Impacts of COVID-19 on Small- and Medium-Sized Enterprises in the Food System

RESULTS OF AN ONLINE SURVEY

MAY 2020
EXECUTIVE SUMMARY

- **GAIN** and partners, including the Scaling Up Nutrition (SUN) Business Network (co-convened by the World Food Programme (WFP)), undertook a survey of food system SMEs in 17 countries in early May 2020, aiming to assess the impacts of the COVID-19 pandemic and associated control measures on their businesses and their support needs.

- **363 responses** were received, with most being from micro- or small-sized firms; respondents were primarily firms in the processing and distribution sectors and grains, vegetables, and fruit value chains.

- **94% reported being impacted** by the pandemic, mainly via decreased sales (82%), difficulty accessing inputs (49%), and difficulty paying staff (44%).

- 84% of firms reported **changing their production volume** as a result of the pandemic, generally decreasing it; 57% had **changed their product’s sales price**.

- **85% of respondents anticipated future impacts on their supply chains**, including shortages of supplies (61%) and transportation and distribution disruptions (49%).

- **80% and 84% of firms reported taking actions** to mitigate the impact of the pandemic on their business and to protect their employees, respectively.

- **81% and 64% of firms reported urgently needing financial and technical support**, respectively, to cope with the effects of the pandemic.

- Based on these results, we recommend that governments and other development partners take steps to **support these crucial yet vulnerable food systems SMEs** during this period, to ensure they remain in a position to provide nutritious, safe foods in the future.
### METHODOLOGY

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<th>ELIGIBLE RESPONDENTS</th>
<th>Owners and/or managers of micro, small- and medium-sized businesses (SMEs) in the food system in 17 low- and middle-income countries, including firms that directly produce, process, or sell food as well as those providing supporting services (e.g., agricultural inputs, cold chain services).</th>
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<tr>
<td>TOPIC &amp; FRAMING</td>
<td>Respondents were asked about how the COVID-19 coronavirus pandemic and any measures to control it (e.g., movement restrictions, border closings) were impacting their business, referencing the period since the pandemic began affecting their country.</td>
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<td>DISSEMINATION</td>
<td>The online survey was shared via email with firms in three food system networks convened by GAIN and/or WFP from 29 April to 19 May 2020. 363 eligible firms responded. All respondents provided written informed consent to participate.</td>
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<td>ANALYSIS</td>
<td>Data were cleaned and analysed using Stata SE15 (StataCorp, 2017). This rapid assessment report presents basic summary statistics across all 363 firms, without subgroup analyses; all data are presented in anonymised form.</td>
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363 responses were received from 17 countries, with the majority coming from Bangladesh, Kenya, and Nigeria. Firm characteristics reveal the participating firms to generally be small or micro-sized, with less than $100,000 USD in annual turnover. About 28% were from women-owned businesses.
Most firms were in the processing sector (59%), followed by distribution (38%), crop farming (24%) and retail (20%). The main food categories represented included grains (36%), vegetables (33%), fruit (24%), and fish (19%), with 13-18% for each of roots/tubers, dairy, eggs, meat, legumes, and nuts/seeds. (Firms could work in more than one sector or food category).
About 94% of firms reported having been impacted by the pandemic and associated control measures. The main impacts cited were decreased sales (82%), difficulty accessing inputs (49%), difficulty paying staff (44%), and limited financial reserves (42%). Of the impacted firms, 38% reported the impact being moderate but manageable, whereas 43% described it as considerable, from which it would be difficult to recover; 16% reported that the impact was severe and likely to cause business closure.
About 84% of firms reported changing their production volume as a result of the pandemic; of these, about 13% reported stopping production, 46% reported a considerable (i.e., >30%) decrease, 36% a smaller decrease (0-30%), and 5% an increase. Considering the firm’s product’s sales price, approximately 57% of respondents had changed their product’s price as a result of the pandemic; of these changes, about 27% represented a considerable (i.e., >30%) decrease, 29% a moderate decrease (15-30%), 9.6% a slight decrease (<15%), 18% a slight increase, and 13% a moderate increase.
ADDITIONAL DETAILS ON IMPACTS

Some respondents elaborated on the impacts of the pandemic on their business. Representative quotes include:

‘Due to this pandemic, some of my clients disappeared with unpaid invoices… I could not continue doing business. My clients are still waiting for me to resume the business, and because of delaying, there is a risk to lose them... Because I have contracted different farmers in country, they don’t have anywhere to sell their harvest at a good price. They are taking their products to local markets [at lower prices].’ – a fruit and vegetable wholesaler in Rwanda

‘In the first quarter of 2020, we sold and installed 6 units of solar dryers and verbally agreed to sell 6 units in April, May, 2020, [for] the value of USD 80,000. In the first week of April 2020, the government introduced the lockdown… we could not travel to the area where we agreed to install solar dryers… we now have the cost of inventory that we now cannot sell. Our installation team of 6 people becomes idle and stays at home.’ – a processor, retailer and service provider of dried fruits and chilis in Myanmar

