



Sustainable Scale Up Cluster

ANNUAL REPORT



Bwyd a Diod Cymru
Clwstr Uwchraddio Cynaliadwy
Food & Drink Wales
Sustainable Scale Up Cluster



2022-2023



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This project has received funding through the Welsh Government Rural Communities - Rural Development Programme 2014-2020, which is funded by the European Agricultural Fund for Rural Development (EAFRD) and the Welsh Government. Delivered by BIC Innovation.





FOREWORD



2022-2023 has been the second year of delivery for the Sustainable Scale Up Cluster. It was an exceptionally testing year for the food and drink sector as we came out of the Covid-19 pandemic. We saw the start of rising inflation which was exacerbated by the war in Ukraine. Many food and drink businesses have had to cope with increased and unpredictable input costs, including energy, labour, packaging and key ingredients whilst meeting the needs of their customers. Forecasting and budgeting has become ever more challenging. And, as the cost of living crisis took hold, the ability to pass on some of the input cost increases to retail and foodservice customers has been difficult.

As chairperson of the Sustainable Scale Up Cluster Advisory Group and Chief Finance Officer of Puffin Produce, I understand the day-to-day pressures that Welsh food and drink businesses face whilst trying to focus on long-term growth. Indeed, in these testing times, unsurprisingly some businesses find themselves focusing on immediate survival and maintaining cashflows to carry them over into, hopefully, more positive times ahead when ambitions can turn, once again, to growth and scale up. Whilst the name of the cluster is “scale up”, I know the cluster managers have also been helping members cope with and overcome “survival” challenges. The work of the cluster centres around the four key challenges of scale up: access to capital, capacity, competences and confidence. These challenges are relevant to businesses facing survival challenges, and, particularly around working capital and continuing as a going concern.

However, despite these demanding economic conditions, I remain convinced that supporting scale up food and drink businesses is vital for the Welsh economy, particularly as the food and drink sector has been recognised as a foundation economy by Welsh Government. Our sector contributes significantly to the Welsh economy and is capable of providing highly skilled jobs – we need to continue to share knowledge about what works and build connectivity across our successful food and drink businesses. As a final point, I am pleased to report that, after two years of supporting ambitious food and drink businesses, the cluster has over 100 members who have benefitted from peer-to-peer learning opportunities, networks and the experience and knowledge of the cluster team.



JON LANGMEAD

Chairperson, Sustainable Scale Up Cluster Advisory Group; Chief Finance Officer, Puffin Produce



INTRODUCTION & ACKNOWLEDGEMENTS

Linda Grant, Programme Director, Sustainable Scale Up Cluster

Welcome to our second annual report from the Sustainable Scale Up Cluster. In this report, we have highlighted the activities and achievements of the cluster, and how these activities have helped to address the four key barriers to scale up. We are particularly delighted to share a key milestone, with our 100th member joining the cluster in December 2022.

The premise of the cluster was borne out of the recognition that food and drink businesses, many of whom operate on very slim margins, need to be able to scale up in an affordable and manageable way. One key risk in scaling a business is that of “over-trading” when a business is unable to secure the capital to fund the growth and expansion that new orders/customers can bring. Therefore, we use the term “sustainable” in its economic or financial sense: a business’s growth is sustainable because sound financial management underpins it.

The cluster’s vision and mission statement are aligned with the sector strategy, “A Vision for the Food & Drink Industry from 2021 – Building on our success”. In our first annual report, we noted that resilience, recovery and risk management were at the heart of the cluster’s activities. A year on, this statement is as relevant as it was when we were hopeful that the worst of the Covid impact was behind us. In our second year, we have helped cluster members develop their financial insight and understanding, develop strategies to

cope with supply chain uncertainty and availability of key inputs and manage capacity.

We would like to thank our stakeholders who have worked with us during the year. We have partnered with Cardiff Business School to pilot a business graduate placement programme for the Welsh food and drink sector. We have also worked closely with the Advanced Manufacturing Research Centre (AMRC) Cymru to help address capacity and productivity challenges. We are also delighted that our cluster has been included in the Scale Up Institute’s list of programmes offering scale up support in Wales.

In 2021, Wavehill, a social and economic research company, were appointed to carry out an independent evaluation of the Sustainable Scale Up Cluster. We are delighted with highlights from this evaluation, which we have shared in this report on page 11.

We are grateful to Welsh Government for the support in developing this cluster, which is funded through the Welsh Government Rural Communities - Rural Development Programme 2014-2020, which is funded by the European Agricultural Fund for Rural Development (EAFRD) and the Welsh Government. The funding was extended and now finishes at the end of June 2023.



