

SCOTLAND'S DAIRY SECTOR...

Rising to the Top 2030



**Looking back
to look forwards**

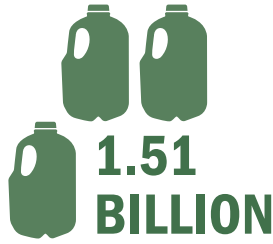


Scottish dairy

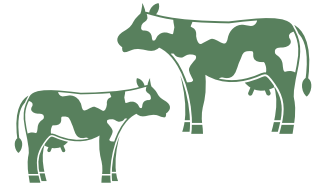


**843
HERDS**

AVERAGE SIZE: 209¹



**1.51
BILLION**
LITRES PRODUCED²



**176,334
COWS MILKED¹**

**106,000
HECTARES**

OF DAIRY FARM LAND
65% OF HERDS BASED IN
SOUTH WEST³



**41% OF
SCOTTISH
SUPPLY**

IS DRINKING MILK
AND **38%** IS FOR
CHEESE MAKING⁵



18% OF MILK
SENT SOUTH TO
ENGLAND & WALES²



**4,600
PEOPLE**

WORKING IN
THE SECTOR^{7 & 8}



**FIVE
MAJOR
PROCESSORS**
ACCOUNT FOR **94%**
OF MILK COLLECTION⁵



**SCOTLAND
ACCOUNTS**
FOR **9%** OF GB
MILK PRODUCTION⁵



£800 MILLION

TOTAL VALUE CONTRIBUTION
TO SCOTTISH ECONOMY^{7 & 8}



£377 MILLION

SCOTLAND'S MILK
PRODUCTION⁷



£415 MILLION

TURNOVER OF
MANUFACTURE OF
DAIRY PRODUCTS⁸



£57 MILLION

DAIRY EXPORTS⁴



**£1.1
BILLION
SPENT**

ON DAIRY PRODUCTS IN
SCOTLAND PER ANNUM⁶



**RISE
TO THE TOP**
FOR SUSTAINABLE
GROWTH...

SOURCES:

1. Scottish Dairy Cattle Association – January 2021 2. HDB Balancing Scottish Milk Supplies – August 2020 3. Scottish Government Agriculture Facts & Figures – 2019
4. HMRC Trade Statistics 2019/20 5. The impact of mandatory written dairy contracts in European countries and their potential application in Scotland
6. Kantar Worldpanel – 52 w/e 27 December 2020 7. Economic Report on Scottish Agriculture: 2020 Edition 8. Scottish Annual Business Statistics 2018

Foreword

Eight years ago in 2013, 'Ambition 2025', a study on the growth opportunities for Scottish dairy, was introduced. From this the Dairy Growth Board was formed in 2014, and those opportunities have now been evaluated and developed.

As we look to 2030 it is clear that Scotland, with its competitive and natural milk fields, is perfectly placed to achieve the targeted sales growth outlined within this document. The work undertaken in the last seven years has confirmed that there is genuine interest around the world in Scottish dairy brands and products, and the success of branded Scottish cheddar offers concrete proof of this interest. This document highlights the importance of dairy farming in Scotland; the products and the processing capability required to make further growth happen; and the role of support organisations to ensure the

required investment in manufacturing capacity, market entry and market development programmes.

There is now a need to move to a more proactive approach. This will result in changes of emphasis in funding activities, in some cases changes to present policies and a clearer focus on climate change.

As a result of a significant consulting programme we now judge there is a strength of support within the sector for the plans detailed in this strategy as well as a need for ongoing sector championing to make this ambitious plan happen.

The Dairy Growth Board looks forward to leading and collaborating with the Scottish sector to deliver the recommendations set out in the following pages and acting as guardian of the sector's ambition.

Paul Grant Chair
The Scottish Dairy Growth Board
March 2021



Looking Back to Look Forwards

In 2014, the Scottish dairy sector became the first sector in the Scottish food and drink industry to launch its own plan setting out its ambition for growth. Since then the world has changed immeasurably, and not least during 2020 when the global pandemic COVID-19 swept across the world. If there is one common dominator in our future it will be constant change. This change will be driven by many things including the climate change challenge, technology, data, insights and the consumer, as well as the changing dynamics in global trading and how consumers shop.

The dairy sector in Scotland is diverse in its make-up with farmers, producers, processors – big and small – all having a critical role to play in the supply chain. The last six years were the beginning of a journey that has not only taught the sector more about itself, the consumer and markets, but has also delivered some early wins that will help map out the pathway to 2030 in our ambition to rise to the top.

