



Llywodraeth Cymru
Welsh Government



DIOGELU CYMRU
KEEP WALES SAFE

COVID-19

Food and Drink Wales

Supporting recovery of businesses and supply chains from Covid-19



Together we'll Keep Wales Safe

July 2020



Bwyd a Diod Cymru
Food & Drink Wales



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Mae'r ddogfen yma hefyd ar gael yn Gymraeg. This document is also available in Welsh.

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Our objective

Covid-19 is impacting the Welsh food and drink sector hugely and threatens business survival. The Welsh Government, acting under the guidance and on the advice of the Food and Drink Wales Industry Board is taking action already to support the sector through the immediate impact and the first steps towards recovery. To achieve this we have a few, straight forward objectives:

1. Maximise the number of food and drink businesses that survive the immediate Covid-19 disruption and sustain supply chain networks within the sector and allied areas.
2. Minimise job losses in the sector.
3. Support the sector to recover as fast as possible and return to sales growth.
4. Focus support on market aligned solutions which take account of a changing trading landscape where there is also the additional risk of Brexit disruption.
5. Remain on a path to our long term strategic aims.

There is the parallel challenge of EU exit and the outcome of the trade negotiations which is impossible to predict at present. Irrespective of the outcome the actions detailed in this plan are appropriate towards supporting businesses through the change.

The headline actions are being taken right now or will be started in the immediate future, and then over coming months to support recovery through to Easter 2021. Fixed timelines are not set because the situation is dynamic. The focus right now is on stabilising the sector as quickly as possible and then taking the steps to recovery in the coming months into 2021. So, we do not touch on issues in detail or include everything that would be relevant to a long term strategy or a detailed plan to support the food and drink industry.

2020 is the year we complete **'Towards Sustainable Growth'** (<https://businesswales.gov.wales/foodanddrink/sites/foodanddrink/files/documents/Action%20Plan%20-%20English.pdf>) which has been our action plan since 2014 and has taken forward a strategy set in 2010. At the start of this year we had achieved Towards Sustainable Growth's top target of the food and farming priority sector reaching £7 billion of sales by 2020. With strong sales growth we smashed the target reaching £7.473 billion by 2020. We have achieved much more than financial growth – a higher profile for the sector, growing exports, better sustainability, and stronger networks and clusters in our supply chains. The sector has gone from strength to strength.

But Covid-19 has had a sudden and massive impact on nearly all our businesses and supply chains, whatever their size. **We face a huge challenge.** It threatens individual businesses' survival and collectively it threatens our shared success. The size and nature of the immediate impact is illustrated by¹:

- Total sales of food and drink (all channels) falling £190m (27%).
- Purchase patterns changing hugely, with grocery sales up £38m (10.7%) but total spend on food and drink is around 20% lower than normal due to the service sector almost closing completely.
- Shopping patterns have changed UK wide with people prioritising on-line channels and convenience stores (up 43% and 40% respectively).

In our business sector, initial survey work² has found:

- A significant impact on businesses of all sizes and sectors, with a severe negative impact on sales (39% of respondents), profits (46%), and customers (39%).
- Foodservice trade and other routes such as wholesale have ceased to function and a significant impact has been felt at all levels within the sector, especially amongst food and drink wholesalers.
- Supply chain disruption is particularly noticeable in sub sectors such as red meat, dairy and horticulture.

Whilst the focus right now is short term we will not lose sight of our long term ambitions. In 2019 Welsh Government **consulted on a new strategy** (<https://gov.wales/sites/default/files/consultations/2019-07/food-and-drink-consultation-document.pdf>) for Wales' food and drink sector and the proposed vision and mission were very well received. The Welsh Government and Food and Drink Wales Industry Board remain committed to them. When timing is right the government will finalise the proposals and publish them. When the strategy is published, central to it will be the vision, mission and ways of working which were consulted on in 2019, which will develop the sector's prosperity and success in ways which bring widespread benefits (see summary at **figure 1**).

The short and intermediate term actions described in this Covid-19 Recovery Plan are first steps on the path of this vision and mission (**figure 1**).

¹ All figures are sourced from Brookdale Consulting/Category Insight report for Welsh Government drawing on Kantar data.

² Food Innovation Wales survey May 2020 of 251 Welsh food manufacturing and processors representative of the whole sector.

Priority actions

The immediate priority is to steer the sector through the unfolding impact of Covid-19 so businesses and our supply chain networks survive.

Together we will focus relentlessly on the following actions to start immediately if not already underway. We will continue these as long as Covid-19 and EU exit is impacting the sector.