VISION & MISSION

VISION

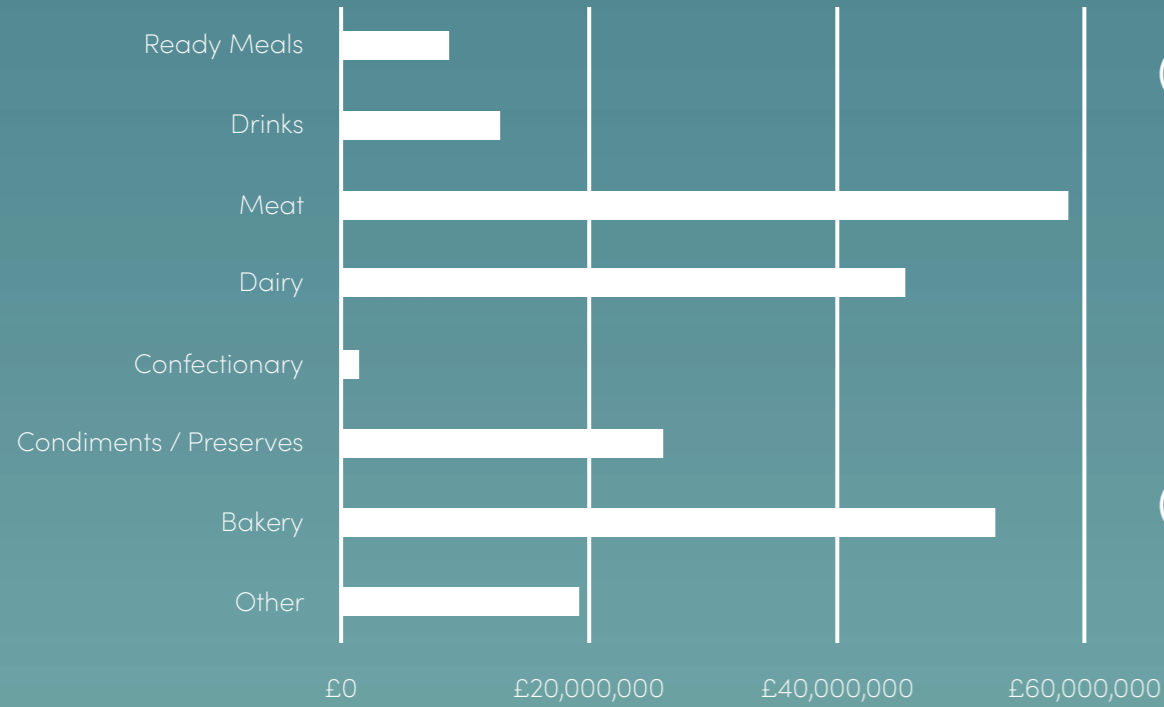
Build a community of ambitious and scaling Welsh food and drink businesses, driving economic growth of the sector and the communities in which these businesses operate.

MISSION

Working with industry, academia, government and stakeholders, the cluster will help businesses embed business resilience, recovery and scale up skills through collaboration, enabling business leaders to competently assess risk and opportunities, make better decisions and secure capital, capacity and therefore the confidence to scale up.

