

JOHNSTON  
CARMICHAEL



# Annual Food & Drink Report

Review of 2024



# Introduction

Thank you to all those who contributed to our 2024/25 Food & Drink industry survey. We have analysed the data and read through all the comments to help us better understand exactly what businesses have experienced in 2024 and what they are looking forward to in 2025.

The findings and analysis are a platform for the discussions that we have with our clients and partners throughout the year. The better our understanding of the UK Food & Drink industry, then the better job we deliver as accountants, tax and business advisers.

## Contents

This Review of 2024 shares the findings, then with our team of experts, digs deeper into the topics of the survey which are detailed below.

- 1. Business health
- 2. Performance and profitability
- 3. Innovation and automation
- 4. International growth
- 5. Sustainability
- 6. People

We welcome and are most appreciative for the additional insight from the Food and Drink Exporters Association (FDEA) on international matters.

## The year ahead

The sector continues to face major challenges, out with the control of businesses. However, the industry remains positive and can once again see the levels of determination and resilience coming through in the results. Many businesses are looking forward, innovating, investing, and considering ways to deliver a sustainable future.

**Adam Hardie**  
Partner and Head of Food & Drink  
Johnston Carmichael  
[adam.hardie@jcca.co.uk](mailto:adam.hardie@jcca.co.uk)



# Survey respondents





# Business health

Adam Hardie

Partner and Head of Food & Drink  
[adam.hardie@jcca.co.uk](mailto:adam.hardie@jcca.co.uk)

After the continued growth of business optimism in recent years, it sadly drops at the start of 2025. Only 58% (numbers 5 and 4 combined on the chart) of survey respondents were optimistic or very optimistic about future growth in their business, down from 68% the previous year, a clear statement of the industry view. If we dig below this headline, optimism is lowest, and business harder perhaps, for the £1-10m turnover companies. Larger companies clearly have more reserves whilst early-stage businesses have an insatiable appetite for success.

## 3 years of wavering optimism

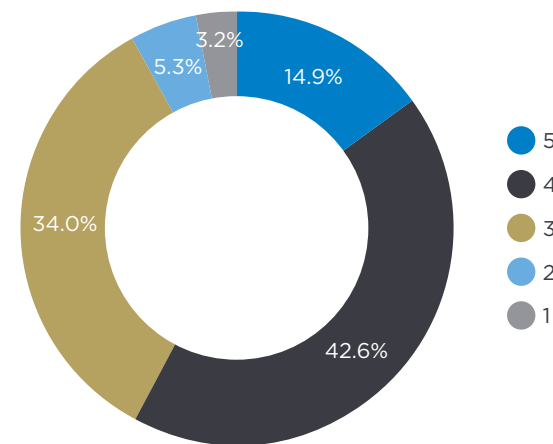
22/23 59%

23/24 68%

24/25 58%

## Growth optimism

On a scale of 1-5, with 5 being the highest, how optimistic are you about the future growth of your business?



## Industry challenges

The challenges of increased raw materials, energy and labour costs have been constant in recent years, as well as the poor availability of labour, and consumers continuing to trade down. However, for the biggest challenge at the start of 2025, it is hard to look past last October's UK Budget, specifically changes to NIC and National Minimum Wage, increasing costs for employers, undermining both jobs and the economy. Not surprisingly, political and economic uncertainty including taxation emerged as the top challenges facing many businesses who completed the survey.

"One of our main challenges coming out of 2024 and into 2025 is around the ongoing increase in employment costs and the risks associated with this. Whilst this was a challenge throughout 2024, the NI increase announced in October just increased the challenges further. We're also finding that there remains a skills shortage across the industry and investment in new skills should be an area of focus for the Government."

Sean Ramsden MBE, Founder and Chief Executive,  
Ramsden International

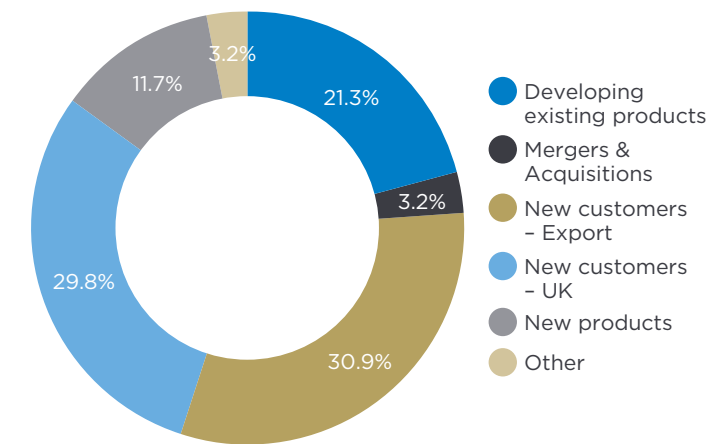


## Drivers for growth

The shape of growth shifted from UK customers to export growth in the last 12 months. Those businesses citing export as their primary growth driver increased from 25% in the previous year to 31% this year, whilst growth of new UK customers slipped from 35% to 30%. This sector has also invested slightly less in innovation and new product development in the last 12 months, with growth from new products slipping slightly from 14 to 12%.

## Growth drivers

What is the primary driver of growth in your business?



"Rising costs will be at the forefront of all businesses across the sector. For us, as a retail business, and a proud supporter of the High Street, we're still seeing a rise in costs and these will be a challenge throughout 2025, but we will look to our strong product offering and appeal to deliver growth. We will also look to ecommerce to support our business growth ambitions in 2025 alongside the High Street."

