

FDF Scotland response to Scottish Affairs Select Committee – Coronavirus and Scotland call for evidence

This submission is made by **Food and Drink Federation (FDF) Scotland**, the voice of the food and drink manufacturing in Scotland. We are part of the UK Food and Drink Federation (FDF) and members of the Scotland Food & Drink partnership.

FDF member companies vary in size and sector across Scotland and include; micro, small medium and large Scottish-headquartered companies and UK and global companies with manufacturing sites in Scotland.

As our member's experiences of the COVID crisis have varied, we have reflected a number of member companies' individual experiences from a broad spectrum of our membership in Scotland.

FDF submitted a response to the UK EFRA committee which details the UK food and drink industry's view of the UK Government response in more detail¹. There has been excellent engagement with the UK and devolved governments, with daily ministerial contact. We have also worked closely with members of the Opposition parties, particularly the Shadow Defra team.

Have the UK's funding package and support schemes been sufficient in supporting Scottish businesses and their employees in Scotland?

Members were largely in agreement that both the UK and Scottish Government's funding packages and support had been helpful in preventing redundancies however for some businesses it came too late. We are aware of one member company who will likely cease trading as a direct result of the COVID lockdown and did not have the cash reserves to survive until the funding schemes opened. Other members, particularly those who supply the hospitality industry have noted significant impact on their turnover.

The support mechanisms reflected on by members are listed below:

- **£120 million Pivotal Enterprise Resilience Fund** providing grants for SMEs – opened 30 April. Funding increased on 20 May from £90 million to £120 million to provide additional support for key sectors of the Scottish economy. This fund was quickly over-subscribed with some businesses unable to access the funds. Questions remain over how “pivotal” to the Scottish Economy some of the businesses that received funding were.
- **Food Standards Scotland guidance** published for food business operators and their employees on infection control and social distancing for food production and manufacturing environments - a number of members emphasised that the quality and clarity of communications and guidance from FSS was good. FDF heard this from members based elsewhere in the UK choosing to adopt the Scottish guidance for food manufacturers where nothing specific existed in England and Wales
- **Support for recruiting staff** – Scottish member companies have not struggled to recruit staff during COVID. One member company advertised 40 temporary roles on Facebook and received over 150 applications within 24 hours.

¹ <https://committees.parliament.uk/writtenevidence/3471/pdf/>

- **The Coronavirus Job Retention Scheme (CJRS)** was the most commonly applied for support measure. A small Scottish confectioner reflected that they received the furloughing payments which prevented 50% of their staff being made redundant and placed on furlough instead. Demand for their products reduced by 50% due to the shutdown of the hospitality sector.
- **Trade Credit insurance** – The UK Government’s announcement that businesses with supply chains which rely on Trade Credit Insurance and who are experiencing difficulties maintaining cover due to Coronavirus will receive support from the Government was very welcome as it was an issue of key concern for many member companies

Members were realistic and recognised that Government funding is not an endless source and could only ever mitigate against some of the impacts of COVID.

A large Scottish manufacturer stated that government funding had better than expected however support and guidance from the Scottish and UK Government had been challenging to follow. A full list of both financial and policy support measures that the Scottish Government provided to Scottish food businesses has been compiled², not all are relevant to our members.

Where additional support would have been welcome:

- **Public Transport** - One Scottish-headquartered medium-sized business reflected that the lack of public transport had made getting employees to and from the site safely a challenge. This manufacturer provided taxis at the company’s expense
- **Communications** - Several members reflected that the support available was not well communicated and many were unsure of their eligibility for various support measures. They relied on industry bodies like FDF to distil and cascade information on funding and support.
- **Funding to support diversification from traditional markets to e-commerce** and;
- **Investment in digital infrastructure** to allow for additional online meetings and sales. Some member companies struggled to conduct multiple online meetings as the broadband bandwidth was not sufficient in their location.
- Support to **mitigate the increased cost of logistics**
- Support for businesses to **transport their workers** to and from work in a safe way

At time of writing the return of the hospitality industry remains unsure both in timing and the ability of hospitality businesses to function effectively. This leaves continuing questions for those of our members who supply the hospitality industry. Ongoing support is likely to be needed - one way to do this is set out in the ‘Squeezed Middle’ [paper](#).