SUSTAINABLE SCALE UP CLUSTER AT A GLANCE

CLUSTER MEMBERS BY SIZE



Over
100
Cluster Members



15

Collaborations

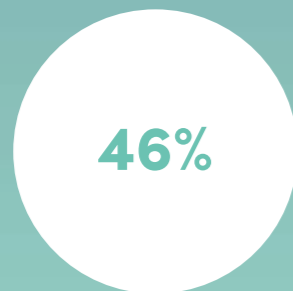
45

Jobs Created

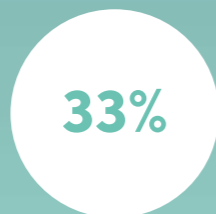
Over **150** Stakeholders



Capacity

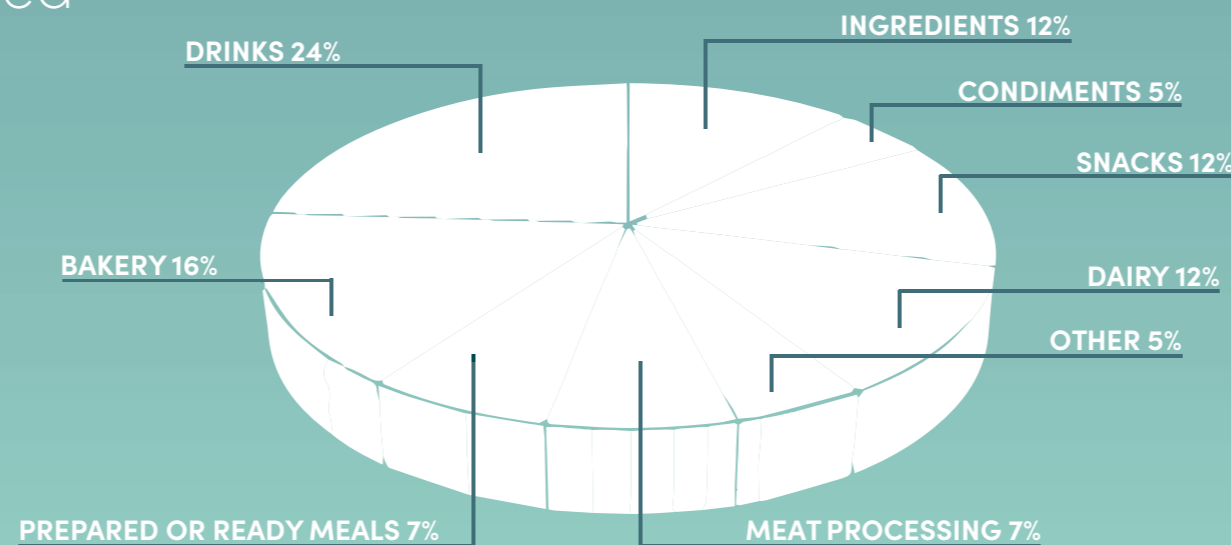


Capital



Competences

WHO WE WORK WITH



Over

350

Jobs Safeguarded



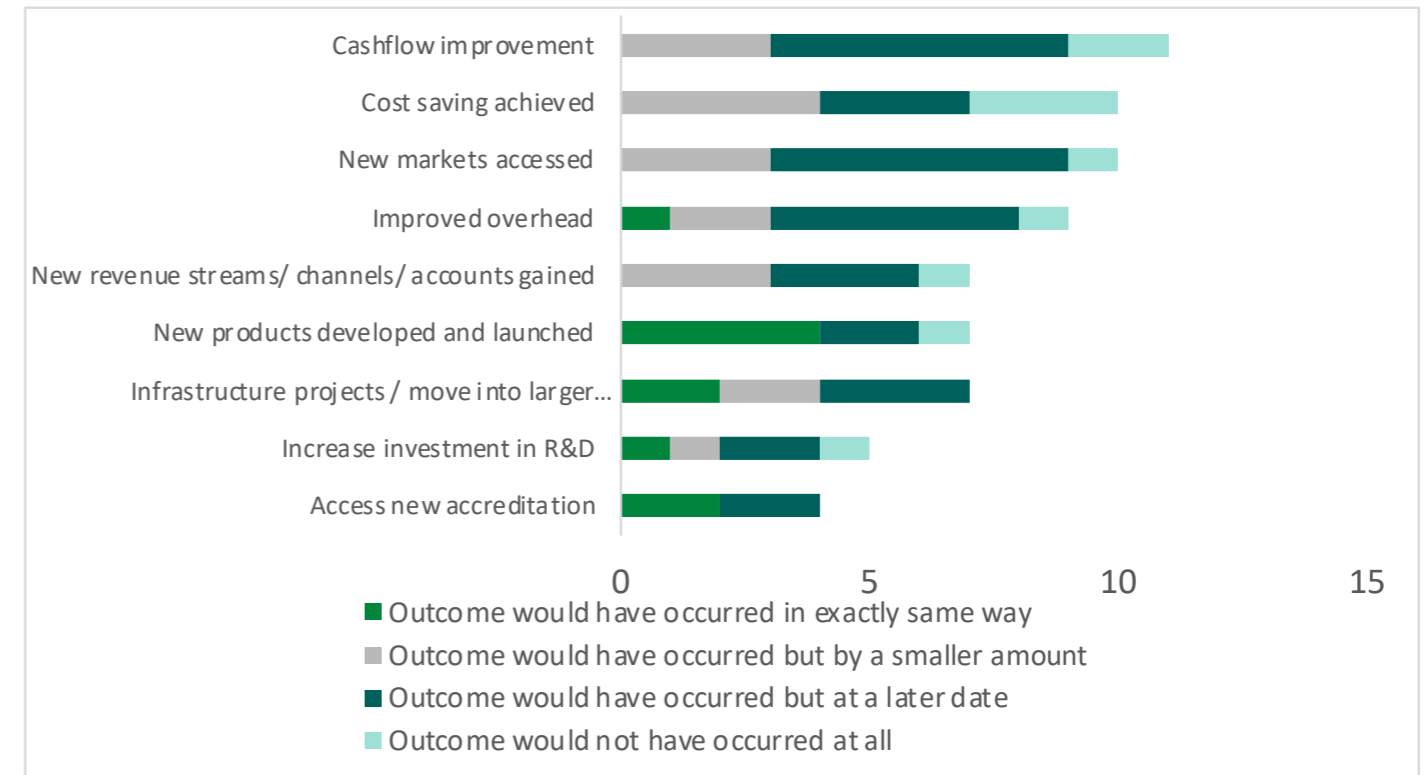
FEEDBACK FROM INDEPENDENT EVALUATION¹

Wavehill were appointed in 2021 to conduct an independent evaluation of the Sustainable Scale Up Cluster. As part of their evaluation, they have interviewed cluster members and stakeholders. The findings have been very positive, with all respondents highlighting that the cluster met or exceeded their expectations. Areas such as improved cashflows, cost savings and improved overhead recovery were just some of the benefits identified by cluster members. Our cluster members also reported improved levels of financial confidence and understanding.

To what extent has the support met your expectations?



Have you experienced any of the following outcomes, and what would have happened if your business had not engaged with the cluster?



Other outcomes

- Improvement in own levels of financial confidence and understanding by cluster members since joining the cluster, with **56%** of reporting either a 4 or 5 out of 5 for this skill **before** they joined the cluster, **rising to 75% after support**.
- The overall average score reported by businesses **rose from 3.63 to 3.91** following joining the cluster.
- 90% of businesses reported the cluster had enabled them to develop **a clear path for growth**.
- 86% of businesses reported the cluster had enabled them **to make new contacts/potential business partners**.
- 82% of businesses reported the cluster had enabled them to **develop financial management skills** or **develop better understanding of their finances**.

¹ Food and Drink Wales Sustainable Scale Up Cluster: Emerging Findings, Wavehill, May 2023



Bluestone Brewing Company is now approaching their ten-year anniversary. Set-up on a working farm in Pembrokeshire, the brewery has gone from making cask beer for local pubs to adding a tap room on-site, an outlet in St David's and are now distributing UK-wide using their own distribution network, wholesalers as well as online.



“We are growing at a considerable rate, but sustainably too. We now have a team of full time staff working for us and we’re distributing cask, bottles and cans all over the uk, with a bit of export too!”



How has having better financial information helped your business?

We have grown year on year since we started ten years ago, having better financial information has helped the business develop new financial revenue streams. It's allowed us to understand our growth and plan well before we ventured into that growth. It has meant that instead of making errors, we have progressed sustainably and comfortably and are happy with the way that the business is growing.

How has the Sustainable Scale Up Cluster supported your planning for the future?

The Sustainable Scale Up Cluster has been really influential in helping us plan for the future. We are at a stage with the business now where we are looking into substantial business growth and greater capacity, unfortunately that's not possible here. The Sustainable Scale Up Cluster have helped us look into things like Non-Executive Directors who can help us along the way.