Steve Flanagan, Marketing and Product Director,  
Whittard of Chelsea

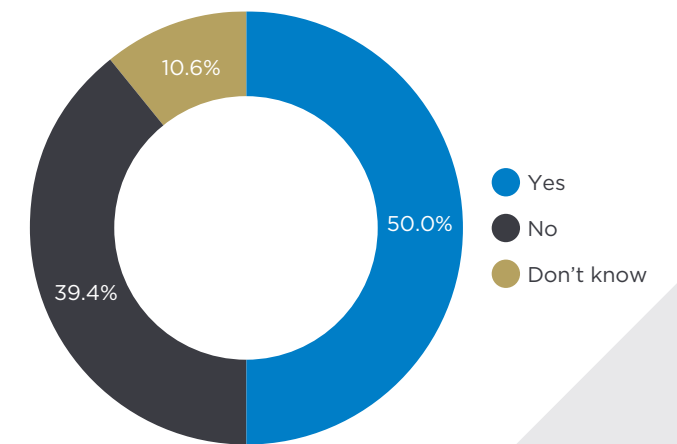


## Availability of funding

Availability of funding is yet again a significant challenge for businesses, and most acutely for those under £10m turnover. Continued high costs, discretionary spending pressures and growth opportunities all have an impact on cash flow and demand for growth funding. Half of all businesses who completed the survey will be looking for funding in the next 12 months and of those, 40% have a very limited number of options.

## Funding – next 12 months

Are you looking for funding in the next 12 months?



"Scaling this business quickly is vital for us if we are to remain competitive in the market. We have a great business with fantastic products, but growth funding to support our ambitions is often difficult and time consuming to secure."

Ben Iravani, Founder,  
Whitebox Cocktails



Business health continued  
Priorities for governments

1) Amend new legislation around IHT

Stabilising the economy and regaining confidence for growth is the principle ask from businesses to our leaders. The Chancellor’s announcement in the October 2024 Budget for new legislation around IHT changes created widespread shock across all UK industry. Whilst farmers and food growers drove their tractors into the media spotlight to highlight their plight, every family-owned business will face the challenge of these changes, due for implementation in April 2026.

It is too early to know if there will be any amendments to the IHT announcement, however, one family owned food manufacturing business in the survey called for a “complete reversal of the IHT changes”.

Meanwhile Johnston Carmichael tax team has the following insight on this matter;

“In terms of the Chancellor’s October 2024 announcement of significant Inheritance Tax changes, much is still unknown as to all the workings. For example, there is currently a pensions consultation underway and we also await a Trust consultation in early Spring 2025. Once the output of these is known then there will hopefully be a clearer way forward for clients to plan for upcoming changes. For family businesses, there may be an opportunity to still contribute significant wealth into a Trust prior to April 2026 as a means of protecting the family business against fragmentation or loss of control issues. More will be known come Spring 2025 and post the Trust consultation.”

Alex Docherty  
Tax Partner, Johnston Carmichael  
alex.docherty@jcca.co.uk

2) Support hospitality and brewers

There is low market resilience to the current hardship for brewers who seek respite for the Hospitality sector, which of course is by its very nature labour intensive and impacted disproportionately by the new employment costs. A number of breweries highlighted the need for more government support, and that survival of their hospitality customers was the biggest challenge to their business!

3) Unlock export and open up grant funding

The growth of exports is a ray of sunshine, with which we should do more, as we start the year with some uncertainty. The Food & Drink business community seeks the continued easing of regulatory control, reduced red tape, increased trade deals, and removing barriers to trade. The most effective government intervention in business, is to open the gates on grant funding with less strategic industry reviews paid by the public purse. The Food Processing and Marketing Co-Operation scheme, (FPMC) must return for the Scottish market, sooner rather than later.

Governments need to step into industry shoes, trust that business owners know how to grow business, and not be led by our civil servants in policy creation. Growing businesses leads to an increase of the tax take for governments and delivers increased public sector spending.

“The changes to Business Property Relief threaten decades of hard work and achievement, are denting confidence rather than building stability, are stifling investment, give corporate competitors an unfair advantage and create uncertainty about the future. Business owners are not cash rich, IHT would effectively have to be paid through dividend – draining company resources needed for the business development.”

David Wright  
Managing Director  
G.R.Wright & Sons Ltd



# Performance and profitability

Graham Marjoribanks  
Partner, Audit & Assurance  
Johnston Carmichael  
graham.marjoribanks@jcca.co.uk

Over the past few years, it is no surprise that cost increases have been seen across all sizes of businesses within the sector. Despite the headline statistics showing inflation numbers reverting towards the Bank of England target of 2%, cost increases within the Food & Drink sector continue well ahead of these numbers, with 43% of businesses reporting cost increases of more than 10%

It is interesting to note the underlying dynamic behind these numbers, with two particular sub-groups showing significantly different numbers; 58% of large businesses (over 250 employees) reported double digit increases, compared to 42% of small businesses (under 50 employees) which, somewhat counter-intuitively, shows that smaller businesses have been able to control their costs more effectively.

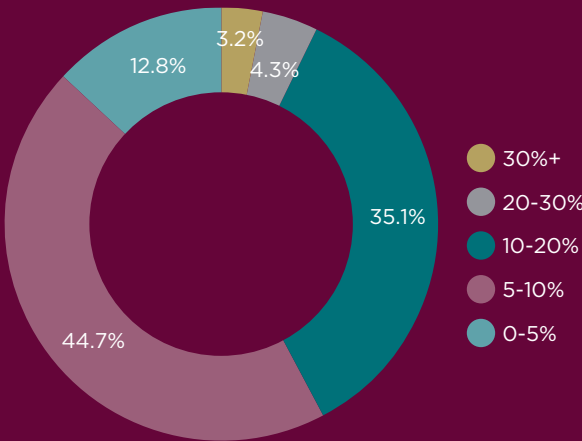
Looking at this on a turnover basis, businesses between £10m-£100m appeared to be most effective at controlling their cost base, with 70% reporting cost increases of less than 10%. In contrast, almost three-quarters of businesses over £100m reported labour costs as their largest cost increase, again suggesting that smaller businesses may have been able to mitigate labour increases more effectively.



Indeed, labour costs continued to dominate the agenda. Last year, labour costs was the category with the biggest increase. This trend continued in the current survey. This was expected as general inflation impacted on cost of living, resulting in wage negotiations. This trend has continued this year, with 53% of businesses reporting labour as their largest cost increase. This was true for businesses of all sizes except those with turnover of under £1m, which reported a more even distribution of costs increases, with no particular category dominating. This likely reflects the start-up nature of these businesses, with labour provided primarily by business owners. Nearly half of the businesses that responded to the survey increased their workforce last year. It is clear that the continued increase in National Minimum Wage and the upcoming increases to National Insurance Contributions will present significant challenges within the sector. It was no surprise that 80% of businesses reported that increases in labour costs was the main thing keeping them awake at night.

## Cost base increase

How much did your overall cost base increase during 2024?

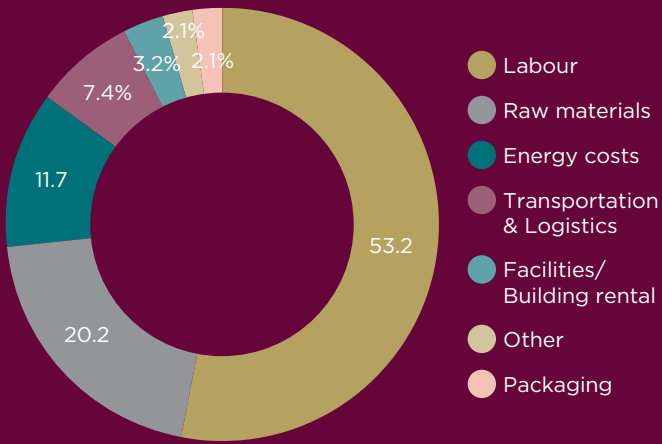




Performance and profitability continued

Largest cost increases

Where have you seen the largest % cost increases?

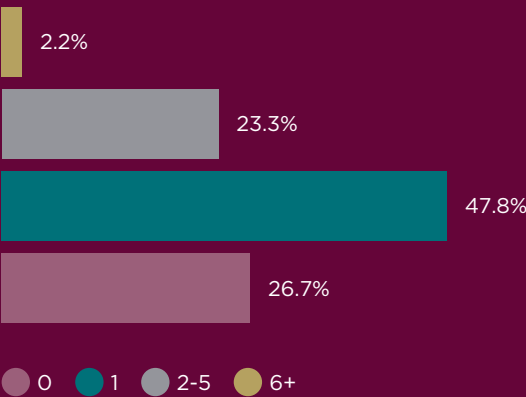


It will be interesting to see the different strategies businesses use to cope with these increases, particularly since the data shows only 17% of businesses are either “confident” or “very confident” of their ability to negotiate with customers to protect their margins. Businesses are very aware of the benefits of automation, particularly in relation to production processes and packaging; however, the investment required is significant for many, which is a barrier to using this as a strategy to deal with wage inflation. It is more likely that businesses will tighten up on performance management and recruitment as they seek to do more with less. Indeed, the narrative responses to our survey reflect a variety of strategies, including growing the top line, supply chain review, automation, reducing staff numbers, and looking for process efficiency savings. Companies with strong balance sheets and access to funding are more likely to be able to weather the storm and perhaps take advantage of opportunities in the market. However, the business landscape clearly makes it more challenging for smaller innovators to scale-up, which has the potential to reduce the vibrancy within the sector.

Last year, we noted a downward trend on price increases. This has continued in the current survey with only 8% of businesses raising prices by more than 10%, down from 16% last year. A third of businesses did not increase prices at all and, of those who did, they reverted to an annual price increase. No businesses reported more than one price increase during the year.

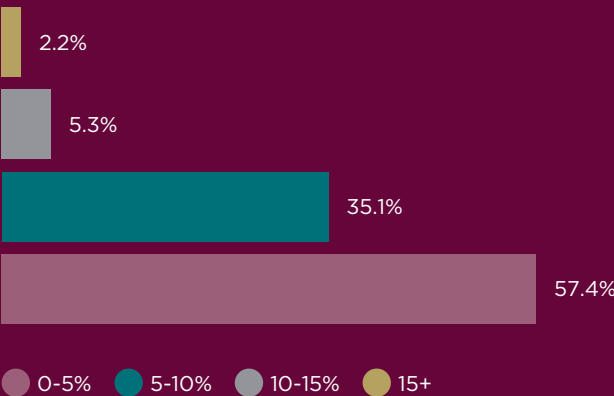
Price increases

How many times have prices to your customers increased?



Average price increases

On average, how much was the increase?



Stepping back and considering the data reported, the price increases that businesses are able to pass onto customers are not sufficient to cover their costs, even prior to considering the significant impact of recent increases to National Minimum Wage and National Insurance Contributions. Automation is a possibility but businesses with stronger balance sheets and access to funding are more likely to achieve this. The landscape appears to be bleak from a profitability perspective and suggests that the fundamental dynamics in the market could shift. We expect there to be consolidation in the sector and perhaps increased interest from private equity or acquisitive corporate entities who could seek to take advantage of potential synergies and cost savings associated with larger scale businesses.

Innovation and automation

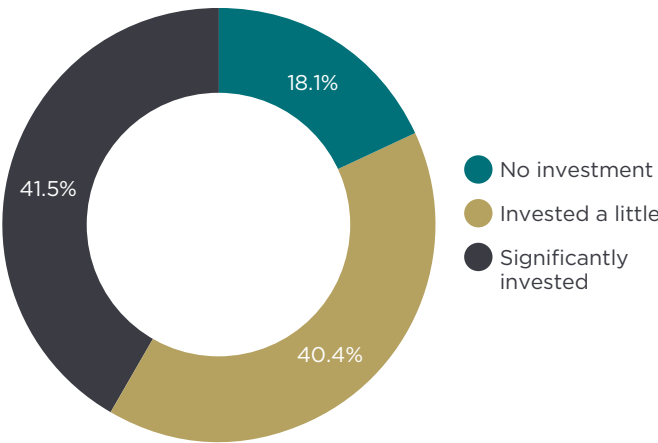
Stewart Pennington  
Partner, Business Advisory  
Johnston Carmichael  
[stewart.pennington@jcca.co.uk](mailto:stewart.pennington@jcca.co.uk)

Our survey results this year illustrate a remarkable similarity to the previous year in respect of attitudes towards both devotion to New Product Development (NPD) and innovation. 18% of respondents have not invested at all in this area whereas 42% invested significantly.



Innovation investment

How significantly have you invested in innovation or new product development (NPD) in the last 12 months?

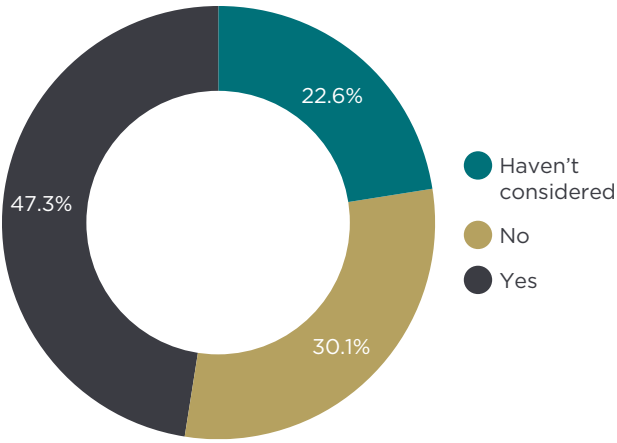


Equally the awareness of the main tax reliefs associated with this type of activity has remained stable at approximately two thirds. We might have expected to see an uptick in awareness of Research & Development reliefs in particular given the increased scrutiny HMRC has given these over the past 12 months. Many businesses, perhaps most notably in the brewing sector, have faced HMRC enquiries into claims that were not sufficiently robust. Although many businesses have, after no shortage of effort, reached agreement with HMRC over valid claims, we hope to see a general improvement in 2025 with a balance being struck where eligible claims are made and accepted in a timely manner as the relief still remains very effective in the right circumstances.

The viability of automation in the sector remains firmly a question of financial affordability and return on investment. Survey respondents answered the question in the same proportions as last year, whereby just under 50% feel these solutions are becoming more affordable and mainstream but a third do not. There is a general sentiment that capital, where available, has been deployed elsewhere over the last year. Many respondents noted that this will be a critical area in the future and I suspect two factors will drive activity here, being increased labour costs and the pace of development and commercial deployment of AI. Data shows that the global adoption of AI spiked in 2024 and we must imagine this will only continue.

Automation viability

Do you feel that automation solutions are a financially viable strategy for your business (i.e. they are becoming affordable and mainstream)?



Innovation and automation continued

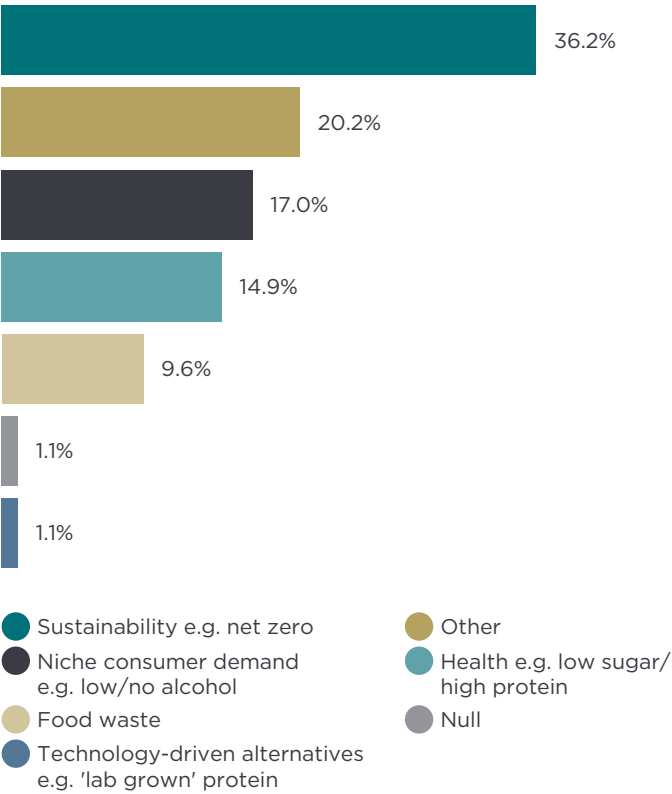
Continuing the theme of trends, we asked a new question this year to determine which of the key known trends in the sector are the most prevalent when thinking about innovation and the future for businesses. The results yielded a clear winner with 36% indicating that sustainability is front of mind. It is clear that all stakeholders are mindful of the impact on the environment and that ultimately consumers will want to buy products that have been produced with this in mind. Government policy and regulation will only move in one direction as is evident with commitments to the Deposit Return Scheme and Extended Producer Responsibility. We also hope to see greater clarity in respect of Environmental, Social & Governance (ESG) reporting with a framework that all businesses, regardless of size, can engage with and derive benefit from rather than being perceived as another red tape barrier.

Other popular trends cover health issues and consumer demands that are often health-centric, however the survey comments reaffirm the need for financial prudence and commercial sustainability.

One thing is for sure, and that is that change will be constant and all businesses need to keep a watchful eye on the horizon, remain resilient, but be ready to adapt and seize new opportunities.

Impact of sector trends

Which sector trend is having the most impact on your innovation strategy?



Innovation is key  
Rowena Tolley, Patent Attorney,  
Kilburn Strode

It's clear that businesses are facing myriad pressures to innovate like never before. External factors include both government policies and regulation, and consumer demand for new, healthier, and/or more sustainable products. Internally, businesses are also being squeezed, especially on (labour) costs, and have no choice but to improve efficiencies behind the scenes, including methods of manufacture, assembly, or packaging and back-office functions like reporting. Some businesses are also increasingly seeing innovation as a way to mitigate risk against a backdrop of economic uncertainty, with a broader range of products designed to appeal to a greater number of consumers both at home and abroad.

As IP attorneys, we see the impact of this pressure to innovate in the form of significant (but targeted) new trade mark, patent and design filings across the food & drink spectrum, and we expect to see more of the same throughout 2025. It's clear that failure to innovate is likely to send a business backwards in the current market, however hard it may be to allocate the necessary resources with so many other calls on the budget.