The formation of the the Dairy Growth Board established a collaborative approach between the Scottish government and all the key partner agencies and organisations that support the sector. The board has led the activities, championing the sector, as well as providing advice to new entrants and existing players.

Within the Dairy Growth Board remit, we have seen three Sector Champions come on board, living and breathing all things Scottish dairy. Their knowledge and experiences have ensured the sector has a voice with government and a presence in the food and drink industry. The targeted input has delivered new sales in new markets working with both large and artisan producers and created an expert resource that has put the Scottish Dairy Hub at the heart of the dairy community. We now know that our branded cheese travels well internationally and that there is growing demand for the entire Scottish dairy offering in our home market. Working in partnership has also been key to these early achievements, particularly in skills and attracting more young people into the sector.

There is still much more to be achieved, and we clearly understand where and what the opportunities now are for Scottish dairy and how we can realise them.

However, the success so far and where the path leads us next now needs to be considered in the context of changing consumer attitudes, particularly around perceptions about how environmentally friendly the dairy industry is, animal welfare, the global economy, as well as the growing number of new product developments that dairy must compete with.

In Scotland we are lucky to be blessed with an ideal climate and abundant water, creating one of the best natural environments in the world for dairy farming. Partnered with our farming culture, expertise and agility to adapt this gives us a unique proposition. We can use this to build the strength and resilience of the sector, to respond to the challenges of climate change as well as seeking out commercial opportunities, particularly in overseas markets.

Scotland has a remote location that is distant from those countries that could benefit most from our milk and our quality dairy products. We also over rely on the UK grocery market as the end destination for our processed products.

Widening the number of products produced would enhance the opportunities for the sector to grow. There has been no major lack of effort to try to attract new processing facilities in Scotland with, unfortunately, very limited success so far. We are seeing major investment in existing plants helping to drive efficiency into operations and supply chains. However, the challenge of attracting inward investment in processing continues to hamper our ability to produce added-value dairy products in formats and volumes that world markets are demanding.

The global dairy market is forecast to grow for many years. However, falling consumption of fresh liquid milk in the UK and limited added-value processing demand in Scotland puts pressure on the milk supply. Although milk production output has largely remained consistent, the number of farms has fallen and supply chains are constantly under pressure to be more efficient. The result is volatility in the price paid for milk, contributing to instability in the supply chain.

Rising to the Top 2030 must address these issues and opportunities.



What Have We Learned?

- Scotland has some of the best milk fields in the world thanks to its ideal climate, good farming practices, investment in on-farm technology adoption and innovation
- There is demand for added-value Scottish products, particularly in cheese, where 15 new international markets have been entered with annual sales of £30 million now achieved
- Bespoke, dedicated sector championing works and is critical to drive forward future activities and growth as well as support for developing the sector
- Processing capability is key to growth
- Alignment is key – market opportunities need to drive the supply chain
- Future-proofing the sector with the right labour, the right product, the right technology, the right skills and the right leadership is critical
- We are operating in a fast-moving global marketplace and Scotland needs to catch up and offer products in formats that customers demand
- The climate emergency is real and is now



The Vision

Scotland is the perfect natural environment for global dairy production, producing milk to meet the needs of the market.

It's 2030, and Scotland's dairy industry is thriving. Farm numbers have stabilised and the herds are now more productive due to a focus over the past decade on driving sustainable productivity and efficiency on farms. This has resulted in the sector improving its environmental impact, which was achieved through a lot of hard work using benchmarking and support right through the supply chain.

Farmers are investing more as they've seen a rise in the return they get for their milk as world demand for Scottish dairy has increased.

New and expanded processing facilities have been built and we're sending powdered milk to the Far East as well as moving fresh liquid milk to international markets. We now have four international cheddar brands and 10 artisan cheesemakers exporting. Innovation and investment are at the heart of the industry.

Consumers at home and abroad love Scottish dairy products – they are nutritious, healthy, environmentally friendly, great tasting, quality assured and made in an authentic way.



The Growth Opportunity

SCOTTISH DAIRY – THE PLACE, THE ENVIRONMENT AND THE BRAND

Scotland's location, geography, climate and farming practices put it in a unique position to continue to produce some of the best quality milk in the world, for a planet that is beginning to feel the effects of drought. An abundance of fresh water, an ideal climate, potentially low CO2 emissions and an unspoilt environment are all characteristics that not only deliver a competitive quality milk product but also transparency and honesty in the supply chain: something that consumers and customers in today's marketplace want. We must build strong messages around these credentials and then take them to customers and markets to help us sell more.

