

Cross-Party Group on Scotch Whisky

21 September 2021 via teams, 18:00-19:00.

Minute

Present

MSPs

Sharon Dowey MSP
Murdo Fraser MSP
Rachael Hamilton MSP
Gordon MacDonald MSP
Jenni Minto MSP
Colin Smyth MSP

Invited guests

Non-MSP Group Members

Susy Atkinson (Edrington)
Blair Bowman (Whisky Consultant and Author)
Susanne Cameron-Nielsen (Scotch Whisky Association - SWA)
Karen Freel (Perspectiva Consultants)
Fraser Grieve (SWA)
Annie Hill (International Centre for Brewing & Distilling)
Graeme Littlejohn (SWA)
Orchid Liu (UK Chinese Times)

Apologies

Jackie Baillie MSP
Rhoda Grant MSP
Liam McArthur MSP

Agenda item 1

Welcome and introductions

Murdo Fraser MSP chaired the meeting and welcomed returning and new members and attendees.

Agenda item 2

Election of office bearers

The group recorded their appreciation and thanks to Beatrice Morrice (SWA) who had previously provided the secretariat to the group.

Members of the group elected office bearers to the following positions:

Joint Conveners:

- Murdo Fraser MSP
- Gordon MacDonald MSP

Deputy Conveners:

- Jenni Minto MSP
- Colin Smyth MSP

Secretary:

- Susanne Cameron-Nielsen, Scotch Whisky Association

Agenda item 3

Scotch Whisky 2021 H1 export

SWA Director of Strategy & Communications, Graeme Littlejohn, presented the half-year 2021 export figures showing early signs of recovery following the impact of Covid-19 and US tariffs.

The three main challenges from 2020 had in the main now passed or been partly resolved – US tariffs were suspended March 2021, post Brexit new trade and customs processes were now up and running (although some challenges remain), and the global pandemic has reached a different phase with the roll-out of vaccines.

First half 2021 figures demonstrated that the value of Scotch Whisky exports were up 31% compared to the same period last year, with volume up 42%. However, exports remained down 10% by value vs 2019, and the industry still has some way to go to recover lost ground and return to the record export figures of 2019.

Exports of Scotch Whisky to the EU fell in the first three months of 2021 compared to 2019, as lockdowns on the continent continued and producers adjusted to new post-Brexit trading arrangements. However, EU exports grew at a faster rate between April and June 2021 than in the same period of 2019.

Exports to markets in Asia, which were quick to recover during the second half of 2020, continued to grow in the first half of 2021. For example, in the first half of this year, China surpassed the £89m exported in the whole of 2019 – growing 126% to £91m.

The United States remains Scotch Whisky's biggest export market by value, worth more than £1bn in 2019. The 25% tariff on Single Malt Scotch Whisky, implemented from October 2019, saw total exports drop by a third. The tariff suspension in March 2021 was welcome, but it will take time, investment and support for exports to the US to regain their strength following a devastating 16 months. Exports of Scotch Whisky to the US for the first half of 2021 remain down by 34% when compared to the same period in 2019.

The importance of the global retail market was highlighted (if treated as a country it would be the largest market by value).

The full year 2021 export figures are expected in February 2022 and challenges remaining were highlighted, such as: inflation and rising cost of glass and packaging materials, shipping cost, supply chain issues (including impact of a shortage of HGV drivers) and the potential impact of an increase of the excise duty in the forthcoming UK Budget as well as the awaited Alcohol Duty Review.

Members discussed opportunities in specific markets and noted e.g. Mexico where a large increase could be observed, highlighting opportunities for Scotch Whisky in forthcoming trade agreements.

Members also reflected on the growth in e-commerce, noting news today that Pernod Ricard had acquired The Whisky Exchange. A continued growth was expected in e-commerce although not at the rate observed in response to the pandemic.

Agenda item 4

The industry's Sustainability Strategy and COP26

SWA Deputy Director of Strategy & Communication, Fraser Grieve, outlined progress on the Industry's Sustainability Strategy and its involvement in COP26.

A brief overview of the four themes of the Scotch Whisky industry's Sustainability Strategy was provided focusing on:

Tackling climate change by achieving Net Zero emissions in the industry's own operations by 2040, 5 years ahead of the Scottish Government's target and 10 years ahead of the UK Government's target.

Continuing to use water responsibly so that all companies are within a responsible water use range by 2025.

Moving to a circular economy so that by 2025 all new packaging is reusable, recyclable or compostable.

Caring for the land through playing an active role in the wider conservation and restoration of Scotland's peatland to deliver environmental benefits for the common good by 2035.

To demonstrate progress to date and share the work of individual sites, the industry hosted a series of 'Countdown to COP26' visits for parliamentarians in July. Fraser

reiterated the industry's continued open invitation to parliamentarians to visit and encouraged MSPs to contact the SWA if not already in contact.

He also highlighted that the Scotch Whisky Association has recently become Scotland's first trade association, and the UK's first food and drink trade association, to be recognised as a Race to Zero partner in the lead up to COP26 in Glasgow this November. The partnership, which was approved by the UN High Level Climate Action Champions, recognises the Scotch Whisky industry's commitment to robust net zero criteria in line with globally halving emissions by 2030. Scotch Whisky companies can now join Race to Zero through the SWA by publicly pledging to achieve net zero as soon as possible, producing a clear plan for how they will achieve these targets and contribute their share in the race to zero - all in line with the Scotch Whisky industry's Sustainability Strategy.

Members discussed multiple topics arising from this update, specifically in relation to packaging and the intentions around ensuring a circular economy, noting a delay on an introduction of the bill due to the pandemic. Members also touched on issues around the supply chain and means to ensure minimisation of emissions with a particular view on identifying the most important devolved levers, especially ahead of Scottish Budget later this year. Transportation whether by road or ferries were highlighted as were opportunities presented by hydrogen. The industry was keen on further policy clarity to ensure most efficient and effective strategic investment, working in partnership with government. The group recognised how crucial the next few years are to ensure the right decisions are made in addressing our shared climate challenge, noting that a one-size-fit-all would not work across the industry.

More in-depth discussion around glass and packaging and impact of the forthcoming Deposit Return Schemes in Scotland and rest of the UK were also discussed, with themes explored around implementation dates and interoperability across schemes.

The most effective and yield-efficient use of cereals was also considered, recognising the work of the Scotch Whisky Research Institute, The James Hutton Institute and the investment into the International Barley Hub with a general recognition of the importance of technology and innovation in helping address climate change.

Agenda item 5

Topics and timings for future meetings

Members considered future topics and suggestions were made to look at trade deals at future meetings, specifically India trade deal was highlighted as one that would be of early interest given the positive potential for Scotch Whisky if tariffs and other barriers were addressed.

Members also expressed an interest in visiting the newly opened Johnnie Walker Princess Street, noting the investment across the industry in tourism.

A session on the growth of numbers of new distilleries opening and the re-opening of previously closed distilleries was also highlighted as a future topic, recognising the investment and growth in past years and more to come in future years.

The group agreed to meet four times a year with the timing of the next meeting being around November, with a preference for alternating between evening and lunch-time meeting to ensure equitable access.

The date for the next meeting will be circulated shortly.

Agenda item 6

AOB

The group agreed for Newsdirect to be added to the distribution list for future meetings.

Blair Bowman updated the group on his recent selection as a Food & Drink Tourism Ambassador by Scotland Food & Drink with a focus on Whisky Tourism across Scotland. This is part of a two year programme and he invited members to get in touch as he is happy to assist.

Meeting closed.