Kilburn & Strode

International

Amanda Collinson  
Director, International Tax  
Johnston Carmichael  
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Despite various barriers and uncertainty, clearly international growth and expansion is still key to businesses. Around a third of businesses feel that obtaining new customers through exporting is the primary driver of growth in their business as we head into 2025.

In terms of target market, businesses still see Europe as a key market (with 61% of businesses targeting that region to sell their produce). However, despite the importance of the region, Brexit is still seen as a barrier by many groups. Around 30% of groups are even feeling less positive than the prior year about Brexit. Some of the challenges cited included the cost to enter the marketplace, additional administrative hurdles in terms of customs, and bureaucracy such as labelling. There are other groups who say that they are doing their best to make the most of the new situation and even see some opportunities. As the threat of US tariffs is on the minds of several of the survey's respondents, it could be that Europe moves back into favour depending on President Trump's moves this year. It may become more expensive to export to the US and businesses will have to weigh up that cost against the significance of the US market.

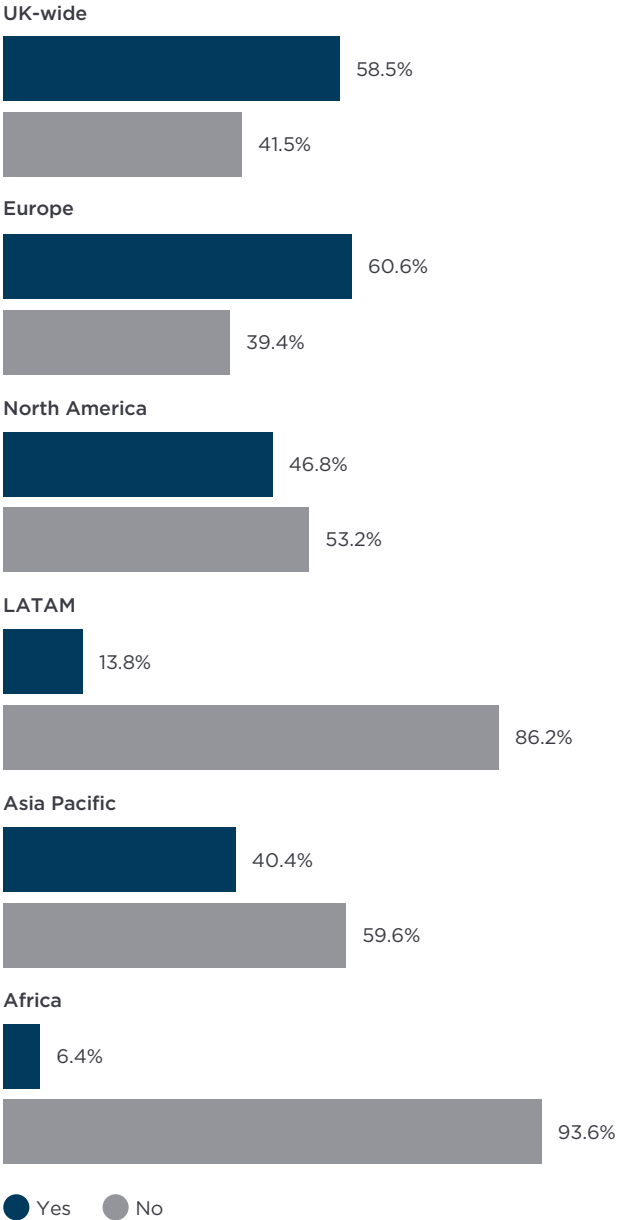
From a structuring perspective, the survey respondents are mostly entering foreign markets using a local distributor (61%). Not surprisingly, when we look at the smaller businesses, £1-10m turnover, we see that it jumps to 70% using a local distributor, but the larger businesses it drops to 40%.

A very small number of groups plan to implement their global expansion through forming their own subsidiary or sending a UK employee overseas. From a tax perspective, it is simpler to use a local distributor, as that tends to minimise your own tax exposure. If you are setting up your own subsidiary or branch, then you will become subject to the local tax rules. Having a local presence also means that it is likely to be more administratively burdensome to exit a new territory, if the business is not successful there.



Target market

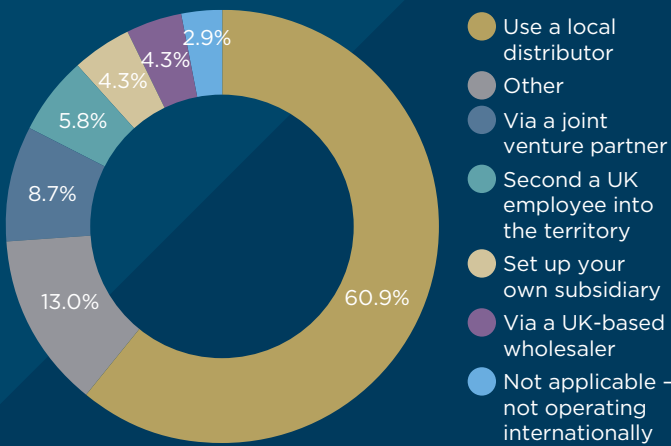
Which markets are you currently targeting?





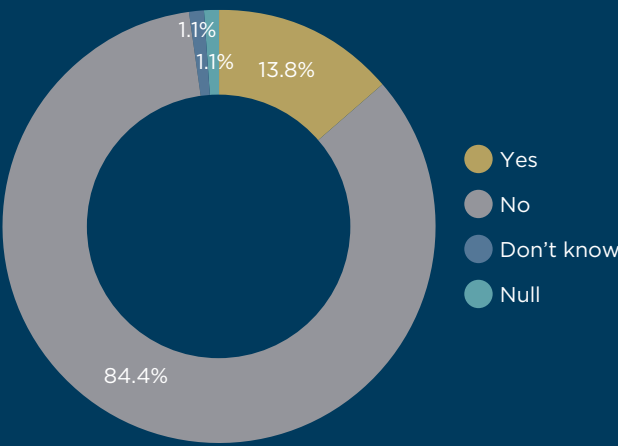
New market entry

What did you find to be the most effective way of entering a jurisdiction?



