



June 3, 2020

The Honorable Mike Pence
Vice President of the United States of America
The White House
1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20500

Dear Mr. Vice President:

Thank you for your leadership in the national response to the COVID-19 pandemic, particularly with respect to food issues. We write to ask your help in ensuring the businesses we represent are in the best position to help get the economy moving again, as the President works with Governors to reopen commerce.

The Administration and Congress have recognized the importance of farmers and fishermen, restaurants and other participants in the foodservice supply chain. Many of the programs enacted thus far, such as the Coronavirus Food Assistance Program, have provided significant support to portions of the distribution system. We write today, though, as representatives of the invisible companies in the middle of that system – those that deliver fish, fruits, vegetables, meats, spices, and other basics to foodservice outlets such as restaurants, schools, hospitals and long-term care facilities. To date, the government programs available have not addressed our biggest problem – large unpaid debts owed to distributors for food that restaurants could not use or repay due to COVID-related government shutdown orders.

As background, food flows from farmers and fishermen to restaurants through a complex system of processors and distributors. Foodservice distributors connect restaurants and other food away-from-home providers not only with food supplies but also with the essential financing they need to purchase these products. Restaurants purchase their supplies on payment terms that allow them to generate revenue before the bill comes due, normally 30-60 days after delivery. With the sudden and near complete closure of the away-from-home food channel, those customers had no sales and have not been able to pay their distributors. Now as these companies look to reopen, they will again need to rely on distributor credit to purchase the products they need.

Seafood distributors report about \$2.2 billion of debt owed them. Fruit and vegetable distributors report about \$5 billion debt owed them. Broadline foodservice distributors report more than \$5 billion debt owed them as well. This creates additional complication due to the

way in which most distributors gain financing themselves. Banks lend foodservice distributors money based on a mix of accounts receivable (debt owed them), inventory, and other assets. That basis has been reduced dramatically as account receivables have “gone bad” and inventory values have declined significantly. Banks will be unwilling to finance food distributors without these assets. This creates a significant limitation on distributor liquidity when they need it most to extend credit to their customers so they can restart their businesses.

As a result, just as the President and Governors work to reopen the economy this summer and fall, it will be very difficult for foodservice distributors, who themselves have suffered well more than 50% declines in sales, to finance those customers’ purchases. Without that financing, restaurants cannot function. Without restaurants, schools, and other places where people eat, the economy will be missing a significant part of the \$1 trillion away-from-home meals economic driver.

We ask that you work with Secretary Mnuchin and other Administration leaders to consider options to eliminate or mitigate the accounts receivable and liquidity issues currently facing America’s foodservice distributors. We would welcome the opportunity to discuss this issue with you or your staff. Thank you for your consideration.

Sincerely,

Mark Allen
President and CEO
International Foodservice
Distributors Association

John Connelly
President
National Fisheries Institute

Thomas Stenzel
President and CEO
United Fresh Produce
Association

cc: The Honorable Steven Mnuchin