The Sustainable Scale Up Cluster have had several workshops where we've attended to learn about the Development Bank of Wales and different funding options to help us with our growth. We are also working with the Cluster to put together a business plan so that we can understand how we're going to grow, and how it is going to be possible and feasible for us to make those changes in the coming years.

Amy Evans, Managing Director, Bluestone Brewing





SCALE UP CHALLENGES & THE ECONOMY

The Sustainable Scale Up Cluster comprises of over 100 members, who, as they joined the cluster, have identified their top 5 scale up challenges or barriers. Whilst these challenges may differ in the detail, there are some common themes which have emerged:

- Maintaining cashflow and working capital
- Sourcing growth funding
- Increasing capacity
- Good quality management information to improve decision making and manage risk
- Managing costs and overhead recovery

These themes align with the four Cs which the cluster focuses on:

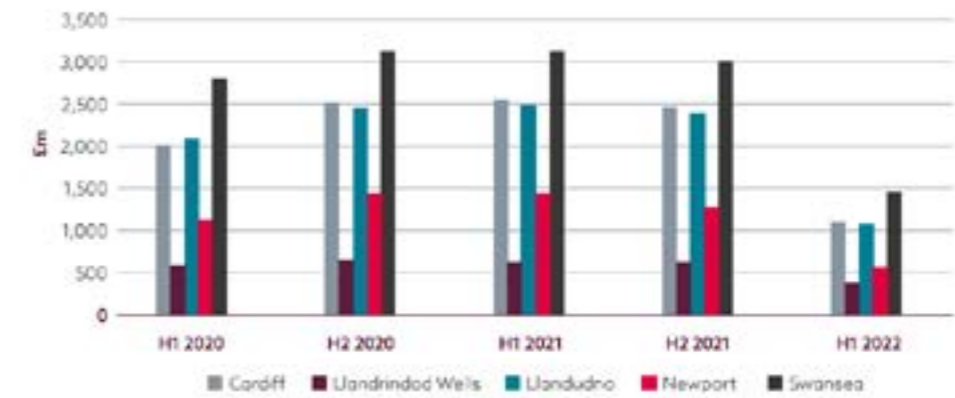
- Access to Capital
- Access to Capacity
- Improving Competencies
- Leading to Confidence to scale up

Whilst our cluster members are optimistic about growth, they are in line with the Scale Up Institute 2022 Review findings that CEOs are concerned about macro-economic factors impacting their ability to achieve their growth ambitions. The Scale Up Institute cites increasing costs, energy crisis, Brexit legacy, supply chain delays and geo-political uncertainty as

factors of concern – all factors which our cluster members recognise. The Scale Up Institute highlights that access to markets is a key concern for scale up businesses (across all sectors). For Welsh food and drink businesses, this barrier is addressed by programmes such as Cywain and the Welsh Government trade development and export programmes and therefore the Sustainable Scale Up Cluster does not seek to replicate provision already in place. However, the other barriers recognised by the Scale Up Institute, namely access to talent and access to growth capital, are ones which we see amongst our cluster members and that we have sought to address in partnership with stakeholders and programmes such as Development Bank of Wales, Food Skills Cymru, Food Innovation Wales, National Skills Academy Food & Drink and Cardiff Business School.

After several tumultuous years dominated by the EU Exit and pandemic, we are facing yet more economic uncertainty. Within Wales, the most recent quarterly report (March 2023) issued by Economic Intelligence Wales makes for bleak reading, noting deteriorating economic conditions, increasing insolvencies, increased cost of borrowing, increased loan defaults and reduction in the supply of external finance. Lending to SMEs in Wales fell dramatically in the first half of 2022.

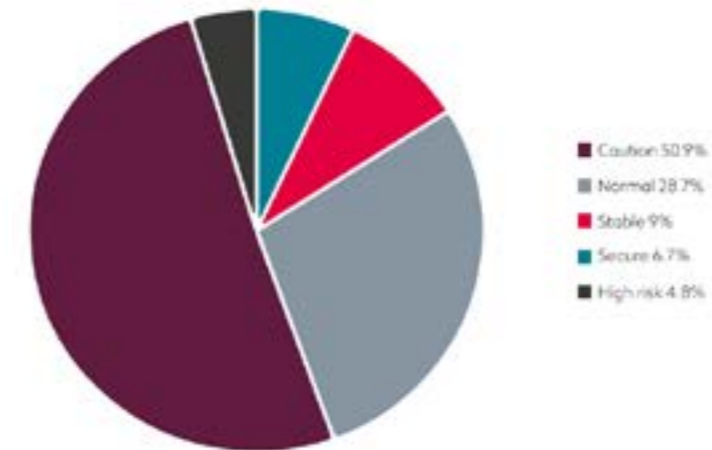
SME lending by Welsh postcode area (£m)



Source: Economic Intelligence Wales, Quarterly Report, March 2023

Worryingly, over half of Welsh SMEs had a 'caution' credit rating in September 2022.