Hiring staff

Did you hire staff outside the UK, to work in the UK, during 2024?



There seems to be limited appetite for hiring additional staff outside the UK, with only 14% stating that they hired staff outside the UK in 2024. Of those that did, the majority hired in Europe. Hiring staff outside the UK brings additional tax complexity in terms of managing a different payroll and getting to grips with employment laws elsewhere.

“Export sales of Scotch Whisky slumped in 2024 by 18%. With continued global uncertainty, consumers trading down, and now the risk of tariffs exporting to The United States, it will clearly be another challenging year for the UK’s largest food & drink export! However, premium brands with a distinctive identity will continue to thrive.”

David J Harris  
Managing Director  
Craigton Packaging Ltd



Supporting view  
Insight from the Food and Drink Exporters Association (FDEA)  
Nicola Thomas, Director

It is really encouraging to note that finding new customers in export markets is the primary driver of growth for survey respondents. Furthermore, although 30% currently feel less positive about trade in/with the EU than they did 12 months ago, Europe is still outperforming the UK and other global regions in terms of target markets for food and drink companies.

Whilst fully acknowledging that since Brexit, trading with the EU has presented many additional challenges and complexities for sector exporters, particularly SMEs, we are seeing new and renewed focus on Europe from our members and the wider UK export community.

Not only is it a huge, vibrant region of over 460 million relatively affluent consumers on our doorstep but also one where retail and food service buyers are very receptive to British products. They tell us that in many categories they simply cannot find the same levels of product and packaging innovation, quality and provenance offered by our food and drink manufacturers and brands.

Post-Brexit, we saw many companies, especially novice exporters, veer away from the EU completely, choosing to target more far-flung territories; however they soon discovered that North America, Asia and the Middle East can be logistically complex, heavily regulated, and difficult to manage from a distance. Whilst the seamless trade with the EU we enjoyed for 50 years has ended, the agreements we have in place now, do still offer us advantageous levels of access compared to other markets around the world.



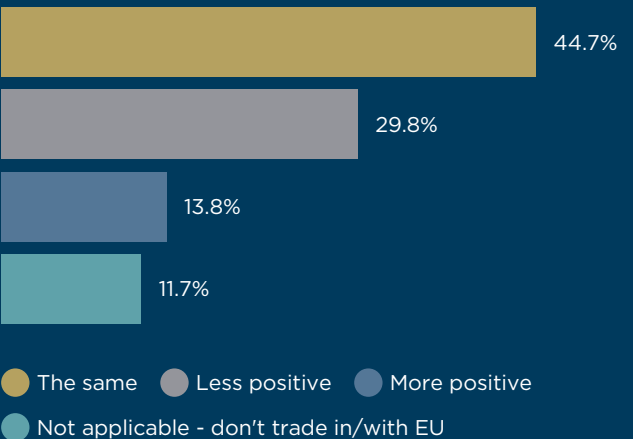
Our FDEA members have faced huge challenges to preserve their business across the channel. However, through sheer determination, perseverance, and in some cases total redesign of their EU supply chain, they have overcome them and are now reaping the rewards with deepened sales reach and relationships. Brexit is a prime example of how our FDEA community came into its own – we meet regularly to share export experience, knowledge and contacts, and to find practical ways to break down barriers. This is only made possible by tapping into our network of experts in all areas of international trade, including customs procedures, documentation, labelling, regulations and tariffs. Outsourcing to these skilled specialists, was, and still is, an invaluable weapon in any exporter’s armoury, allowing them to focus on manufacturing and selling their products and keeping customers happy.

Finally, we see companies with a geographically diverse market portfolio vastly improve their risk mitigation and their chances of building sustainable sales overseas. Especially in these geopolitically unstable times, sales dips or changes in consumer trends in one market or region can be compensated for by a presence in another. Now, perhaps more than ever, it’s time to put the EU back on your export map!



International – EU trade sentiment

Are you feeling more or less positive about trade in/with the EU than 12 months ago?



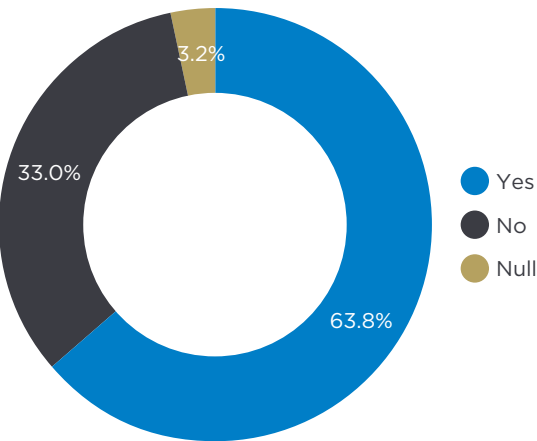
# Sustainability

**Mark Stewart**  
Partner, Corporate Finance  
Head of Energy, Infrastructure and  
Sustainability, Johnston Carmichael.  
Sustainability Global Service Leader,  
Moore Global  
[mark.stewart@jcca.co.uk](mailto:mark.stewart@jcca.co.uk)

Whilst all businesses, regardless of sector, grapple with sustainability and the wider environmental, social and governance (ESG) agenda, there is no doubting that the Food & Drink sector has its fair share of considerations. Businesses are fully aware of the growing importance of sustainability, and they recognise it is more than just a compliance issue. It will bring greater rewards, and businesses need to combine forward thinking with compliance preparedness.

## Lenders Interest

Are lenders becoming more interested in your sustainability?