Critically, as more and more of our world is affected by a lack of water or polluted water, we need to find innovative routes to market to allow Scotland to capitalise on the demand for milk in countries in Southern Europe, Asia, Middle East and Africa

where there is a scarcity of liquid milk but also widespread use of milk as an ingredient in added-value dairy processing.

We must use our strong provenance and environmental credentials to build stature and reputation among buyers as well as telling engaging stories about our farmers and processors.

Aligned and added to the strength of our location and environment is the power of the Scottish dairy brand, which is now proven in international markets through cheddar. As the presence of our brands grows, dairy products have the opportunity to join the likes of whisky, salmon, shortbread and beer as being popular choices for consumers who identify with the strong product credentials we can deliver.

A further motivation is that sales of dairy products and protein-based products are all forecast to increase.

There is no country better placed than Scotland to realise global dairy opportunities.

Growth Ambition

The dairy sector will be worth £1.4 billion to the Scottish food and drink industry by 2030 (up from £800 million in 2018), the majority of which will be achieved through export activities.

**WE SEE THE POTENTIAL AND OUR AIM IS TO GENERATE
£600 MILLION IN NEW SALES BY 2030:**



The Way Forward – Markets

Scotland has a superb basket of dairy products that use their provenance and location to distinguish themselves. From well-known national brands to smaller niche local players, we have world-class milk, butter, ice cream, yogurts, cream and cheeses that could appeal to consumers across the globe. However, there are important products that we don't yet produce in Scotland, including UHT dairy products or milk powder – which are key for entering new global markets.

There are three distinctive markets for Scottish Dairy – international, the rest of the UK and Scotland. Our products and brands behave differently in each market, appealing to different customers and consumers. Looking to the future, specific strategies for each will be key to success.

GLOBAL MARKETS

Our early-stage market development work, which was driven by the Scottish Dairy Growth Board, focused on identifying and assessing growth opportunities and capability within Scotland to deliver these. Initial work concentrated on international markets where we knew that products with a strong origin and unique heritage would appeal and where with the help of Scottish

Development International In-Market Specialists we have been successful in securing new business for Scottish artisan and cheddar cheeses in 15 markets. This focused and dedicated work has helped artisan producers export for the first time, while encouraging scale processors to use their Scottish brands and credentials to open up new markets and supply chains. We now have the knowledge, experience and capability to tackle new markets. We must also use the power of the Scottish brand with strong origins, stories and unique points of difference to help open new doors in new markets and categories.

The initial work now needs to be built upon and scaled up to get more Scottish cheeses to international customers. Exporters need to have the knowledge and confidence to invest in both existing and new overseas customers, and need to be supported by a business environment in Scotland that encourages and nurtures this as well as providing support to encourage visits to markets and customer interaction both in Scotland and overseas.

We must acknowledge that although the international market for dairy is huge, the opportunity for Scotland is currently limited to products that have a longer shelf life as well as those that carry a premium, allowing air transit to foreign markets.

The future also offers increasing demand-led opportunities for milk in other formats that can be easily shipped around the world for further processing or in a direct consumer packaged format.





CASE STUDY

Scottish cheddar takes on the world

The creamery in Stranraer is best known for making Seriously Strong cheddar, one of the leading cheese brands in the UK. Over the last few years the creamery has become even more productive, making Scottish-branded cheddar cheese that is now enjoyed all over the world thanks to a relationship between the creamery owner Lactalis and the Scottish Dairy Growth Board.

The Scottish Dairy Growth Board had identified that there was a gap in global markets for a Scottish-branded cheddar. By then working together with Lactalis, Old Edinburgh branded cheddar was created and launched into North America, where it has had initial success within Costco.

Building on this experience, the top brand in the Lactalis stable, President, has recently launched President Cheddar, made in Stranraer from Scottish milk and available in Mild, Mature and Vintage versions.

Tom Ferguson of Lactalis said 'Both of these initiatives have been possible due to the high-quality, great-tasting cheeses that we produce in Stranraer; the relationship that we have with the Scottish Dairy Growth Board, which helped us develop these initiatives; as well as the commitment from the Lactalis business. It's really exciting to see how well the cheeses are performing in market and we hope that sales will continue to go from strength to strength.'