1. We will thoroughly monitor **market intelligence**, using data relating to UK and international markets and consumer trends, and survey information from Wales enriched by close business engagement, to anticipate change and position the sector well. **All our actions and support will be informed by market intelligence.** We will provide businesses with up to date and comprehensive market intelligence 1:1 or through our cluster programme and networks.
2. We will step up **practical business advice** essential to survival – leadership, marketing, business planning, financial management, productivity improvement, innovation/ technology use, sourcing security, product reformulation, relationship management with buyers and suppliers, risk planning, and the operational challenges of running a business with social distancing and track and trace testing.
3. We will prioritise support and advice about developing **on-line sales** channels and marketing products successfully through on-line whether direct to Consumer (DTC) or through an intermediary. We are convinced that Covid-19 has caused a long term shift to on-line.
4. We will focus on business and supply chain **productivity improvement, business resilience and risk management** in every way through targeted investment in people and technology such as improving automation, technical excellence, lean principles, collaboration/clusters, efficiencies gained through sustainable practices and workforce development.
5. We will support businesses and supply chains to **add value** based on research, market opportunities and through working with our research, innovation and product development partners. We will also add value through creating a strong and meaningful Welsh food and drink brand building on our USPs including our commitment to sustainability in the food chain.
6. We will do all we can to assist viable and resilient food and drink manufacturers to survive and grow and cognisant of the business need for **affordable finance** to enable investment and to service growing debt due to the pressures from Covid 19 on cashflow and implementing mitigation actions.
7. We will drive take up of widely recognised **industry accreditation** (especially Salsa and BRC) so that our producers can have more market opportunities.
8. We will revise our **Retail Plan** to ensure it reflects Covid 19 challenges and opportunities and increase engagement with major UK buyers.
9. We will maintain our **global trade** presence and Wales brand through virtual engagement with overseas trade buyers and our key event, Blas Cymru, in 2021.

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10. We will focus investment on businesses which have strong economical and **sustainable business models** to create successful post Covid19 strategies with a focus on UK and/or export markets, public procurement opportunities and the growing green economy. These businesses should ensure they can evidence best practices and commitments to these goals in support of our commitment to the Well-being of Future Generations.
 11. The Food Board will work with Welsh Government and partners to promote the food sector as a **good place to work, train and develop new skills** and encourage the development of the workforce and their leaders given the 'key worker' status of this industry.

Figure 1: Our long term strategic aims

Our starting point:

We will build on the success of **Towards Sustainable Growth**. Our sector has grown, our exports are thriving and the diversity of Welsh businesses and Welsh products are winning ever greater recognition.

Immediate challenges:

Covid-19 has hit our sector hard. We are building a picture of the impact and assessing what has changed for the short term or has made a long term difference. In the short-medium term we must focus on recovery and supporting businesses to succeed in a changed world.

How Brexit transition ends is uncertain and we must also be ready for a hard Brexit or a deal with the EU. The range of outcomes poses challenges for supply chains and how our sector operates.

Our vision is to create a strong and vibrant Welsh food and drink sector with a global reputation for excellence, having one of the most environmentally and socially responsible supply chains in the world.

Our mission is to develop a thriving food and drink industry through working collaboratively with the sector to:

Grow our businesses' scale, value, and productivity, through targeted investment, support, innovation and co-operative activity throughout supply chains, and by creating strong and diverse routes to UK and export markets.

Benefit our people and society by providing attractive careers and fair work, committed to developing the skills of the workforce, using resources sustainably, and encouraging businesses to play a part in addressing public health and poverty.

Create and communicate a global reputation for Wales as a Food Nation by showcasing our sector through Taste Wales, developing and living our sustainable brand values, widely adopting high production and accreditation standards, and celebrating businesses' successes.

How will we do our work.

Our work will be founded on partnership between Welsh Government and the Food Board, through our business clusters, supply chains, and buyers and partners in focussed routes to market. We will leverage technical and academic expertise to deliver sustainable growth which holds true to the principals of the **Future Generation for Wales Act** and **Prosperity for All**.

We will help our sector to navigate our changing society with a growing focus on data to understand and serve our fluid lives, sustainable responsibility, the expansion of our digital world, elevating our experiences, building trust and identity and living well.

We will make a 'something for something' approach conditional when investing in our businesses, promoting sustainable brand values through our products and stronger supply chains, and seeking to add value to Wales.

Welsh businesses of every size will continue their journey to become ambitious, professional, forward looking and customer focussed.