

## **RURAL ECONOMY AND CONNECTIVITY COMMITTEE**

### **CALL FOR EVIDENCE ON THE IMPACT OF COVID-19 ON THE RURAL ECONOMY AND CONNECTIVITY IN SCOTLAND**

#### **SUBMISSION FROM SAVOUR THE FLAVOURS**

#### **1. What particular impacts has COVID-19 had on the lives of people in Scotland's rural and island communities and what lessons have these communities learned for the future?**

Covid is having an extremely disruptive impact on the rural regional food and drink sector. The pattern of disruption has been highly polarised, with the industry split between either responding to short-term demand spikes or facing long term sector contraction due to demand collapse. Businesses at both extremes of these demand patterns are facing challenges and are in need of tailored support.

#### **Demand Spikes**

Independent retailers in rural communities (butchers, grocers, convenience stores), producers selling direct to consumers and small scale wholesalers who pivoted to direct to consumer sales, experienced demand spikes as a result of a lack of supermarket delivery slots in rural communities. This was most pronounced for businesses supplying essentials (meat and dairy).

#### **Positive Impacts**

- Some businesses used lockdown to accelerate growth plans that were already in place; mainly businesses who had an established 'direct to consumer' trading model.
- For these businesses demand spikes could potentially be harnessed to convert customers to longer term purchasing relationships to support growth and job creation.
- Small and micro local independent businesses in many rural areas, particularly remote rural, responded faster and more efficiently to community needs than the public or third sectors.

#### **Negative Impacts**

- Servicing the needs of rural communities via home delivery will rarely have been profitable during lockdown. The issue of profitability is particularly acute for those who quickly pivoted to new trading models, many not fully factoring in new or increased costs.
- Explosive demand patterns caused high levels of stress and negative mental health impacts on the people who work within small businesses. Rural businesses were under extraordinary and unsustainable emotional pressure to respond to local need.
- Organisational and infrastructure stress was widespread and there were substantial additional costs, with businesses reporting a need for expanded storage facilities, additional vehicles, phone lines and new members of staff.

- Requests for assistance from the public sector to help manage these impacts went largely unanswered with operational public sector resources also stretched.
- Businesses who were 'busy' throughout lockdown have had limited capacity to consider longer term business adaptations to covid; they rose to the challenge of meeting local need but now have organisational vulnerabilities as a result of demand stress.
- Demand spikes will not be sustained, in fact demand from rural consumers is already falling away sharply as lockdown eases.

### **Demand Collapse**

Food service and non-essential businesses, like much of the economy, closed during lockdown.

#### Positive Impacts

- Small businesses who were eligible for support schemes in rural areas have, largely speaking, been able to 'hibernate' effectively and protect jobs.
- Lockdown has encouraged some businesses to test new approaches to trading, such as restaurants offering dine at home options. Testing the market during lockdown could help inform longer term trading opportunities, and diversification should help rural resilience.
- The move to online purchasing by consumers is accelerating digitalisation in small and micro businesses, and highlighting the need for increased collaboration across supply chains.

#### Negative Impacts

- Catastrophic impact on small business capacity and confidence (trauma impact), which, if left unaddressed, will negatively impact business survival and longer term business recovery.
- Large numbers of micro businesses, especially those who primarily trade at farmers' markets and events, have fallen through the cracks of business support schemes.
- The fragility of the food service sector in low population density rural areas, already a known issue, has been exacerbated by covid with major concerns about long term viability.

## **2. Which specific sector(s) does your evidence relate to?**

Food and drink

## **3. What has been the experience, particularly in island and rural communities, of maintaining access to food supplies during the COVID-19 emergency?**

Access to essential supplies in remote rural areas of Dumfries & Galloway, particularly for vulnerable segments of the population, was dependent largely on independently owned local businesses. The recently published [research by Scottish Rural Action](#) also reinforces the feedback we have received via our regional networks.

The importance of small businesses to rural resilience and rural community capacity needs to be better reflected within policy. Covid has highlighted the scale of food insecurity in rural Scotland, and the very urgent need to support the development of networked local supply chains to create long term rural resilience, increase circularity within regional economies and improve rural food security.