CASE STUDY

Isle of Kintyre Cheese

In its initial phase the Scottish Dairy Growth Board established criteria for manufacturers wishing to participate in the programme of international market entry and development. The Isle of Kintyre Cheese company at that time did not fully meet the criteria and was not able to benefit from the sustained programme of internationalisation, despite having already had some exposure to export trade.

Fast forward three years, and Isle of Kintyre had recognised the potential which could be unlocked through working with the Scottish Dairy Growth Board and made a strategic decision to invest in their business in order to meet the criteria and join the programme, allowing the company to benefit from collaborative presence at international trade shows, representation in market visits and demand-generation activity undertaken by the Board.

Market insight was used to drive innovation and to orientate marketing focus, resulting in adjustments to packaging and targeted new product development. The Growth Board's long-term investment in generating awareness of Scottish dairy products, market visits and relationship building facilitated market entry for Isle of Kintyre to hugely challenging cheese markets such as France, Japan and Sweden. Of great importance was Isle of Kintyre's undertaking to visit these markets along with the Board and to engage directly with their new customers, helping to secure long-term distribution partnerships.

The impact on Isle of Kintyre's business has been substantial: more than 50% growth in sales with exports on track to increase by 300%, triggering Isle of Kintyre's investment in a new manufacturing facility to accommodate further international growth.



THE UK

In the larger and more competitively diverse UK market, interest and sales in Scottish dairy are more restricted with liquid milk, cheese, yogurts and ice cream the main players. Distribution in retail and foodservice channels is more limited as they compete with other UK, Irish and European regional products and brands.

Based on our learnings in international markets we know that there is an opportunity to build awareness of Scottish cheeses, particularly for the premium retail and foodservice channels.

Production innovation is also key in helping to create a stronger Scottish dairy footprint in these markets, including a focus on health and convenience-based products.

SCOTLAND

Right here in Scotland regional dairy products have a strong presence in shops, competing in all the major categories in retail with both brands and own-label offerings.

In today's changing and increasingly competitive market we must continue to work hard to build more presence for 'Made in Scotland' dairy products on the shelves, including having the ambition for a Scottish cheddar to be the best-selling cheese in Scotland.

Continued innovation across the dairy range will also be key to success.

Currently, and to a lesser extent, we see a more limited Scottish dairy offering in foodservice. This is something that needs to be built on as we strive to have a greater number of Scottish dairy products available to target the different outlets serviced by the foodservice market. We need to be able to sell products that deliver value and variety for foodservice providers and their customers as well as those who make the products.

CASE STUDY

Graham's The Family Dairy: using product development to build new business

Graham's celebrated its 80th anniversary in 2019, and is the leading family owned dairy/processor in Scotland.

As times have moved on and consumer tastes change, Graham's has moved on too. In recent times a huge focus has been placed on innovation and product development, including the launch of Skyr, Protein 22 yogurts, Protein 40 milk, Quark and Goodness ice cream. Their range now spans all dairy categories and has helped grow their sales in Scotland, the wider UK market, as well as in international markets.

This continued innovation has helped Graham's keep its place not only as one of Scotland's most popular dairy brands but also one of the top-selling grocery brands in Scotland.

The Scottish cheeseboard is a perfect example of an offering that builds on premium and provenance values and one that should be a must on every menu card in Scotland. The cheeseboard needs to be accompanied by Scottish butter, another opportunity that needs to be brought to market. A similar emphasis applies to yogurts and ice cream.

We also need to explore how stronger relations can be built within the food tourism sector in Scotland, particularly in pairing our dairy products with other iconic products such as whisky, beer, berries and salmon in out-of-home outlets including hotels, restaurants, cafes and visitor attractions as well as ensuring Scottish dairy products are being used, are on offer and are being promoted in tourism locations and venues.

CASE STUDY

Changing ways to meet changing consumer behaviours

Mossgiel Farm, once home to Robbie Burns, has been farmed by three generations of the Cunningham family. In the need to secure a sustainable future for the farm, Bryce, the current generation of the Cunningham farming family, decided to take a slightly different approach to dairy farming from that of his father and grandfather.

Working with nature to ensure a sustainable, organic and ethical product and to minimise the farm's environmental impact, Bryce started selling Mossgiel's non-homogenised organic milk direct to the customer through door-stop deliveries as well as from vending machines in local stores. Starting locally in Ayrshire, Mossgiel was soon supplying speciality coffee shops and convenience stores across central Scotland.

On-farm diversification has become more prevalent, with milk vending and the production of artisan cheeses, yogurt and ice creams offering farmers the opportunity to further commercialise their milk. This trend is set to continue with shoppers becoming re-engaged with where their food is produced. This trend should be supported to encourage entrepreneurship and optimisation of inputs.