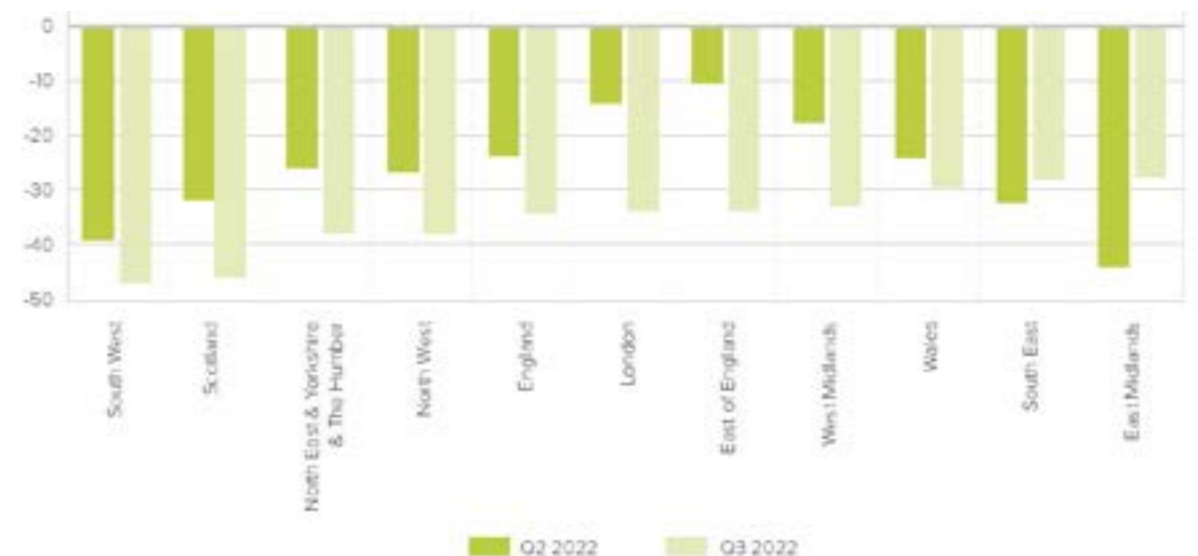
Credit rating summary of Welsh SMEs: % of total in each risk category (n=86,489) January 2023



Source: Economic Intelligence Wales, Quarterly Report, March 2023

These statistics indicate that it will become more challenging for Welsh food and drink scale up businesses to secure growth capital unless they can demonstrate a sound business case based on robust financial modelling.

The Federation of Small Businesses noted that SME confidence decreased across all UK regions in 2022 Q3, compared to Q2.





A YEAR IN REVIEW

CAPITAL



Notwithstanding the challenging economic conditions that are being experienced in 2022/23, the Sustainable Scale Up Cluster has continued to support our members through a number of activities and interventions aimed at helping to overcome the barriers to scale up.

ACCESS TO CAPITAL

As one of the most frequently cited barriers, whether short-term working capital or longer-term growth capital, our first annual conference in March 2022 was the appropriately named *“Money to Grow” conference* held at the equally appropriate Royal Mint. We welcomed nearly 100 delegates and, as one of the first physical events to be held after the lifting of Covid restrictions, we were delighted that Will Jennings, UK CEO of Rabobank was able to join us as a keynote speaker focusing on the benefits of collaboration across the food and drink supply chain. During the conference, we highlighted the funding opportunities from finance institutions such as Development Bank of Wales, British Business Bank as well as the financial support from high street banks for environmental improvements and investing linked to sustainability. There

is no doubt that the ESG (Environment, Social and Governance) agenda will become increasingly important for lenders and investors, and Welsh food and drink producers will need to demonstrate their credentials in order to secure funding. In the afternoon, delegates had time for 1:1 meetings with fund providers to discuss their finance needs.

We have further developed the cluster’s relationships with specialist agri-food banks through our series of *finance discovery visits*. In May 2022, we attended the F&A Next Conference in Food Valley Netherlands. The conference programme focused on investment, sustainability and innovation. Hosted by Wageningen University, which is at the epicentre of an eco-system where research & development, corporates, finance and entrepreneurs co-exist to address and invest in some of the key themes of the global food system. Around 40% of the delegates represented the investment community, ranging from pre-seed and seed to scale up, and a number of agri-food accelerator programmes were in attendance. The visit reinforced the need to better integrate the food and drink research, development and innovation eco-system with finance and funding as well as enabling the cluster to make

new connections and forge links with international investors/fund providers who may be interested in the Welsh food and drink sector.

Continuing the theme of discovery visits to tackle access to capital, we have worked with both Rabobank and Oxbury Bank and are grateful to them both for hosting visits for our cluster members. Our cluster members had the opportunity to share their views about the challenges of raising finance, the common constraints that they face, and, with each bank, explore approaches and gain a better understanding of what banks are actually looking for and where they perceive the risks to be. High on the agenda was investments relating to sustainability and environmental performance, with ‘carbon credentials’ becoming increasingly important to banks. The message was that banks need to see action taken by borrowers as this is part of their reporting requirements to the Bank of England.

The cluster has also, as part of both the access to capital and capacity challenges, been exploring *collaboration models* as a way to secure investment in scale facilities to process in volume and with flexibility, enabling several companies to access market opportunities they would otherwise

not be able to access individually.

We have continued to introduce cluster members to the Investor Ready Programme, and have received referrals from the programme, enabling our cluster members to have dedicated one to one support for preparing for investment whilst benefiting from the peer-to-peer learning and knowledge sharing that the cluster offers.





Becky started MamGu Welshcakes by doing festivals and fairs with just a gazebo and a griddle, since then has expanded into bigger premises and now operates three sites in Pembrokeshire.

“We got to a point where we outgrew the small production room at the cafe, we then found a bakery unit in Croes-goch. During lockdown our online business boomed, which was incredible. We now bake from the bakery in Croes-goch, still producing a little bit from the cafe and now have quickly outgrown the bakery too!”



How has the Sustainable Scale Up Cluster supported you?

Having support from the Sustainable Scale Up Cluster, who have a huge amount of experience, has been really helpful. The Cluster has helped me get a grip on my finances by helping me to understand all aspects of things like cash flow, bookkeeping and accounting.

