



Bwyd a Diod Cymru
Food & Drink Wales

Building business resilience:
Managing & Mitigating Risk
Checklist

Risks will vary between individual food and drink businesses; therefore, this checklist is not intended to be comprehensive list of all risks, but an aide memoire to help you think about different aspects of your business and what risks may impact your business. We would always advise that further professional or legal advice is sought where appropriate.

A word about EU Exit – whilst some of the points below are relevant to understanding how the EU Exit might affect your business, this checklist is not intended to specifically address the EU Exit.

As a starting point

Think in broad terms about the risks facing your business e.g. people, customers, suppliers, equipment, processing capacity, etc.

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Think about the external factors that you can not control, but could impact your business e.g. currency fluctuations, changing legislation, changing social trends, economic trading conditions.

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Can you predict or anticipate how these external factors might impact your business (could be positive impacts as well as negative impacts)?

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Many businesses find it helpful to have a risk register, identifying key risks, the likelihood of those risks occurring (high, medium or low) and the impact of the risks on your business (high, medium or low). This helps to prioritise mitigations – focus on areas of high risk and impact.

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Inputs/suppliers:

Are you overly-reliant on one or a small numbers of suppliers of key ingredients; do you know how you could source alternatives should your suppliers fail to meet their obligations to you?

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What about other inputs? Packaging, logistics, equipment spares/maintenance, utilities, warehousing space? Think about how any risk associated with these suppliers could be spread or mitigated. A supplier mapping exercise could help you identify any vulnerabilities.

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Can you buy any inputs in advance to secure best prices and avoid costly price increases, particularly associated with seasonal demand peaks? And can you plan maintenance in advance?

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Check your contracts with suppliers. What Force Majeure clauses do they have in place?

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Customers/channels:

Are you overly-reliant on one trade customer or channel? Can you find ways to spread that risk if that trade customer stops trading with you?

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Do you know who you are trading with? Have you done any due diligence on them, completed a credit check, taken up references?

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Don't provide credit terms straight away for a new customer – use proforma invoicing initially.

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Do you have a very seasonal business with high peaks and low troughs of demand? Could you find new channels, customers, products which would help smooth out the seasonality?

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Stay close to, and communicate regularly with, trade customers so you understand their plans/promotions and how these might affect your business. Speak to them as early as possible if you can't do something – open conversations build trust.

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Could a price index or tracker on key inputs help you with negotiations with customers to ensure your margins are maintained?

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Invest in accreditations such as BRC and SALSA which build in risk mitigation procedures and the audits will keep you focused on these risk mitigations.

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Finance & Legal:

Do you have enough working capital to cope with demand peaks and troughs? Smoothing out seasonality will help you mitigate the risk of not having enough working capital and avoid short-term, expensive borrowing.

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As you start identifying risks and associated costs, build them into your forecast. Start with a base case and then model different scenarios based on different risks and impacts. Your bank/fund providers will be able to see that you've considered risks and how your business will respond to/trade through those risks.

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Stay close to and communicate regularly with your bank or fund providers – manage these communications and build trust with them.

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Is your business structure the optimal one to limit any personal liabilities if something does go wrong? Consider a limited company structure and VAT registration.

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What insurances do you have in place? Are you clear about what they cover and what is excluded?

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Are your terms and conditions of trade sufficient? When did you last review contracts? Do they need to be updated to reflect current trading conditions and the forthcoming EU Exit?

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Covid-19 related:

Have you implemented all the precautions you can take to keep people safe in your business and avoid outbreaks/transmission within the workplace? Food Innovation Wales has published extensive guides which can be found here: <http://foodinnovation.wales/covid-19-considerations-for-good-manufacturing-practice-in-the-welsh-food-and-drink-processing-sector/>

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If people are ill or need to quarantine for 14 days, do you have enough processing capacity to continue manufacturing or have you got enough stock to continue meeting customer orders?

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How could further local/national lockdowns affect your business?

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Have you thought about how you will communicate with your customers, employees, trade unions, the media, other stakeholders should you have an outbreak in your factory or site?

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People:

Have you taken all reasonable steps to keep people safe in your business and Covid secure? Food Innovation Wales has published extensive guides which can be found here: <http://foodinnovation.wales/covid-19-considerations-for-good-manufacturing-practice-in-the-welsh-food-and-drink-processing-sector/>

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Do you have staff on furlough who need be brought back into the business and retrained?

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Are you reliant on migrant labour to help you through seasonal peaks?

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Are you reliant on the skills, experiences, relationships of key individuals in the business? What is your plan if these individuals are unavailable?

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Do you have key skills gaps in your business which present a short or long-term risk? What are your plans for filling these skills gaps?

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Do you have contingency plans in place for staff returning from holidays or overseas travel and then need to quarantine for 14 days? Have you checked with staff whether they have plans to go abroad and how this might impact your business if they are unable to return to work for a further 14 days?

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Keep in touch

To keep up to date on financial support such as loans and grants provided by government to businesses affected by Covid-19, visit:

<https://businesswales.gov.wales/coronavirus-advice/support/financial-support-and-grants>

For advice and support on accreditations, contact Food Innovation Wales:

<http://foodinnovation.wales/>

For a confidential conversation about managing risks in your food or drink business, please email:

bwyd-food@bic-innovation.com