A really positive recent development is direct-to-home delivery of dairy products. This continues to grow, as evidenced by McQueen's, with more consumers enjoying the benefit of having fresh milk delivered to their homes, along with other dairy and associated products.

CASE STUDY

McQueen's Dairies

McQueen's Dairies is now one of Scotland's biggest doorstep deliverers of milk, and a recent expansion in a new plant will allow them to deliver more milk to more people at home. This new facility will more than double the company's milk production capacity. But it wasn't always that way. They began their business in 1995 with one milk round in St. Andrews and since then have grown the business to cover much of central Scotland. They pride themselves on being a family-run business restoring the traditional doorstep milk delivery.

RECOMMENDATION 1: DRIVE MARKET GROWTH

Continued investment in dedicated resource to build awareness and sales of Scottish dairy products both at home and internationally, including:

- **An International Growth Champion to double markets and grow share within them**
- **Sales resource to drive artisan opportunities in the UK market (includes Scotland)**
- **To raise awareness of market opportunities for new product development**
- **A presence at specifically targeted food exhibitions and events to raise awareness of Scottish cheeses with domestic and international buyers**
- **The development of a Scottish cheeseboard**
- **Developing commercial partnerships with other iconic Scottish products**
- **A Market Development Programme to support new listings, new relationships and visits to and from markets to build long-term sustainability**
- **To underpin growth with strong assured and authentic credentials of sustainable and conscientious production of dairy products throughout the chain**



The Way Forward – Processing

Growing the capacity and capability of Scottish dairy processing over the next five to 10 years will be key to the long-term sustainability of the sector. This isn't just about investing in current facilities, it means proactively attracting inward investment to Scotland to make this happen.

Attracting investment isn't where it stops. It is also about ensuring that there is the appropriate support in place for continued process investment, product innovation and responding to climate change challenge pressures in manufacturing.

We must also continue to work closely with those processors already operating in Scotland, sharing growth opportunities and providing access to resources such as grant support while ensuring a supportive business environment that benefits all in these supply chains.

Building a stronger processing sector that is driven by market demands, is environmentally friendly and makes products that consumers want will need milk production that offers the right constituents to align with the products being made. This will help achieve better prices and profitability for everyone in the supply chain and help improve supply and demand dynamics.

All of this needs to be achieved using the sector's renowned Scottish and environmental credentials, which we know resonate strongly with consumers.

Scotland has a growing reputation in world dairy, and we must use our credentials and reputation to more actively promote on the label our country of origin with pride in export markets. The same is true in the home market, where we must protect sales from imports and stimulate new market-driven development opportunities.

RECOMMENDATION 2: ENCOURAGE INVESTMENT

A targeted investment proposition needs to be developed to deliver new processing capacity to unlock new markets by ensuring we have milk in the right format for such opportunities. This must include:

- **Identification of market-driven product priorities**
- **Support and work with existing processors and new businesses to expand in Scotland**
- **Targeted focus – inward investment including dedicated resource**
- **Country of origin declaration**
- **A supportive business environment**



The Way Forward – Farming

It is critically important that we acknowledge that all of the work at farm level and in supply chains needs to support a sustainable milk price for our farmers.

Thousands of people are employed in the Scottish dairy industry, all with key roles to play, and some of the most important people are the farmers. Without them we wouldn't have the herds that produce the finest milk, nor would we have the natural farm environments that are so important to Scotland's dairy industry. All of this takes effort, foresight, leadership, business and farm skills and a team of workers.

If we are to achieve our vision, we cannot stand still. We need to ensure that on-farm skills are continually improved from modern apprenticeships to management development to ensuring the next generation of dairy farmers are farming for the market and responding to the challenges of climate change.

It will also be important that we continue to attract new entrants and give them the support they need to be successful in the sector.

CASE STUDY

Scottish Dairy Hub

One of the recommendations from the Scottish Dairy Review 'Ambition 2025' was to establish a Scottish Dairy Bureau, which would be industry led and act as a signposting service connecting the dairy sector throughout Scotland. It would act as a 'one stop shop' and identify the best sources of advice and training to improve dairy farm competitiveness, technical efficiency, sustainability and growth. The Scottish Dairy Hub, as it has become known, was launched in 2014 and is a key partner of the sector and the Scottish Dairy Growth Board. It has continued to offer a free service, providing reliable, accurate and relevant information, independently and in confidence. Part funded by both Scottish Government and National Farmers Union Scotland, the Hub signposts on several hundred business enquiries every year including nutrition, animal health, on-farm processing, staffing issues, contracts, legal issues, renewables, farm buildings and organic conversion for the benefit of all Scotland's dairy farmers and relevant industry stakeholders.

