 2720 companies in the areas where we farm.
Confidence within the industry remains high, but it is becoming a challenge to recruit new employees, where a key issue is finding appropriate accommodation for workers and their families. Particularly difficult has been attracting staff with relevant experience and qualifications. This challenge is being addressed by significant investment in training, with 91 people undertaking Modern Apprenticeships and two enrolled for an NPA award.

Finally, it is important to recognise the contribution made by the companies to the communities in which they operate. Our industry has been growing sustainably in rural Scotland for over 40 years and has invested considerable resources in its communities. In 2014, we can report that every company made regular contributions, both in cash and in kind to its local area. Many of the companies shared their physical facilities with local groups and organisations. It is no surprise, therefore, to note that there is significant loyalty to this industry from within its own communities.

As we continue to grow in this sustainable manner, we expect that more and more of the communities in which we operate will continue to benefit from the growth in economic performance and the increasing skills of our staff – a truly Scottish success story.
SCDI ANALYSIS

The Scottish Council for Development and Industry (SCDI) set out in our original blueprint for the Scottish economy our ambition of doubling Scotland’s exports by 2020, and we continue to support efforts to deal with the challenge presented by our low levels of internationalisation.

It is, therefore, encouraging to see in this report one of our leading export sectors, Scotland’s salmon producers, continuing to invest, playing their part in reaching this goal. Recent national statistics indicate that exports of whole, fresh salmon rose again in 2014 to an all-time high, with total exports valued at £494m - an increase of 10% since 2013.

For many years, farmed salmon has been Scotland’s top food export and this year it has also become the largest food export in the UK. It is internationally recognised as the premium product in its class and for its animal welfare and environmental standards, all developed with a continuous drive for innovation across the sector. The industry has been awarded Protected Geographical Indication status by the European commission and 60-70% of its salmon are covered by Freedom Food, the RSPCA’s animal welfare and food labelling scheme. Scottish farmed salmon has also held the prestigious Label Rouge from the French Government since 1992. Its formidable reputation – built on its provenance, superior quality and the integrity of its supply chain – remains consistently strong, especially in the UK and EU markets, and in the US.

Ross Martin
Chief Executive of SCDI
products continuing to grow at home and abroad and global demand for aquaculture increasing strongly, the industry has successfully entered new markets in recent years. We have seen major investment going into the industry’s infrastructure, boosting productivity, with some £53.3M being invested last year in new facilities. This should put the industry on course to achieve its target as set out in Scotland’s National Marine Plan.

Scotland is the third largest producer of Atlantic salmon in the world and can continue to play a valuable role in meeting the domestic and international demand for salmon. Across Scotland, it is estimated some 2257 direct jobs are supported by salmon farming, with 2131 of those within the Highlands & Islands. For the fourth year in succession, direct employment has increased, by 3% in the past 12 months.

As indicated by the key findings in this report, there is no doubt that as an industry it sustains employment in many of our most fragile rural communities. This is on top of the strong contribution it makes to the UK balance of trade, and the key role it plays in the deserved positive recognition Scotland gets for its food and drink sector.

The support for the local supply chain has also increased, with expenditure by the industry on suppliers and services for current production in the past year up by 30% to a total of £570.4M, with a significant portion of that, around £185m, being spent in the Highlands & Islands.

The reputation that Scottish salmon has built up is much deserved and SCDI recognises the commitment the industry has to good stewardship and to protecting and building that reputation going forward.

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KEY FINDINGS

**Sustainable Employment:**
For the fourth year in succession direct employment by members of SSPO has increased. A further 57 jobs have been created since the last survey, a 3% increase. 89.4% are full time jobs.

**Sustainable Investment:**
Capital investment continued during 2014 demonstrating the industry’s huge financial commitment to its future. A total of £53.3M was invested last year.

**Exports:**
Recent national statistics indicate that UK exports of whole, fresh salmon rose again in 2014 to an all time high. Significant increases were noted in USA, France, Germany and China. Total exports were valued at £494M – an increase of 10% since 2013.

**Communities:**
The success of the industry is reflected in the success of the communities it helps to sustain. Yet again, the total gross pay received by industry employees has increased significantly to a total of £63.3M.

**Suppliers and Services:**
The expenditure on suppliers and services to maintain current production increased by 29% to a total of £570.4M. There is a significant local contribution to the Highlands and Islands of £185M.
For the fourth year in a row, direct employment has increased to a total of 2257 people.

The vast majority of employees are located in the Highlands and Islands. An additional 154 jobs have been created across the five Local Authority regions of north and west Scotland, bringing the total in these regions to 2131 jobs.

**Modern Apprenticeships and Training**

The industry invests heavily in training its workforce, particularly young people entering this growing industry for the first time. This is reflected in the figures for national youth training schemes adopted by the industry.

In 2014, salmon farming in Scotland employed 91 young people on Modern Apprenticeships, plus two undertaking National Progression Awards.
A key measure of the success of any industry is its economic sustainability, which is reflected in its employment record. With employees remaining, on average, in their position for 8.57 years, the industry stands out as one of Scotland’s most trusted employers. In turn, the industry has developed this loyalty by providing long-term, high quality careers with specialised training opportunities.

Total gross pay to employees in 2014 increased to £63.3M. With 90% of this total going to rural Scotland, this represents significant income for remote communities.

Looking ahead, confidence in the industry in the Highlands and Islands remains steadfast with 64% of companies planning to expand and 55% planning to increase the workforce. Recruitment is, however, hampered by a lack of appropriate accommodation for employees.

Wider economic benefits are worthy of note, too. The industry across all the regions listed a total of 2720 Highlands and Islands businesses from which they source supplies and services.

All companies provide assistance to local events and organisations. Almost half share their facilities with local groups. Each company makes regular contributions in cash or in kind to help support their local communities.
The industry has developed this loyalty by providing long-term, high quality careers with specialised training opportunities.
Suppliers and Services

There is an ongoing spend on suppliers and services to maintain current production. In 2014, this figure rose by 29% to £570.4M. There is a significant benefit to the economy of the Highlands and Islands with a spend of £185M. The industry lists some 2720 local companies that they do business with across the five Local Authority regions, including 1330 in Highland region alone.

Capital Investment

2014 saw investment of £53.3M in capital funding by the industry, which demonstrates its huge financial commitment to its future. Notably, the investment in the Western Isles rose by 80% to £13.5M.
National figures indicate that exports of whole, fresh salmon rose again in 2014 to an all time high, with a value of £494M.

While the USA remained the top export destination with sales worth £213M, there was also significant consolidation in traditional markets like France and Germany, reporting increases in sales value of 40% and 105% respectively. The value of sales to China also grew by 28%.

The salmon farming industry’s work with Scottish Development International in targeting key export markets has been very successful. In total, Scottish farmed salmon is exported to more than 60 countries.
Regional Breakdown

Shetland
- Employment: 448 (+9%)
- Capital Investment: £17.8M (+62%)
- Salaries: £12.9M (+29%)
- Local Industry Spend: £30M (+231%)

Orkney
- Employment: 139 (+21%)
- Capital Investment: £2M (-43%)
- Salaries: £2.9M (+16%)
- Local Industry Spend: £4M (-6%)

Western Isles
- Employment: 343 (+19%)
- Capital Investment: £13.5M (+80%)
- Salaries: £8.7M (+24%)
- Local Industry Spend: £26M (+364%)

Highland
- Employment: 741 (+10%)
- Capital Investment: £8.7M (+59%)
- Salaries: £18.6M (-11%)
- Local Industry Spend: £85M (-52%)

Argyll and Bute
- Employment: 460 (-5%)
- Capital Investment: £10.6 (+112%)
- Salaries: £13.6M (+36%)
- Local Industry Spend: £40M (+159%)
Local suppliers and services in the Highlands and Islands have been supported by an industry expenditure of £185M.