

FDF Cymru Submission to Climate Change, Environment and Rural Affairs Committee's consultation on the impact of the Covid-19 outbreak on the agriculture and fisheries sectors, food supply, animal welfare, climate change and the environment

1. The Food and Drink Federation (FDF) Cymru welcomes the opportunity to respond to the Climate Change, Environment and Rural Affairs Committee's consultation regarding the impact of Covid-19 outbreak on the food supply. FDF Cymru represents the food and drink manufacturing industry in Wales. The food and drink manufacturing sector is incredibly valuable to Wales, accounting for over 12% of total manufacturing turnover, contributing £1.3bn in GVA to the Welsh economy, and employing 23,750 people.
2. The food and drink industry plays a vital role in feeding the nation, in ensuring our food security and in driving jobs and growth. We are proud of how food and drink manufacturers and producers in Wales swiftly responded to demands and pressures brought about by the Covid-19 crisis and adapted quickly to minimise disruptions in the food chain. Food and drink is part of the critical national infrastructure in Wales and the Covid-19 crisis has brought into sharper relief than ever before the importance of a continuous, safe and secure food supply chain.
3. During this challenging time, we have been extremely grateful for the constructive engagement with Welsh Government Ministers and officials. We have welcomed the extensive consultation with industry and ongoing dialogue, for example having quarterly meetings with Minister for Environment, Energy and Rural Affairs Lesley Griffiths MS on 17th June and 30th September. We believe there should be continued engagement with businesses and business representative organisations regarding the consideration of what meaningful support can be offered to businesses through the forthcoming uncertain months.
4. While demand for some companies and products has increased greatly, other businesses – particularly those who serviced hospitality or speciality retail and saw their customers disappear overnight – continue to face extremely difficult times. The Welsh Government can support businesses in many ways, not least through targeted support for those most affected by Covid-19 and through a stable and proportionate regulatory environment in response to the recent decision for a "fire break" lockdown in Wales which sees the closure of hospitality businesses. FDF Cymru welcomed the £300m fund announced alongside the lockdown to support businesses affected. We hope that the Welsh Government will allocate funds not just to businesses required to close, but to the businesses that supply hospitality who are due to lose their customers overnight.

The scale and impact of the pandemic on your work and/or sector

5. The food and drink supply chain in Wales is highly integrated, regulated and relies on efficient and proven supply partnerships and operating procedures that span borders to create safe and affordable food. This supply chain is driven by the demand to offer consumers choice, with the comfort that their food is made to the standards they would expect. Whilst the industry has the agility to deal with sudden demand changes (e.g. snap heat waves that instigates high demand for barbeque food) the system relies on a certain amount of predictability of demand so that it can function effectively.
6. From March 2020, this predictability of demand disintegrated, as the out of home sector's volumes driven by high streets, schools, colleges and workplaces disappeared overnight, whilst retail demand, notably for store cupboard staples, jumped to unprecedented levels, due to panic buying combined with increased home consumption of food and drink.
7. For the food and drink sector, this created huge challenges. Whilst the perceived winners were those with a predominantly retail customer base, they faced absence levels of up to 30%, as their colleagues understandably were cautious in attending work, with customer demand up 500% in some cases. When combined with a broad range of bespoke covid-19 safety measures that the industry implemented it created a huge pressure on the food and drink supply chain.
8. Whilst the industry did see increases in turnover, the increased complexity of operations meant that this volume required ranges to be streamlined to keep pace with the changes in consumer demand. These businesses enjoyed significant increases in sales and volume sold, however it was achieved at a far greater cost of production and logistics resulting in only marginal improvements in profitability.
9. In retail outlets, this manifested itself as reduced choice for consumers with an example being the shift from expensive cuts of meat to mince as the consumers decided to fill up their freezers, creating carcass balance issues for farmers in the value of their product. Another area saw some retailers target the removal of smaller Welsh producers to simplify their supply chains and maximise what they could get on the shelves. However, smaller convenience stores looked to source from new suppliers, looking more locally, to keep products on the shelf.
10. For suppliers of the out of home sector, the picture was darker as their customers disappeared, and in some cases refused to pay for goods that had already been provided, leaving the industry in a financial tailspin and facing a more than uncertain future. Wales saw the particularly galling sight of milk being poured away at source as the market for out of home milk in coffee shops, cafes and others evaporated.
11. Despite these challenges, the more than 500 food and drink manufacturers in Wales sought innovative solutions as the sector was full of hidden heroes adjusting to the situation and finding innovative ways to deliver on its' critical job, to keep the people of Wales fed, whilst making sure that all along the supply chain colleagues were kept safe whilst they were playing their part.