‘We have the mission to eliminate childhood malnutrition in East Africa, and the big number of our beneficiaries was children in schools. And as they [the schools] closed, we will not be able to reach to them. This has decreased not only our sales but also our impact we wanted to see throughout 2020.’ – a processor and wholesaler of fortified flours in Rwanda
Looking to the next 6 months, 84.6% of firms expected impacts of the pandemic on their supply chains. The main anticipated impacts cited were shortages of supplies (61%) and transportation and distribution disruptions (49%); less than 20% anticipated a change of their production focus (e.g., toward production of hand sanitiser or similar).
Approximately 80% and 84% of firms reported taking actions to mitigate the impact of the pandemic on their business and to protect their employees, respectively. Considering the former category, main actions included adapting the supply chain (48%) and increases in communication: with clients and customers (48%), via social media (34%), and internally (34%). About one third of respondents reported downsizing their workforce. Considering employee support, main actions included providing personal protective equipment (77%), providing information on prevention of COVID-19 transmission (75%), and cleaning work areas more frequently (70%).
OPPORTUNITIES

About 43% of respondents noted wanting to explore new business areas as a result of the pandemic. Those commonly named included:

- Various models for online sales and delivery, including use of smartphone apps
- Diversifying into production of medical supplies and protective equipment
- Focusing more on processing and creating shelf-stable products (e.g., via drying, canning, or UHT processing)
- Expanding exports
- Producing food supplements and therapeutic foods, especially for use in relief projects
- Producing clean, safe, or ‘immunity-boosting’ foods

Indeed, some respondents saw the pandemic creating business opportunities specifically for nutritious food producers, as illustrated here:

‘The coronavirus pandemic has raised the awareness of health in Indonesia. This gives a really good awareness of the healthy food and beverage industry, [so] we also got a good impact from it. However, there are several problems, such as limited mobility, there has to be an adjustment for us to optimize digital marketing, and also I think we have to remodel some of our business models. But in our opinion, this could give a really good impact on health-related businesses and open new business opportunities, and we think we could adapt to this condition, though we need some time for that.’

– a processor and retailer of grains and condiments in Indonesia
Almost 95% of respondents felt that government actions were needed to help firms weather the effects of the pandemic. Main recommended actions included financial support (74%), providing incentives (58%), and support to ensure workforce continuity (e.g., permitting travel, keeping public transport open) (46%). Relatively few respondents, however, requested expanding working hours (15%) or re-opening retail outlets (22%).
About 81% of respondents reported urgently needing financial assistance to cope with the effects of the pandemic on their business; most required less than 50,000 USD (42%) or 50,000-100,000 USD (27%). Main uses of such financing included working capital (77%), inventory purchase (40%), refinancing (38%), and equipment (33%). Preferred financing types were short- and medium-term debt.
64% of respondents reported urgently needing technical assistance to cope with the effects of the pandemic on their business. Main types of technical assistance sought were advice on sales or distribution (49%) or marketing (49%), business resilience planning (47%), development of online platforms (43%), and quality assurance and/or quality control (42%).

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<tr>
<th>Technical Assistance Needs</th>
<th>Pct. of firms reporting (n=232)</th>
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<td>Advice on sales/distribution</td>
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<td>Marketing advice</td>
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<td>Business resilience planning</td>
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<td>Development of online platforms</td>
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<td>Quality assurance/ quality control advice</td>
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<td>Links to distribution/ logistics</td>
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<td>Advice on reducing costs</td>
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<td>Update business plan</td>
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<td>Advice on food safety</td>
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<td>Advice on nutrition labelling</td>
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<td>Advice on price information</td>
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<td>Advice on product reformulation</td>
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<td>Support to Improve staff health/nutrition</td>
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<td>Advice on input sourcing</td>
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<td>Advice on workforce safety &amp; continuity</td>
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<td>Advice on fortification</td>
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<td>Other</td>
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CONCLUSIONS & RECOMMENDATIONS

This rapid assessment has shown that:

• Food system firms in LMICs are suffering financial hardship as a result of the pandemic and related control measures.

• In many cases, the pandemic has resulted in decreased or stopped production, which could have negative impacts on the food supply in the short and medium term.

• A sizeable minority of firms also report or anticipate layoffs or pay cuts for staff, exacerbating the pain of the existing economic slowdown on workers.

• Many firms do, however, see opportunities for new business models or products as a result of the pandemic.

While not assessed here, these changes could have negative impacts on consumer access to safe, nutritious foods and may risk increasing food loss.

Based on these conclusions, we make the following recommendations:

• It is essential for governments and development partners to support these crucial yet vulnerable SMEs to ensure they remain in a position to provide nutritious, safe foods in the future.

• Particularly important is partnering with local financial services providers to develop a comprehensive package of financial support for SMEs, including grants or short-term low-interest bridge loans to meet critical needs (e.g., payroll), prevent bankruptcy, and support investment in production post-lockdown.

• Governments can also provide subsidies to banks to enable them to waive loan fees or extend payment deadlines and inject capital into the agri-food sector to help SMEs and their workers stay afloat.

• Technical assistance can be provided to help SMEs adapt business models, reach consumers online, or adopt processing or packaging to extend products’ storage or shelf life.

• Ensuring the free movement of food-related goods and equipment within and across national borders is also essential.
CAVEATS

• This survey, a rapid assessment, is subject to certain biases: opt-in response bias, imperfect representativity (especially of smaller, less internet-savvy firms) within the networks studied; imperfect representativity of the networks themselves (especially of firms producing less-nutritious foods); and potential misinterpretation of questions, given the online survey mechanism.

• Certain countries are also over-represented in the responses, due to the greater presence of the surveyed networks in those countries.

• The situation is also likely to change rapidly; the information presented here can only be considered a snapshot in time.
We wish to thank:

Recommended Citation: