

**ECONOMY, ENERGY AND FAIR WORK COMMITTEE****COVID-19 – impact on Scotland’s businesses, workers and economy****SUBMISSION FROM****East Lothian Food and Drink Ltd**

Over the past month, many of our members have had to significantly change the way they operate in response to COVID19 restrictions and some have made the decision to close. We wanted to share our members concerns with you, so that you can understand the position of food and drink producers in East Lothian.

**Current financial support**

There is concern that loans, deferrals (such as VAT) and payment holidays are not adequately supporting businesses as they create short- and medium-term debt. With COVID19 restrictions creating so much uncertainty, businesses may be reluctant to use these supports if they are unsure how it will impact their future cash flow.

Further, some businesses are falling out with the scope of government grants and rates support as a result of having larger production facilities. The only financial support available to these businesses, who often employ a larger workforce and have the potential to supply a high volume of food to the local community, is loans, deferrals or holidays which again, creates short- and medium-term debt.

If businesses operate from home, they are currently unable to access financial support from the government. Self-employed business owners are having to wait months until they can access government business support. It is understandably a worrying time for those who are self-employed and for those who operate from home.

**Cash flow**

The food production industry has been impacted by the closure of hospitality and leisure businesses. There is concern by producers that many of these businesses will not reopen and that they may not pay outstanding invoices. This could leave producers with bad debt.

Like many businesses, food and drink producers have had to furlough workers. However, there is a delay before businesses receive the rebate. Cash is therefore tied up paying wages of employees who are furloughed.

**Staffing**

As well as producers experiencing higher than average sickness, some are also experiencing anxiety within the workforce with staff nervous about interacting with the public.

As businesses change the way that they operate, new skills are required (e.g knowledge of logistics). Businesses, regardless of size, may not necessarily have the skills within the

existing workforce to introduce new processes, which makes adaption much more challenging.

### **Demand**

For some businesses, demand for their home delivery service has been high. Unfortunately, some have struggled to keep up with the increased demand as the supply of some foods has decreased. For other foods, there have been real strains on existing production as a result of the higher demand. This combined, with the higher than average workforce sickness, is making the supply and delivery of food more challenging.

Conversely, producers who almost exclusively sold to hospitality businesses and leisure businesses have seen their sales disappear overnight and are having to find new routes to market. For some, this has been the introduction of a website that allows consumers to order directly. However, it can cost a lot of money to introduce an online ordering system, which for many businesses who have lost their sales is an expense that they may not be able to meet.

### **Preparing for the future**

There is concern about how the retail and hospitality industries will recover after COVID19. It is possible that individuals will have less disposable income, and they may not spend as much on non-essential items for some time after restrictions are lifted.