Has UK and Scottish Government policy around key workers been effective? What further policy changes are required to support seasonal workers and other key workers?

When lockdown was initially announced, we received a high number of enquiries from our members who were confused by the lack of clarity in Scotland on “key workers” and their access to the education hubs for their children. Passing the decision to the 32 local authorities in Scotland to determine whether food and drink production staff were key

² <https://www.gov.scot/binaries/content/documents/govscot/publications/factsheet/2020/06/coronavirus-covid-19-food-and-drink-supply-chain-support-measures/documents/coronavirus-covid-19-food-and-drink-supply-chain-support-measures/coronavirus-covid-19-food-and-drink-supply-chain-support-measures/govscot%3Adocument/Coronavirus%2B%2528COVID-19%2529%2Bfood%2Band%2Bdrink%2Bsupply%2Bchain%2Bactions%2B18%2BJune%2B2020.pdf>

workers was very unhelpful. Some local authorities listed food and drink production staff as key workers, others did not; leading to confusion, mixed messaging, inconsistency and ultimately worry and stress for employees.

There remains a lack of clarity about support for children of key workers over the school summer holidays.

FDF worked with the Scottish government to define which roles within food production were “key” roles, it is unrealistic to expect a local authority to be able to define this.

Several companies had issues with their key workers being stopped and questioned by police on their way to and from work. For example, one company had a group of employees that were car-sharing to and from work (no public transport was available) who were stopped and questioned by police eight times in one night. Obviously, this caused significant delays and upset amongst the employees involved. In response, FDF and other industry bodies developed a template letter for manufacturers to give to their employees to show police if stopped and questioned.

Scottish Government divergence from the UK Government lockdown advice and phased exit has been a challenge particularly where employees hear/read announcements in the media and ask/challenge their employers about announcements relevant to England.

How has the Coronavirus pandemic impacted the Scottish food and drinks industry; and the rural economy? What further support ought to be provided by the UK and Scottish Governments?

- **Markets** - While demand for some companies and products has increased greatly, other businesses – particularly those who serviced hospitality or speciality retail and have seen their customers disappear – are now facing extremely difficult times. Where possible, food and drink businesses have been doing their best to adapt by suspending or reducing operations, cancelling non-essential investments, reducing spending and diversifying e.g. to producing hand sanitiser.
- **Storage cost and capacity** – The lack of chilled and frozen storage has previously been raised by the industry when we were facing the prospect of a no-deal Brexit. As this has not yet been addressed, there is reduced capacity in chilled and frozen storage, freight, logistics and ferry capacity. The movements of goods take longer and costs are increasing, a member who exports worldwide reported that the cost of a 40ft refrigerated storage container has doubled to £5,900.
- **Absence rates** - Most companies typically report absence levels in single digit percentages, but the early stages of the crisis saw some members’ absence levels exceeding 20%. Although absence levels are currently still higher than would be typical, three-quarters of members now have absence levels of 10% or lower and members are currently managing to meet demand. FDF continues to monitor this on a weekly basis.
- **Profitability** – There has been significant impact on profitability due to erratic sales and high labour costs due to social distancing measures introduced.

Scotland Food & Drink Partnership Recovery Plan - As the partnership of industry organisations, alongside public-sector partners and Scottish Government officials, we have been developing our recovery plan for the sector in Scotland. In addition, we are also contributing to the wider work of the Advisory Group on Economic Recovery, led by Benny Higgins.

The Scotland Food and Drink partnership will review Ambition 2030³, to consider how the food and drink sector will play a central role in the re-shaping of Scotland's economy.

Food and Drink sector recovery requires increased funding from both the private and public sector to achieve its potential and to ensure the sector can drive the recovery for Scotland's economy and communities post-Covid-19. There is a requirement for industry development programmes to support businesses returning to markets locally, nationally and internationally.

The industry in Scotland has called for an additional £10.5 million to support the Scottish food and drink sector from the Scottish Government.

³ <https://foodanddrink.scot/media/1465/ambition-2030.pdf>