CASE STUDY

Attracting young people into dairy

Attracting young people to work in farming has always been a difficult task. An initiative in Dumfries and Galloway has been successful in getting young people working on dairy farms by providing access to a modern apprenticeship. The project, which is facilitated by NFUS, connects farmers, schools and the local college to create a pathway which initially offers young people with no farming experience a 12-week placement on a dairy farm before then going on to complete their dairy modern apprenticeship at SRUC Barony Campus. Initially started as a pilot, this programme has been successful in bringing young talent into the sector, not only in Dumfries and Galloway but also through an extension working in Ayrshire.

There are now fewer than 900 dairy farms in Scotland, and the average dairy farm is getting bigger. We are beginning to see more advanced technologies and innovation in genetics, breeding, husbandry and milking becoming more prevalent on farm. We already have the support mechanisms in place to deliver productivity improvements on farm including benchmarking and herd health initiatives as well as supporting the sector to move towards being carbon neutral. Looking to the future we will also need to ensure that the milk composition and annual supply profile is aligned to demands created by the market and the support approaches must continue to evolve and be responsive to these market needs.

It is important for Scottish dairy farms to continue to proactively seek out ways to manage all animals in their herds in a healthy and humane way with the highest of welfare standards. This will ultimately ensure an optimum return and drive efficiency for the farmer and deliver consumer support and understanding.

We must also ensure that innovation is an integral part of our farming plans, helping to drive technical efficiency as well as excellence in dairy science. Scotland already has a global reputation for its dairy scientific work including world-leading thinking on genetics and genomics. We need to make sure that this work continues and that dairy farmers in Scotland benefit from this work.

CASE STUDY

Milk Supply Association – innovation driving efficiency and growth

Scotland's Rural Innovation Support Service provides professional support to farmers interested in trying new things. With help from the service and the Knowledge Transfer and Innovation Fund, a plan is being developed for a large-scale breeding programme across three grass-based dairy farms in the south-west of Scotland.

The big innovation here is in focusing on the cows, not the bulls. The farmers, in Dumfries and Galloway and South Ayrshire, are combining their herd data with genetic testing to identify their best cows. Thereafter, they may use IVF and embryo transfer as part of a process to improve the genetic potential of their cows.

'I've done everything I can to reduce costs and produce for less, and it's still not enough,' said Rory Christie, of Dourie Farm, who is working with Graham Armstrong of Kirvennie Farm, and Charlie Russell of Glenapp Estate.

'By doing this, I can increase my annual milk volume per cow by 1,000 litres.' said Rory.

CASE STUDY

Müller Direct Next Generation

The next generation of farmers (and the one after that) are critically important to the agriculture sector and this has been recognised by Müller, which has set up 'Müller Direct Next Generation' to help ambitious young dairy farmers develop their careers by helping them build successful businesses for the future.

Fully supported by Müller, the programme helps these farmers with bespoke training on areas such as benchmarking, market analysis and business improvement planning.

It also introduces them to new ideas that can help improve their dairy businesses as well as providing a peer network which the farmers can use to test ideas, discuss issues and share best practice.

RECOMMENDATION 3: REALIGN FARMING SUPPORT AND ADVICE TO SECTOR NEEDS

There is a general consensus that existing support to farmers is extensive but does not necessarily focus on the priorities of the market, nor changing consumer preferences and beliefs.

Moving forwards we need to realign the existing advisory funds to focus on growth activities as well as optimising the support and advice available to farming to futureproof its activities, improve performance and deliver value by:

- Ensuring that on-farm support is delivered co-operatively and collaboratively and without duplication; is easy to access and provides value on farm
- Launching a £1 million annual programme to match fund on-farm improvement programmes, support innovation, work needed around climate change and encourage on-farm processing
- Ensuring that the Scottish Dairy Hub is adequately resourced to support farmers and farming
- Making sure that the sector has the people it needs with the skills they need to achieve the ambition, modern apprenticeships/succession/leadership
- Ensuring that investment in new innovation centres complement each other, are market driven and address the practical needs of the sector as a whole





The Way Forward – Climate Change and Sustainability

The climate change challenge is massive, but by working together as a sector across the supply chain with a shared ambition and plan we are best placed to tackle it.