Previously we just gave everything to the accountants and left everything in their hands and trusted them. However, I now have a much better understanding. There’s still lots more for me to learn, but by taking back control over that side of my business, I feel I understand it a lot better and can help grow it in a more sustainable manner.

The Cluster has given me the tools to develop and grow my business to a point where I’ve outgrown my current premises. We are currently concentrating on wholesale, it is an aspect of the business we’ve never really delved into too much before because I’ve not had the space.

Some of the challenges we have faced with scaling up, and probably why it has put me off in the past, are things like cash flow. It’s quite daunting having to invest a lot of money into new equipment and new premises with the uncertainty of whether you will actually get more customers at the end of it.

What are the future plans for MamGu Welshcakes?

By having a bigger space, we will be able to increase production easily, as well as not double handling a lot of things. At the moment we are very restricted with what we can produce, and we don’t really have a packaging space, so by having a more bespoke open space will hopefully make our lives a lot easier.

Becky Swift, Managing Director, MamGu Welshcakes





A YEAR IN REVIEW

CAPACITY

ACCESS TO CAPACITY

Another common barrier for food and drink SMEs is a lack of capacity. Capacity constraints experienced by cluster members include a lack of physical space, lack of access to power/utilities constraining productivity, the need to invest in new production equipment, not enough people as well as other constraining factors. The lack of capacity issue may also be an industry-wide barrier, for example, a lack of capacity in Wales to fulfil different types of pack formats or specific processing needs in order to achieve competitive scale economies.

Our partnership with the **Advanced Manufacturing Research Centre (AMRC) Cymru**, in Broughton, has helped a number of cluster members to identify ways to improve their production efficiency. This followed a visit by cluster members to the AMRC facilities in June 2022. Following on from the success of last year's "Money to Grow" conference, we were delighted that our second conference took capacity as its theme, "**Productivity: Shape Up to Scale Up**" and was hosted by AMRC Cymru in February 2023.

Officially opened by the Minister, Lesley Griffiths MS, the conference was attended by over 100 delegates. The day's agenda started with Santander's Chief Economist, Frances Haque setting the scene with an economic update and was followed by a series of panel discussions focusing on productivity, made up of experts and Welsh food and drink manufacturers, and 'in conversation with...' sessions with Radnor Hill's MD William Watkins, and Nick Evans, Oxbury Bank's MD. We were delighted to work with Coleg Cambria who provided the catering on the day, which was cooked and served by the college's Level 3 students. To round off the day, delegates were able to pre-book appointments with one of the eleven financial providers, investors and programme managers who were present.

We are grateful to cluster members **Nashville Food Group** and **Hensol Castle Distillery** who have hosted cluster meetings and capacity reference visits at their premises. These reference visits have provided cluster members with the opportunity to exchange knowledge and learn from each other, and particularly in relation to areas such as productivity, measuring output, integration of production systems with accounting systems. We have also used

these meetings to explore contract manufacturing as a possible solution to capacity constraints for some cluster members. As a result of these meetings, some cluster members are exploring collaborations with each other.

Our cluster members have had access to **one to one mentoring** on productivity and capacity issues. Where appropriate, and between non-competing cluster members, we have brought together small groups of cluster members to share the improvements which have been identified in their individual operations to help build knowledge about production efficiencies.

The cluster has nurtured relationships with food engineering businesses as part of our stakeholder engagement. The aim has been to help cluster members find local engineering solutions to their capacity issues, which keeps the economic benefit of the wider supply chain in Wales.

And, of course, the referrals to the **Investor Ready programme** have been relevant to help address the capacity barrier, as cluster members who are considering investing in premises or equipment are usually looking for external funding

to finance such capacity building activities. The cluster's engagements with stakeholders such as asset finance providers are particularly critical to help address this barrier.





Rob Cumine is the Managing Director of Capstone Organic Poultry, a poultry processing business that has been based in Pembrokeshire Coast National Park for just over 20 years. Capstone process approximately 60,000 free range and organic chickens per week.



What's been the key issues for Capstone in the last couple of years?

One of the big challenges for us was succession. Capstone's founder, Justin Scale, wanted to step back from day-to-day management, and is now a majority shareholder. One of the challenges was how we transition the business from a family-owned company into something more corporate. The Sustainable Scale Up Cluster helped us with that process, which took over 18 months, as a result we are now part of a large corporate French company.

What support have you received from the Sustainable Scale Up Cluster?

The Sustainable Scale Up Cluster has been a great help in terms of being a sounding board, because the team involved have invested the time to understand our business. The breadth of knowledge that they have, and the different experts they've brought together to help us has been invaluable, everything from looking at factory efficiencies and throughputs and lean manufacturing through to capital and the structuring of our debt.



What are the future plans for Capstone?

The future of Capstone is quite exciting. We've got a number of challenges in the marketplace we're in, but I think we're better placed to survive and to prosper than we were maybe a few years ago. Now we're part of the LDC group, which is one of Europe's largest poultry processing businesses, we're looking to increase on-site capacity further, work with other local farmers, which will put a lot of revenue into the local farming economy, to grow sales.

Rob Cumine, Managing Director, Capstone Organic Poultry



“The Sustainable Scale Up Custer has definitely helped us in terms of building a more resilient business.”

With the Cluster's support we've been able to secure 200 jobs here, we've also massively upskilled our current workforce and increased the average pay, as we've focussed more on the quality of the people we employ, and not just on numbers.”



A YEAR IN REVIEW COMPETENCIES



ACCESS TO COMPETENCIES

Our cluster members are SMEs, many of whom may not have a full range of functional expertise within their business; for example, a dedicated and professionally qualified finance team, marketing or HR expertise, export, logistics or supply chain management. We have worked with cluster members to identify where they may have skills gaps and how to address these gaps.