**4. To what extent have the sector(s) been equipped to mitigate these impacts directly and to what extent have they needed to rely on interventions?**

Businesses have largely been able to cope with short term demand spikes, but government grant support has been essential to cope with demand collapse to limit short term business failure. SMEs have limited capacity or resource to cope with longer term impacts, and locally designed and delivered business recovery and adaptation support is strongly recommended to assist with this.

**5. Can you share the findings of any research that may have been undertaken into the impacts of COVID-19 on the sector(s) and communities in question and how they have responded?**

Savour the Flavours carried out a series of focus group meetings with businesses to inform economic response recommendations, and a regional consumer buying intentions survey. The research findings have widespread relevance to other areas of rural Scotland. Please find a [link](#) to the report.

**6. What has been the immediate impact of COVID-19 on the sector(s), including on livelihoods and on the wellbeing of those working in the sector(s) and in dependent communities?**

It is impossible to understate how damaging and traumatic the impact of lockdown has been on the wellbeing of people who work within the food and drink sector, and in particular small and micro business owners. The words of small businesses explain this impact better than we ever could.

Business A:

“Emotionally what hit me the hardest was seeing our friends and customers in the industry look crushed. I find it really upsetting to be honest. We are very, very lucky compared to most because we have been able to change our business and keep going. As a small business you put so much of yourself into what you do, and when you think you’re going to lose absolutely everything it’s a terrible time. It’s actually difficult to explain just how hard that is.”

Business B:

“COVID19 has pushed my depression and stress to the limit. As a business we have gone above & beyond to help people who can't get out. Then this: I'd like to cancel my milk delivery. I'm able to get it from the supermarket now.”

Business C:

“This morning we delivered to a local shop and found the owner in tears.....for the last few months, the locals have depended on her, calling on her at short notice to deliver to them and she has provided them with such an essential service. They of course were extremely grateful with the promise of not deserting her once things return to ‘normal’. Supermarket delivery slots seem to now be easing and are easier to get, and of course as predicted they have all deserted her, leaving her absolutely devastated.”

**7. What is your assessment of the resilience of the sector(s) to the COVID-19 crisis, and how might resilience to future shocks, including further waves of infection from COVID-19 and future pandemics, be improved?**

Resilience in the rural food and drink sector was fragile before this crisis hit. The known fragility within rural economies, in our opinion, stems from historic policy decisions that prioritised support and resource at businesses with growth potential, rather prioritising resilience, sustainability or financial planning in rural economies. As a result, capacity, and particularly financial confidence, within rural businesses in this sector has, generally speaking, been eroded over many years.

These long standing fragilities have been compounded by the economic and emotional trauma of covid and lockdown. Locally designed, locally delivered, sector-based business support tailored to identified business needs are the way to address this. The local element of this approach is essential because in order to be impactful, support must acknowledge the capacity challenges within rural small and micro enterprises and understand the idiosyncratic nature of the rural economies these businesses operate in.

**8. How effectively has the support provided by the relevant division(s) of the Scottish Government and/or related bodies addressed that sector’s / those sectors’ needs?**

We relaunched the Savour the Flavours brand on a voluntary basis because of concern about lack of local sector support and alarm at the fragility of small business owners, whose emotional and human needs were not being met by public sector advisory services. Understandably, the public sector response was fully focused on grant administration, but - as one of the hardest hit sectors - food and drink businesses needed more, and these businesses will continue to require a more tailored support response. Sector based economic development, that is place sensitive, will be essential in rural recovery.

Immediate grant support was well received, however cash grants given without adaptation support incentivised total closure, when many small businesses in the food and drink sector could, and arguably should, have been encouraged to pivot and test new trading models. Grant support without resourcing longer term adaptation advice may merely delay business failure rather than enabling longer term recovery. Small businesses need cheerleaders, coaches and carrots, not just financial sticking plasters.

National sector activity, such as the Support Local directory, while well intentioned, has not resulted in positive trading impacts, probably because it was not designed around typical consumer purchasing behaviour. There *are* opportunities for collaborative and

digital trading agglomeration for the rural food and drink sector, but unlocking those opportunities would require investment in logistical and digital infrastructure, as well as business support resource. We have developed draft proposals, with scalable potential, which have been shared with South of Scotland Enterprise and Dumfries & Galloway Council for discussion.