A clean, green Scotland is a major selling point for our industry, and in the dairy sector we recognise the importance of this in our marketing with customers and consumers, not just today but in the years to come. Much of the world faces a water shortage; we don't. Scotland is well placed to guarantee natural grass-growing conditions and this is a real positive for our dairy farmers and their customers.

Our farmers are custodians of the land and the animals they look after. Within Scottish dairy we strongly believe in the value of investing in our environment and in working proactively with government and wider society to ensure this happens. There is no end point; the journey to improve the sector's environmental impacts will be an ongoing challenge and one that we must embrace.

But it is not only in farming that the climate change challenge is key: we want to reduce green house gas emissions right along the supply chain from cow to consumer. Our ambition to continually improve is integral to our commercial ambitions and we must use this to our competitive advantage in both home markets and overseas.

There is already much work under way in the sector including developing best practice in farming, and the processing sector continues to develop its integrated approaches to tackling the climate change challenge in its own supply chains as well as inputting to the ambitions of the UK Dairy Roadmap. Our approach is not only about carbon reduction: we must also consider how better land use, efficient use of water and biodiversity can contribute to a positive approach in our sector.

But we cannot stand still. We need to keep striving for excellence and developing the best practice in farming and processing, using innovation and R&D to ensure Scotland's dairy sector is at the forefront and recognised as a global player in both dairy and in tackling climate change in a proactive and engaging way.

We need to be able to scale up this best practice; offer support that is relevant to all no matter their size, their business model or their location; ensure that everyone is engaged and involved; and that we use data and insight to develop our approaches and thinking. This will help ensure the Scottish dairy sector becomes more productive, resilient, efficient and profitable.

OUR TARGETS ARE ALIGNED WITH SCOTTISH GOVERNMENT CLIMATE CHANGE GOALS



BY 2023

WE EXPECT 50% OF FARMS TO HAVE UNDERTAKEN NEW CARBON-REDUCTION ACTIVITIES



BY 2026

WE EXPECT 75% OF FARMS TO HAVE UNDERTAKEN NEW CARBON-REDUCTION ACTIVITIES



BY 2030

WE WANT 100% OF FARMS PARTICIPATING IN ACTIVITIES THAT WILL REDUCE THEIR IMPACT ON THE ENVIRONMENT

CASE STUDY

Arla Foods

Arla Foods, a dairy co-operative, is accelerating its efforts to reduce its carbon footprint by introducing an initiative across seven countries that will triple the speed of CO2 reductions on farm as well as creating one of the world's largest sets of externally verified climate data from dairy farming.

Arla Foods' farmer owners are already among some of the most climate-friendly dairy farmers in the world, producing milk with less than half the average emissions per litre compared with global dairy production. Now, with the introduction of its new Climate Check programme, it has set a new ambition to reduce carbon emissions by 30% by 2030 and have a neutral climate impact by 2050.

This latest initiative is part of a series of sustainability measures undertaken by Arla and its farmer owners in the last few years, including measuring carbon sequestration, reducing methane emissions and looking at ways to increase biodiversity on farms.



**THE CHALLENGE
IS NOW.**

**TOGETHER WE CAN
DELIVER OUR COLLECTIVE
GOALS AND AMBITIONS.**

RECOMMENDATION 4:

PROACTIVELY MANAGE THE SECTOR'S RESPONSE TO CLIMATE CHANGE

- A co-ordinated approach around the climate change challenge in dairy will be proactively implemented and managed
- A strategic dairy farm network across Scotland, a collaboration between Scotland's Rural College and the Agriculture and Horticulture Development Board, will build on the Barony Demonstration Farm and existing work, and lead our science on reducing environmental impact as well as delivering proactive knowledge exchange to farmers
- On-farm activities will support our dairy farmers and will include mentoring and advice that is aligned and easy to access
- Annual carbon-reduction assessments will be undertaken on Scotland's dairy farms, allowing us to track progress
- Market and consumer insight on emerging trends will be shared and we will ensure that there is continued investment in research linked to climate change and sustainability for the dairy sector
- Alignment with Scottish government climate change ambitions and initiatives in other agricultural sectors
- A sustainability champion will be appointed to the Dairy Growth Board who will report on progress



Investing in the Future – Scottish Dairy Supply Chains

The work undertaken over the last seven years has shown that there is demand for Scottish dairy products – not just on home turf but also beyond our shores. The work has also demonstrated the strength and expertise required to be a dairy farmer or processor in Scotland today.