Our strong relationship with a key stakeholder, Lantra as the delivery partner for *Food Skills Cymru*, has been crucial to help address skills gaps and we have been pleased to refer cluster members to this important support which has offered part-funding for training in a wide range of skills and competencies.

We were delighted to partner with another stakeholder, *Cardiff Business School*, to pilot a business management graduate placement programme for the Welsh food and drink sector. Six 2nd year BSc Business Management students were placed with food and drink businesses to work on specific projects relating to the scale up plans of the host businesses. Starting January 2022,

the students gained an understanding of their host business, their products, objectives and the challenges faced by ambitious Welsh food SMEs. The aim of the pilot placement programme was to directly contribute towards the efficiency and/or scalability of the host business. In addition to receiving the support and guidance of the host business, the students were mentored by faculty tutors from Cardiff Business School and by industry specialists within the Sustainable Scale Up Cluster. The pilot programme also aimed to introduce the varied career opportunities available within the food and drink sector to business management graduates who might otherwise have not considered the sector as a career destination. We have worked with Cardiff Business School and the *National Skills Academy Food and Drink* to develop a career pathway into the food and drink sector for Cardiff Business School students and introduce more business graduates to the career opportunities offered by the sector.

Whilst we firmly believe that attracting graduates into the sector is key for the long-term success and resilience of the food and drink sector, we also consider that access to experienced Non-Executive Directors (NEDs) is also vital

for ambitious food or drink SMEs. NEDs can bring much-needed expertise and/or relationships to a business, providing a critical friend type relationship that can be a springboard for future growth, as well as improving the quality of decision making, risk assessment and overall governance of the business. We were pleased to launch the *NED Programme* in the spring of 2022. Working with stakeholders such as the Institute of Directors and experienced NEDs, we now have 22 NEDs who have expressed interest in working with ambitious food and drink SMEs. As part of the programme, we have hosted two *NED bootcamps* which have provided the opportunity for businesses and NEDs to understand more about the role of the NED, the legal responsibilities, and the benefits of a NED.

In the autumn of 2022, the Sustainable Scale Up Cluster launched the *Knowledge Bank* section on our website. Containing useful resources, guides, videos and decision trees, the Knowledge Bank aims to support our cluster members with some of the decisions that need to be made in scaling up businesses.

Our cluster members have also benefitted from various tools and templates, such as the *costing model* which we developed

and piloted in conjunction with cluster members and with the aim of enabling businesses to cost their products more effectively. This tool has been crucial this year, with input inflation running into double digits, and triple digit percentage increases for energy. Negotiations with trade customers have required clear and careful modelling and forecasting, the foundation of which is the cost model tool. The introduction of the cost model has also helped some businesses consider different models for cost recovery, including open-book arrangements which have meant that cluster members have been able to do more business confidently.

Our series of *financial insights videos*, available through the Knowledge Bank, have been tested by cluster members. The overall aim of these videos is to provide cluster members with foundation knowledge about accounting, finance and management information which will help them measure and improve their financial and business performance.

A YEAR IN REVIEW

COMPETENCIES CONTINUED

A year on from its inception, members of the Sustainable Scale Up Cluster special interest group, *Bridging the Gap*, reflect on how forming the group has benefitted its members in a series of videos as part of Black History Month.

Formed in 2021, the aim of Bridging the Gap is to tackle obstacles faced by ethnic minority entrepreneurs and community members to starting and growing businesses, as highlighted in research undertaken by the British Business Bank and also evidenced by the Rose Report. The group is co-led by food entrepreneur Maggie Ogunbanwo, who is also a member of the Food and Drink Wales Industry Board, and TEDx speaker and Inclusion and Diversity award winner Bernie Davies.

Back in Autumn 2021, we were very proud to host a tour of BlasCymru/TasteWales for members of the Bridging the Gap SIG to showcase the talent and innovation of the Welsh food and drink sector. Members of the group were able to meet with experts and finance providers who could support them with their business ideas and growth. The SIG has offered 1:1 mentoring on building successful food or drink businesses and access to financial expertise.





A YEAR IN REVIEW CONFIDENCE



CONFIDENCE TO SCALE UP

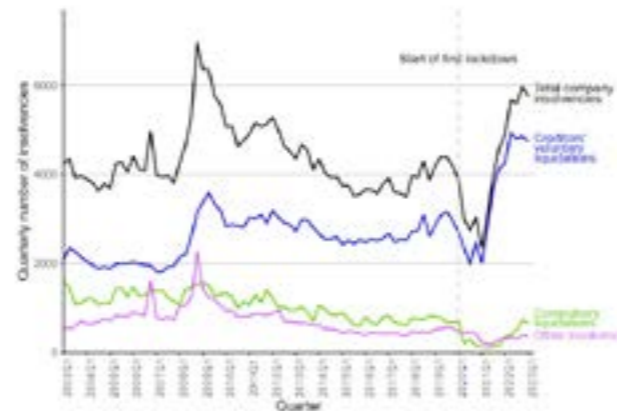
The ethos of the Sustainable Scale Up Cluster is that, by helping to address the access to capital, capacity, and competencies challenges, our cluster members will be more confident about their ability to scale up in a financially sustainable way.

2022 has been a turbulent year for businesses in general, not just the food and drink sector. And, in the face of such turbulence, the need for confidence to scale up has never been more acute. No business operates in a vacuum; political, environmental, economic, social, legal and technological factors all play their part in influencing how confident individual businesses may feel about their future, whether they are in survive, revive or thrive mode.