Generally speaking, we would recommend that business support should be directly informed by identified business need, locally delivered and adapted to local circumstances and market challenges. It should be fully inclusive of community focussed businesses with limited growth potential – businesses that are important to community cohesion and community service provision - as well as businesses with capacity for growth. National programmes delivered from the centre without locally differentiated delivery approaches rarely have a positive impact on rural economies.

Rural economies are highly complex with interdependent supply chains – as a result, effective and impactful rural economic development and business support solutions need to be equally complex. There are no quick fixes or easy answers to any of this. *How* support is designed and delivered is key, the ‘how’ – the design - is much more important than ‘how much’ budget is allocated to it.

**9. What lessons can be learned from how the relevant divisions of the Scottish Government and/or related bodies have responded to the impact of the COVID-19 emergency on the sector(s) in question?**

Businesses in the food and drink sector would like to see more of an enabling approach by local authorities in relation to statutory and enforcement obligations. Local authorities having responsibility for Trading Standards, Environmental Health, Planning, Licencing and small business support presents an opportunity to rethink how businesses interface with statutory services. In particular businesses would like public agencies to recognise the trauma impact that covid has had on small business owners and, as a result, their reduced capacity to navigate bureaucracy.

**10. In what ways do you anticipate that COVID-19 will result in longer-term or possibly permanent changes to ways of working in the sector(s) and what are the practical and financial implications of these changes?**

- Increase in digital trading, will require support in financial planning, marketing and digital capacity building for small and micro businesses.
- Sustained consumer demand for home delivery, will require investment in, or support for, collaborative rural logistics networks and food hubs.
- Economic downturn combined with swing to ‘better’ will lead to polarisation of the consumer market, and create opportunities for rural Scotland to capitalise on premium / nutrition market growth rather than chasing volume market.
- Relocation of young professionals from cities will create an opportunity for Scotland to capture and nurture food sector skilled entrepreneurs / start-ups.
- Opportunity to localise rural supply chains could create circular economy opportunities, especially if supported by more localised public procurement.

See [survey report](#) for full list of recommended reprioritisation of regional food strategic priorities.

## **11. What should the Scottish Government be doing to support the sector(s) in question to deal with these future challenges?**

- Recognise the essential role of small and micro businesses in rural economies and rural communities, and reflect this importance in both policy and resource. Focussing on community development and the third sector at the expense of small businesses in dominant rural sectors will create imbalance in rural economies.
- Allow regional underspend on NDR grants to be reallocated to local business support and discretionary / contingency grant support for businesses who have fallen through the gaps.
- Resource sector-based collaboration, not just community-based collaboration. In rural areas small businesses trade over large areas, not just single communities. For example, there is a known resource need for our regional farmers' market association who wish to collaboratively purchase equipment to share – resourcing that sectoral group would be much more cost effective than each community buying its own socially distanced stalls, for example.
- Investing in local infrastructure – physical, digital and interpersonal – will be important in supporting economic and community resilience, while building capacity for long term growth.
- Strengthen start-up support in anticipation of the oncoming self employment surge in the food and drink production sector as a result of expected redundancies in the food service sector.
- Address the structural, logistical and economic barriers to buying local in rural economies to retain the swing to local 'gains'. Buy local campaigns won't work without support for business adaptation, marketing, digital skills development and consumer focus.
- Recognise that rural business recovery post-covid will be about adaptability, confidence & capacity building, localised collaboration and opportunity spotting – not risk or speed of growth.
- Use this unique 'need to adapt' business climate to foster creative and innovative thinking within small and micro rural businesses by deploying locally designed and delivered business development programmes.
- Understand the importance of sector based approaches to recovery, as well as place based approaches. Dominant sectors in rural economies are emergent qualities of place – local food and place intersect. To address the post-covid needs of Scotland's rural economy, rural sectors and place are equally important.
- Take a fresh look at public sector procurement and explore how frameworks could be changed to support local business recovery by stimulating demand within rural economies.