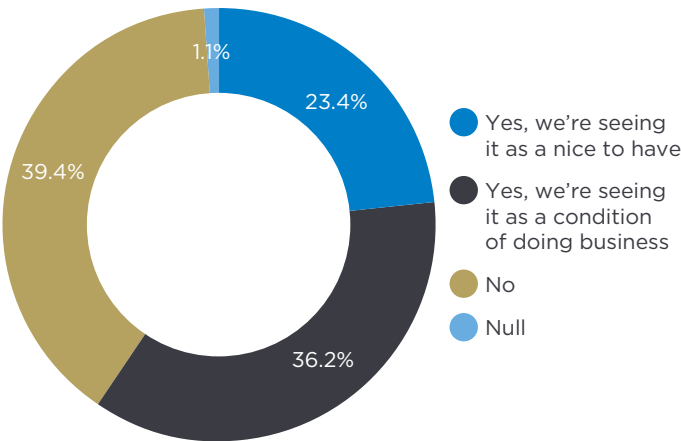


This shift is driven by growing consumer demand for transparency, ethical practices, and environmental responsibility, with many businesses seeing ESG reporting as a way of enhancing their brand reputation, attracting investment, and meeting the expectations of their stakeholders.

The importance of having a clearly articulated strategy to satisfy a number of demands is becoming much more apparent. The number of businesses whose external stakeholders view sustainability as a condition of doing business has risen to 36%, up from 26% last year. When we look specifically at the £100m turnover businesses, this number jumps to 82%. This is matched by an increase in interest shown by lenders to the approach businesses are taking to sustainability which has risen to 63% from 58% last year, and as high as 91% for the £100m+ turnover businesses. So it's clear that lenders and other external stakeholders are becoming more interested in how businesses are approaching sustainability.

## External Stakeholder Interest

Are external stakeholders, becoming more interested in your sustainability?



Overall, 54% of respondents report having a sustainability strategy in place, up from 50% last year. This trend indicates the growing recognition of the importance of proactively and voluntarily incorporating sustainability and ESG practices in the Food & Drink sector. The introduction of IFRS S1 and S2 sustainability standards, which mandate comprehensive sustainability disclosures, is expected to accelerate this trend from 2025 onwards.

Of those surveyed, 49% say they need help with their sustainability strategy, either immediately or over the next 12 months. Only 27% of the largest companies are looking for support. These figures show a desire for businesses to get support but there can be a number of hurdles, including a lack of financial/human resources, financial constraints and a lack of knowledge/experience.

The CRSD Regulatory framework in the EU, is raising the bar on sustainability compliance. UK SMEs with EU operations will in time be brought into the EU reporting net, with non-adherence risking reputational damage and lost market access. And as we know, the sector is still navigating an ever-changing geopolitical environment, rising costs and disruptions to supply chains. These ongoing challenges can often distract from the sustainability focus.



Johnston Carmichael is helping its clients prepare for regulation by establishing an ESG baseline, conducting materiality assessments and developing ESG roadmaps. Our ESG software platform allows businesses to establish their baseline emissions and develop mitigation strategies as part of their net zero commitments. In addition, our ESG assurance team is able to provide assurance on sustainability disclosures aligned with ISAE3000 and ISSA 5000.

Holyrood Distillery has embraced sustainability this year, and we're working very hard to introduce a number of solutions on our journey to net zero. This includes solar power and EV's, but also different ways to re-use spent barley and the effluent from the distilling process.

**Huw Wright, Managing Director,**  
Holyrood Distillery



**John Simkins, Head of  
Sector & Country Specialists  
Corporate & Commercial Banking  
Santander UK plc**

The challenge is particularly acute for the UK's food and beverage businesses, which face unique difficulties due to emissions-heavy transport, resource-intensive packaging, and fragmented globalised supply chains. Meeting net-zero commitments is especially complex, as businesses often lack visibility into upstream suppliers and logistics networks.

To assist businesses in overcoming the challenges they face when looking to implement an effective ESG strategy, the Santander Navigator offers streamlined access to customised sustainability solutions, practical guidance, and useful tools. Through the platform, businesses can gain insights into their carbon footprint, obtain expert advice on regulatory compliance, and identify actionable steps to reduce their environmental impact effectively.



# People

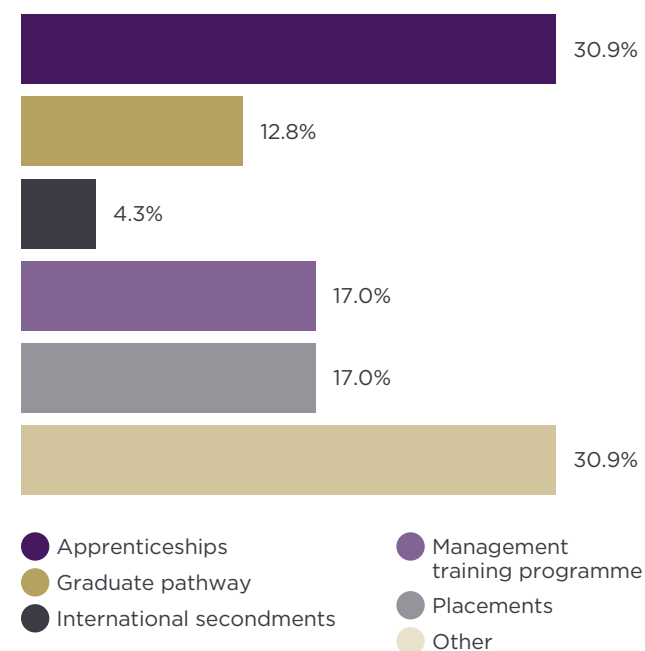
**Jude Lean**  
Senior Manager, Talent and Learning  
Johnston Carmichael  
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**It is no surprise that there is a continuing trend of increased staff costs and workforce change across the Food & Drink sector. As the average, 75% reported that they'd seen staff costs increase between 5%-20%.**

Over a quarter of respondents reported a lack of skills as a continuing challenge with limited investment for narrowing the skills gap. To encourage successful workforce planning for the future and develop effective succession planning, additional investment in formalised training could be optimised and plug the gap that exists. 31% of businesses attract new people via apprenticeship programmes. This number jumped to 92% when looking at the larger businesses. 13% of respondents use graduate pathways as a tool for attraction with this rising to 20% for medium sized businesses. Both management training and placement opportunities are used by approximately 1/5 of respondents as a means to attract and retain individuals.