According to the latest insolvency statistics published by The Insolvency Service, the number of company insolvencies in Q1 2023 was 4% lower than in Q4 2022, but 18% higher than in Q1 2022. The number of CVLs remained close to the highest quarterly level since the start of the series in 1960 (Q2 2022). The number of compulsory liquidations

also increased, but remained slightly lower than levels seen prior to the coronavirus (COVID-19) pandemic.

Registered Company Insolvencies, England and Wales, Q1 2003 to Q1 2023, seasonally adjusted



Source: <https://www.gov.uk/government/statistics/monthly-insolvency-statistics-february-2023/commentary-monthly-insolvency-statistics-february-2023>

According to an article in The Grocer in April 2023, failures at manufacturers jumped more than 250% in the year ended 31 January 2023 as 143 businesses collapsed, compared with just 39 in the prior 12 months. The article noted that “Food and drink companies are struggling

to stay afloat as they face soaring energy costs, supply chain disruptions and reduced consumer spending, alongside higher raw material prices in the wake of the war in Ukraine”.

In October 2022, in conjunction with the Insight Programme, we hosted an *Economic Insight webinar* in order to help cluster members consider their long-term modelling for inflation, input costs, and consumer demand. Recognising that the reasons for our cluster members requiring funding may have moved from growth capital to working capital, they will nevertheless be expected to demonstrate to banks/investors that they have understood the economic climate, what their input costs and their customer demand are likely to be and have modelled for different eventualities. Our cluster managers have been working with members to develop their financial models.

It is understandable for food and drink businesses to be disheartened when confronted by such a challenging economic outlook, but the skills and networks which cluster members have gained through the Sustainable Scale Up Cluster can stand them in good stead; scenario modelling and planning,

regular forecasting, detailed attention to cash management, understanding cost inputs, more efficient operations, strong relationships with fund providers, and risk management/mitigation have all been key cross-cutting themes within the cluster aimed at improving confidence among cluster members, whether the ambitions have shifted from survive to scale up, or from scale up to survive.





LOOKING AHEAD



Despite the gloomy economic picture, it is important to understand the wider economic value and impact that the food and drink sector provides to Wales.

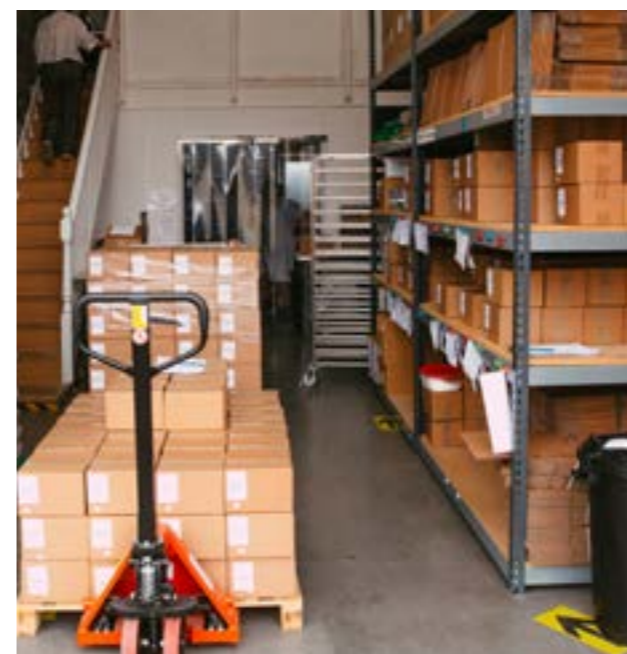
We have recently commissioned a project to research and evidence the multiplier impact of scale up food and drink businesses on the wider Welsh economy. We are delighted to be working with Wavehill on this important piece of research; whilst there have been other studies looking at the multiplier impact in areas such as public procurement, we are not aware of a similar study focusing on the food and drink industry. We hope that the findings from this research will add to the body of evidence around investment in “grounded” Welsh food and drink SMEs and demonstrate the wider economic impact of a thriving and resilient Welsh food and drink sector and its importance as a foundation economy.

Initial findings highlight that Wales does as well as it can in most cases in keeping as much of its supply chain within Wales as possible. However, most sector specific food processing and packaging equipment is produced and sourced outside Wales. This is an area which we have identified, through working

with AMRC and Welsh food engineering companies, as an opportunity to build collaborations for the reshoring of processing and packaging equipment. The research has also shown the relatively low production of combinable crops, meaning the vast majority of protein inputs for livestock come from outside Wales. Obviously, flour, sugar and other key ingredients also come from outside Wales. This highlights the possible opportunity to explore more combinable crops as genetics and climate offer opportunities, as well as improving the processing and added-value element of ingredients prior to use in Welsh food and drink.

Of particular importance to our cluster members is the recent launch of the Food Business Accelerator Scheme (FBAS), which is designed to help those businesses which can offer clear and quantifiable benefits to the food and drink industry in Wales. It covers capital investments in processing equipment and infrastructure and will potentially help cluster members secure capital that they need for their scale up ambitions. More information about FBAS can be found here: <https://www.gov.wales/food-business-accelerator-scheme-guidance.html>

We were delighted to have a short funding extension to June 2023 confirmed, allowing us to continue to deliver benefits to our cluster members beyond the original end date of March 2023. Beyond that, we hope that funding continues to be provided to help Wales’ food and drink businesses scale from micro to small, small to medium and medium to large. A stable and flourishing food and drink sector in Wales is important for both rural and urban communities and economies, and will enable investment in sustainability whilst celebrating Welsh provenance and culture.



Sustainable Scale Up Cluster

ANNUAL REPORT

2022-2023

Delivered By: