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19<sup>th</sup> November 2009

Dear Ms Rose,

**RE: N Ireland Food and Drink Sector Skills / Improve response to the Independent Review of Economic Policy by Professor Barnett.**

Food and Drink Sector Skills (FDSS) is the N. Ireland employer-led body which champions the skills agenda of the local Agri-food sector and the local partner for Improve, the national Sector Skills Council for the Food and Drink Industry across the UK. The board of directors of Food and Drink Sector Skills are representative of all of the sub-sectors within the industry and, as well as larger companies such as Dale Farm, Moy Park, Dunbia, Coca-Cola and Premier Foods, membership also includes trade bodies such as the NI Meat Exporters Association, Dairy UK and the NI Grain Trade Association.

The Agri-food processing sector is Northern Ireland's largest manufacturing industry and most significant exporter. The total gross turnover for the industry in 2008 is

estimated at just under £3bn, a 6.3% increase from the previous year. In 2007, food and drinks processing activities generated £522.4 million of value added, an increase of 8.4 per cent over the 2006 figure of £482.0 million.

The sector is the largest contributor to the sales, external sales and employment of the Northern Ireland manufacturing sector, accounting for 19.3 per cent of total manufacturing sales, 16.6 per cent of manufacturing external sales and 22.2 per cent of manufacturing employment in 2007.

The Agri-food sector in Northern Ireland is one of the most important contributors to the Northern Ireland economy in terms of revenue and employment. Together, food production and processing employ more than 40,000 people directly; the single largest employer in Northern Ireland's private sector. Associated activities such as transport, supply of sophisticated inputs and technical support further increase the scale of the totality of the food industry in economic terms. It is the largest manufacturing sector and is largely export driven. Employment levels are increasing; NI employment in food increased by 2.9% in 2008 while in GB the level fell by 5.6%. 64% of sales are external and there has been a four-fold increase in companies engaging in R&D in recent years.

FDSS welcomes and supports many of the recommendation in the report. We would support the following key recommendations -

- that the economy should remain the top priority of the regional Executive.
- to provide Invest NI with greater operational freedom and the development of a more entrepreneurial and enterprising approach;
- support DETI in taking a leading role in the development of economic policy, combined with various proposals to improve governance and accountability arrangements, including the establishment of a permanent sub-committee by the First Minister and deputy First Minister, and Executive, to prioritise action on the economy and agree an economic strategy;
- take forward, with some urgency, prioritised actions from the MATRIX initiative;
- realign the education system to meet the anticipated demands for higher skills within the economy, especially STEM related skills;

- place a greater economic focus in the next Investment Strategy for Northern Ireland;
- promote greater energy efficiency and waste utilisation in the private sector.

In contrast to the above FDSS strongly opposes the recommendations of the report in three critical areas as follows:-

### **Skills and capability**

The review focuses solely on higher added value jobs and their creation yet ignores the need for a balanced approach to drive competitiveness and productivity across all sectors. This current thinking ignores the following:

- The local economy requires employment for lower educational achievers as well as those with higher levels of academic ability.
- The development of a balanced mixed economy
- The resilience and potential of jobs in the Agri-food
- And the ‘halo’ effect of food jobs supporting other parts of the supply chain.

We believe that Government needs to pursue a mixed economy agenda: that is jobs for high and lower academic achievers. A refocusing of the education system to meet the anticipated demands for higher skills within the economy, especially Science, Technology, Engineering and Maths (STEM) related skills will be necessary. This should take into account the greater effort and cost that is required within education to effectively deliver STEM subjects. (This is in no way a negative reflection on the current arrangements, but rather a wish to ensure that these are truly effective moving into the future.)

FDSS strongly disagrees with the recommendation that Invest NI reduce its support for company training – this support is critical to provide upskilling, productivity improvement and competitiveness though we fully recognise that these interventions should be based on evaluated need and enhanced outcomes.

### **Selective Financial Assistance (SFA)**

We oppose the proposed tapering of SFA as this will lead to a significant competitive disadvantage against our near competitors such as the Republic of Ireland, Scotland and Wales. It is important that SFA levels are maintained at a similar level to competing regions to ensure that this scenario does not occur.

We support a much greater focus on performance improvement / capability, R&D and innovation, a more ambitious and dedicated focus on exporting, and a greater focus on integrating Small and Medium sized Enterprises (SMEs) into supply chains.

### **Research and Development (R&D)**

The report suggests that the Agri-food sector is making too little use of the University and College resources available. This fails to acknowledge the significant R&D activity within the Industry. Much of this activity is commercially confidential and uses facilities outside Northern Ireland where greater expertise or faster response is available. On this basis, commercially oriented research, whilst welcome could only be successful working within these constraints of confidentiality.

It is important to note the significant differences that exist between Agri-food R&D and that which exists in other sectors; it tends to be near market and incremental rather than revolutionary.

As a final comment, FDSS notes the reference made to the Matrix report of 2008. However no further comment is made; FDSS supports the Matrix report and particularly the priority areas as stated below:

- Leading Differentiated Foods

- Innovative Processing and Packaging
- Enhancing Consumer Knowledge
- Leveraging Computational Science
- Exploiting a multifunctional nature of Agri-food and finding mechanisms to release the embedded energy in the sector

This concludes the response from Food and Drink Sector Skills. We welcome any further correspondence or discussion.

For and on behalf of the board of Food and Drink Sector Skills / Improve

**Geoff Lamb**