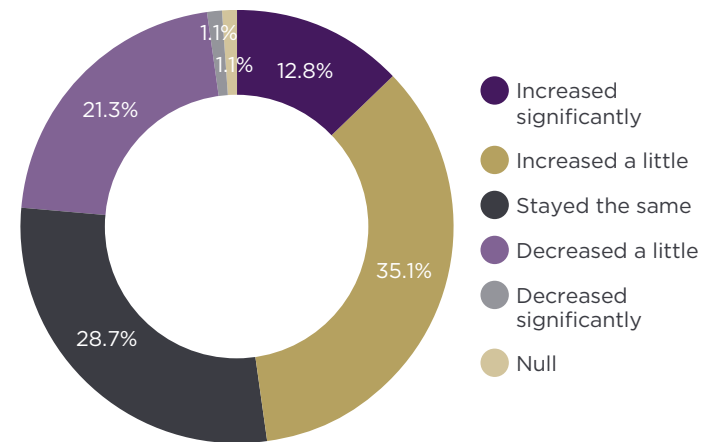
## Attracting new people

How do you attract new people to your business?



## Workforce Changes

How did the size of your workforce change in 2024?



Workforce changes have been more volatile in the last 12 months with 48% of businesses reporting significant or a little increase, rising to 75% for large businesses. A core challenge is the rising costs of workforce between employer National Insurance Contributions and the continuing increase in National Living Wage.

We offer a flexible approach to people solutions, from people strategy development to crafting a meaningful and impactful employee value proposition and the application of these in day-to-day people operations across your business.

If you would like a conversation about how to build and advance your people experience please get in touch.



It is refreshing to see a focus on attracting new talent via the promotion of a business' Employee Value Proposition and businesses working towards the creation of a total reward package that highlights business values, transparency of strategy, and opportunities for personal and professional development. These were areas highlighted by several businesses, as free-text points in the survey. There is a growing appreciation of differing needs and motivations for individuals in the workplace and creating an agile workforce that produces, can be key to success. However, there is an opportunity to reflect on, and refine the ability to continue to deliver this whilst providing a flexible working environment for people to create a work-life integration that is beneficial for all.

The continuation of rapid technological advancement will provide opportunity for improved efficiencies and minimise the risk of workforce skills shortages alongside long-term cost reduction. Almost 60% of respondents indicated that automation could be introduced to the production element of their current labour processes. Just under 50% stated that automation could be introduced to data collection and analysis, with 37% suggesting that automation

could be introduced in the packaging stage of the production process. Finally, 22% would consider implementing an automated process for payroll and 29% introducing this to the supply chain process.

This suggests that the long-term workforce planning within the Food & Drink industry is key to determining what skills need to be invested in currently, to safeguard the workforce of the future. Businesses must also determine how best to integrate people and machines for the greatest efficiency gain, providing the skills required for the industry to survive and thrive longer term.

## The key considerations for businesses and their workforce

Michael Dickson, Director, FWB

### Costs

Rising costs, driven by factors such as energy prices, wage inflation, and tax hikes, are squeezing margins and amplifying the pressure from significant skills shortages. This dual challenge is increasing the demand for leaders skilled in cost management, strategic workforce planning, and succession strategies.

### Continuous Improvement:

High-performing organisations are prioritising efficiency and innovation, necessitating leaders proficient in continuous improvement. This has seen an increased focus on Lean Manufacturing and cost optimisation alongside hiring CTOs and HRDs who can bridge operational and cultural gaps through technology and talent development.

### Automation:

Additionally, the survey underscores the importance of automation to mitigate rising costs and labour shortages, reshaping leadership needs towards roles like Interim Transformation Specialists, fractional leadership roles and specialists in Robotics, AI and IoT experts.

### Employee Engagement:

The survey also points to a pivotal shift in employee expectations, with transparent values, career development opportunities, and flexible working arrangements becoming essential for attracting top talent. Despite a push back towards on-site roles, elements like culture, sustainability, DE&I (Diversity, Equity, and Inclusion), and innovation are now strategic imperatives for talent attraction and retention. Companies are increasingly investing in internal talent development through leadership programmes and apprenticeship schemes to build future-ready workforces, particularly in regions or roles where external recruitment cannot meet demand.

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# Conclusion

Hopefully this report has provided an insightful summary of the survey results, whilst also offering you and your business some useful insights and areas to consider. Thank you to the Johnston Carmichael team who participated and to our external friends, who have contributed their own knowledge and expertise to the report.

It is evident that the challenges for the sector remain, but as alluded to at the start, there is determination across the industry. Businesses are not shy about sharing their concerns, and that is important. Food & Drink is absolutely vital to the UK in terms of contribution to the economy and future food security, so the hurdles need to be taken away, not increased, and a better understanding of the sector needs to be in place at the very top of Government.

For us at Johnston Carmichael, this survey is priceless. It helps us paint a wider picture of the sector as a whole, it allows our clients to benchmark against peers, and it shows us the areas we need to add our own voice to, in order to encourage change.

“A significant hurdle of ours is talent attraction, with specialised roles in product development and engineering remaining difficult to fill. Government policies and rising labour costs are putting pressure on our workforce strategy.

We're adapting by converting temporary positions to permanent roles and focusing on operational efficiencies. While we face substantial challenges, we remain committed to our people and believe that targeted government support in skills training and trade could help drive long-term industry growth.”

Paul McGovern, Head of HR, Macphie Ltd.



“I’m cautiously optimistic about 2025. Every year of this decade has been harder than the last and although I was initially excited about a Labour government, their Autumn budget hasn’t inspired any confidence and their attack on hospitality shows they haven’t been paying any attention to our plight.”

Steve Ryan, 40ft Brewery

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“Looking forward, I believe the government's top priority should be improving funding access for SMEs to drive long-term growth in our sector.”

Susie Anderson, Owner, East Coast Cured





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