As we move into the next phase of the work it is critical that there is adequate funding, including government grant schemes, to support the sector's ambition not just from government but from the sector itself. A re-alignment of existing funds used to support the sector could go some way to help move this work on quickly.

Key to the architecture of this growth will be continued (and potentially upweighted) investment in the dedicated Sector Champions who will continue to work with partners to deliver support to farming and work with producers and processors to access market opportunities, as well as ensuring the sector has a voice within government. Partners will also have an important role in leading the implementation of the recommendations identified.

As farming develops and the climate change challenge becomes ever more critical, it will become vital that the

current Farm Advisory Service is adapted to support the dairy supply chain. This may mean re-aligning the support available to deal with the demands of today's and tomorrow's pressures and opportunities.

Innovation support for all parts of the supply chain needs to be easily accessed as does market development assistance for those wanting to sell products either directly to consumers or via processing or wholesaling customers.

The Scottish Dairy Hub must also continue to have a central role in supporting the activities of the sector while developing the services it offers in an ever-changing market.

To achieve our ambition, it is critical that innovative and responsive supply chains using unique Scottish credentials must continue to be developed to allow Scottish dairy to access opportunities that will drive profitability right through the supply chain.

This isn't just about now, it's about supporting the 10-year ambition and ensuring that Scottish dairy continues to seek out new routes to markets, new markets, responds to opportunities, and is fit to respond to the constant challenges that the commercial and physical world will continue to present.

To achieve our ambitions we need to ensure that the recommendations are adequately resourced and maximise the partnership between the sector and the Scottish Government. To do this we need to:

RECOMMENDATION 5: DEVELOP MARKET-RESPONSIVE SUPPLY CHAINS

- Ensure advisory activities focus on growth activities and future proofing farms
- Fund sector championing and market development activities (£250,000 per annum)
- Continue growth-focused grant schemes to support processing, collaboration and in-market support activities. The criteria used to evaluate applications to these schemes need to be more focused on company and economic growth
- Undertake market scanning to determine what and where market opportunities are
- Provide strategic supply chain expertise to support all aspects of chain improvement and capability to ensure customer fulfilment
- Communicate the credentials of Scottish dairy in a co-ordinated and authoritative way
- Link up all of the innovation initiatives around dairy to maximise the impact of the effort, reduce the inputs and time, and avoid duplication. This needs to be managed
- Ensure the whole supply chain is focused, equipped, and able to respond to the climate emergency and emerging consumer drivers



And Finally...

The Scottish dairy sector is in a unique place. We produce high-quality milk that is turned into products enjoyed by consumers at home and around the world. This must continue, and the financial benefits must be realised by all involved.

We are at a crossroads where brave decisions will need to be taken regarding future directions. In Scotland we can produce some of the best quality milk and subsequent constituents in a sustainable way with world-leading environmental qualities, with a great combination of skills, husbandry, craft and modern technology. We have the milk that other

countries don't have and can't produce. And other than cheese, we don't yet have other products available to export. This must change.

Finding a way to take this proposition out to the world will lead to significant Scottish brand awareness, sales growth and improved profitability, helping the Scottish dairy sector 'rise to the top'. If the industry believes in the need for change then we must confront this opportunity head on, become proactive and take that leap to achieve the opportunity, deliver our sustainable growth ambition and tackle the climate change challenge in a proactive way.



This document was developed by the Scottish Dairy Growth Board 'Strategy Steering Group' with input and insight provided by many. We are grateful for your help and contributions.

WHO HAVE WE TALKED TO?

CONSULTED	EXPERTS	STEERING GROUP
Scotland Food & Drink	Scottish Environment Protection Agency	Scottish Agricultural Organisation Society
Scottish Government	Scotland Food & Drink	Scottish Dairy Growth Board
Highlands & Islands Enterprise	Tesco	National Farmers Union Scotland
Scottish Enterprise	Interface	Scottish Development International
Scottish Development International	Bank of Scotland	Lactalis
Graham's The Family Dairy	Skills Development Scotland	Agriculture and Horticulture Development Board
Müller	LANTRA	Scotland's Rural College
Arla	Opportunity North East	
Lactalis	Agriculture and Horticulture Development Board	
Agriculture and Horticulture Development Board	Brake's Scotland	
Scottish Farmers	Scotland's Rural College	
First Milk	Scottish Agricultural Organisation Society	
National Farmers Union Scotland		
Farm Advisory Service including SAC Consulting and Ricardo		

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