How Welsh Government action to date has helped to combat the impact of the pandemic?

12. In such times, governments have a myriad of challenges to face with limited resources. It is only appropriate for FDF Cymru to comment on how Welsh government supported our industry, and our view was that the support was clear and the guidance was pragmatic, with the 2m rule in law augmented with the opportunity for industry to implement "reasonable measures". An example of this and that a proactive approach to communication, included webinars by the Food and Drink Wales Industry Board, Public Health Wales and a range of Cluster network delivery partners.
13. Our view is that the return on the investment in the food cluster network in Wales was palpable. Unique in the UK, the food cluster network in Wales was an effective asset

during these times as it provided a vehicle for support networks, collaborations (notably in forming B2C partnerships), supporting advice on governance, covid-19 measures in a food environment and moving to selling directly to consumers whilst providing the means of communication to and assistance for businesses to meet the challenges they faced.

14. We welcomed Welsh Government's intervention to augment the UK schemes through the Development Bank of Wales along with multiple iterations Economic Resilience Fund which focused on those that had suffered reductions in turnover. Inevitably there were business who fell through the gaps due to their customer sets such as sales at industry events, or their sub sectors such as aquaculture or those whose drop did not quite hit the 60% threshold. We would hope support could be offered to those in such a situation, as resources allow however we recognise there are limited resources and governments job is to make the tough choices.

What further steps the Welsh Government should take?

15. Given the impending end of the transition period with the EU, the direction of travel towards a circular economy and that the sector is one of the largest manufacturing employers in Wales, we believe the food and drink manufacturing sector should be at the forefront of the Welsh Government's thinking to promote Covid-19 recovery by driving the economic sustainability of the sector. Moreover, to achieve ambitions proposed by the Welsh Government such as moving a more circular economy, which will require significant investment from the industry, businesses need to be economically sustainable. To ensure their resilience, they must be able with withstand such financial burdens facing them during this precarious time.

Opportunities to Innovate

16. FDF Cymru believes that out of these troubling times, there are lessons to be learnt and opportunities to improve the resilience of the food sector in Wales. As part of this work, direct support should be provided to sites. As well as ensuring the health and safety of colleagues with Public Health Wales assessing protocols and procedures in place where outbreaks do occur, there is an opportunity to explore how sites could adopt technological enhancements to become more resilient.
17. FDF Cymru are aware there are a range of partners that Welsh Government could use, however would like to highlight our partnership with the Advanced Manufacturing Research Centre (Cymru) in Broughton who are ideally placed to harness their expertise on the adoption of technological solutions in food and drink packaging to improve business resilience.

Implementing Food and Drink Wales Industry Board Covid-19 Recovery Plan

18. We welcome the initiative of the Covid -19 Recovery Plan for the Food and Drink Wales Industry and support the eleven priorities. We look forward to plans for detailed actions against each of these priorities and suggest that they be developed in collaboration with food and drink manufacturers to ensure that the views of industry are understood and the actions identified meet the ongoing needs of businesses.

Support Businesses Finance Working Capital

19. As food and drink manufacturers move forward with the recovery the Economic Resilience Fund is welcomed, however the key challenge for industry is to find a way to finance working capital as business seek to invest in stock to meet a hopefully returning demand. With a backdrop of another lockdown impacting demand in hospitality, we would ask for the Welsh Government to consider funding in this area.

Enhance Testing Capacity and Capability

20. With over 24,000 staff employed in the sector there remains a risk of outbreaks that will

affect the industry's' ability to continue to operate. One way to manage this risk will be to enhance the level of testing capability and ensuring that there is sufficient capacity to ensure that all within the first six priority areas can be tested and receive results within 24 hours. We believe that public confidence will also be enhanced if there is an awareness that there is more than sufficient testing.

Support Exports

21. Before the Covid-19 outbreak, driving exports had been a key component of growth for food and drink businesses in Wales. With a need to recover quickly from the impact of Covid-19, the Welsh Government should explore how it can support food and drink businesses in restarting and expanding exports. As part of this, the Welsh Government should look to support Welsh food businesses seize untapped export potential, identifying target export markets, based on their offering and the value they can generate. Work on the value of Welsh products, will also be vital in that process.
22. A specific area of support that the Welsh Government should consider is backing Welsh food and drink brands to enter targeted overseas quality food sector awards. In a more global world with online sales a growing channel this will generate interest in quality Welsh products. This is extremely powerful when we venture in other markets, particularly following the end of the transition period. Whilst we consider Wales a global trading nation, the opportunity for growth within the UK should also be targeted as with changes on the horizon it is likely to be a competitive advantage for UK customers.

Any other areas within our remit you wish to draw to our attention?

23. Currently the industry in Wales is under significant pressure, not least recovering from the height of the Covid-19 outbreak while being faced with end of the transition period. This uncertainty, alongside the Christmas period is putting the industry and its leaders under crisis fatigue. Not only is industry faced with these pressures but also by the growing domestic agenda in Wales including consultation work on the single use plastic directive, the upcoming circular economy strategy, and Healthy Weight Healthy Wales. The Welsh Government can support Welsh food and drink manufacturers by closely monitoring the challenges they face and consider what mitigations may be needed to avoid placing further burdens on businesses and to ensure the resilience of the food and drink manufacturing industry in Wales during this precarious time.

The Food and Drink Manufacturing Industry

Food and Drink Federation (FDF) Cymru represents the food and drink manufacturing industry in Wales. We are Wales' largest manufacturing sector, accounting for over 12 per cent of total manufacturing turnover¹. Our gross value added to the economy is £1.3billion, representing over 14 per cent of Welsh manufacturing value added². We have 510 food and drink manufacturing businesses, employing 23,750 people, which represents 16 per cent of the Welsh manufacturing workforce³. In 2019, manufactured food and drink exports from Wales increased by 5 per cent to £566million⁴.

FDF Cymru is a division of the Food and Drink Federation (FDF). FDF is the voice of the UK food and drink manufacturing industry, the largest manufacturing sector in the country. Our industry has a turnover of £104billion, which is 19 per cent of total UK manufacturing, and Gross Value Added (GVA) of £31.1billion⁵. Food and drink manufacturers directly employ over 450,000 people in every corner of the country⁶. Exports of food and drink make an increasingly important contribution to the economy, exceeding £23billion in 2019, an increase of 4.5 per cent on the previous year⁷. The UK's 7,290 food and drink manufacturers⁸ sit at the heart of a food and drink supply chain which is worth £121billion to the economy and employs over four million people⁹.

The following Associations actively work with the Food and Drink

Federation: ABIM Association of Bakery Ingredient Manufacturers
BCA British Coffee Association
BCUK Breakfast Cereals UK
BOBMA British Oats and Barley Millers
Association BSIA British Starch Industry Association
BSNA British Specialist Nutrition Association
CIMA Cereal Ingredient Manufacturers' Association
EMMA European Malt Product Manufacturers'
Association FCPPA Frozen and Chilled Potato
Processors Association FOB Federation of Bakers
GFIA Gluten Free Industry Association
PPA Potato Processors Association
SA Salt Association
SNACMA Snack, Nut and Crisp Manufacturers'
Association SSA Seasoning and Spice Association
UKAPY UK Association of Producers of Yeast
UKTIA United Kingdom Tea & Infusions Association

Ltd FDF also delivers specialist sector groups for members:

Biscuit, Cake, Chocolate and Confectionery Group (BCCC)
Frozen Food Group
Ice Cream
Committee Meat
Group
Organic Group
Seafood Industry Alliance

¹ Source: Welsh Annual Business Survey (2017).

² Source: Welsh Annual Business Survey (2017).

³ Source: ONS UK Business Counts (2019); ONS Business Register and Employment Survey (2018).

⁴ Source: HMRC Regional Trade Statistics (2019).

⁵ Source: ONS Annual Business Survey (2017). ⁶

Source: ONS Annual Business Survey (2017). ⁷

Source: UK HM Revenue and Customs (2019).

⁸ Source: ONS Business Population Estimates (2018).

⁹ Source: ONS Annual Business Survey (2017).