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

RESULTS OF AN ONLINE SURVEY
JUNE 2020
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 Nigeria 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.

51 responses were received, with most being from micro- or small-sized firms; respondents were primarily processors within the vegetable and grain value chains.

98% of firms that participated in the survey recorded that the pandemic had an immediate impact on their business, mainly via decreased sales (70%).

86% of firms reported changing their production volume as a result of the pandemic, generally decreasing it; 65% had changed their product’s sales price.

78% of respondents anticipated future impacts on their supply chains, including transportation disruptions (73%); shortages of supplies (63%); and diversifying supply chains (50%).

92% of firms reported taking actions to mitigate the impact of the pandemic on their business and 86% of firms took action to support the health and safety of their employees.

80% and 63% 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 government, development partners, and others 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

1. **ELIGIBLE RESPONDENTS**
   Owners and/or managers of micro, small-and medium-sized businesses (SMEs) in the food system in Nigeria, including firms that directly produce, process, or sell food as well as those providing supporting services.

2. **TOPIC & FRAMING**
   Respondents were asked 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.

3. **DISSEMINATION**
   The online survey was shared via email with firms in one food system network convened by GAIN from 30 April to 23 May 2020. 51 eligible firms responded. All respondents provided written informed consent to participate. Of the businesses approached, the survey response rate was 51/400 (13%).

4. **ANALYSIS**
   Data were cleaned and analysed using Stata SE15 (StataCorp, 2017). This rapid assessment report presents descriptive statistics across Nigeria’s 51 responding firms; all data are presented in an anonymised form.
Responding Firm Characteristics

- **Number of Firms**: 51 responses were received from 15 states, with the majority coming from Lagos State (10/51).

- **Small /Micro Sized Firms**: 69% of participating firms are small or micro-sized, with less than $100,000 USD in annual turnover and fewer than 50 staff.

- **Women Owned Firms**: 33% of respondent firms were women-owned businesses and 29% were co-owned by women.

- **Years in Operations**: 67% of participating firms have been in operation for less than 5 yrs (median: 5 yrs, IQR: 4-7, range: 1-35).

- **Processing Sector Firms**: Majority of firms were involved in processing (67%).

- **Vegetable Value Chain**: Largest share of firms (45%) surveyed operate in the vegetable value chain.
The majority of firms were in the processing sector (67%), followed by distribution (39%), crop farming (33%), business advisory services (16%) and retail (16%). The main food categories represented included vegetables (45%), grains (43%), roots and tubers (29%) and fruit (24%), with the representation of dairy, nuts/seeds, meat, legumes, eggs, fish and condiments/sweeteners/spices and oils ranging from 5-15%. Firms could work in more than one sector or food category.
50 firms (98%) recorded that the pandemic had an immediate impact on their business. Of the 50 impacted firms, 42% reported the impact as being difficult to manage; 36% reported the impact as moderate but manageable; 6% reported the impact as minor; whilst 16% reported that the impact was severe and likely to cause business closure. The main impacts cited by firms included decreased sales (70%), difficulty of staff getting to work (54%), difficulty accessing inputs (54%) and closed retail and sales outlets (50%).
44 firms (86%) reported changing their production volume as a result of the pandemic; of these, 66% reported a considerable (>30%) decrease in production, 21% a smaller decrease (0–30%), 9% stopped production and 4% reported an increase in production. 33 respondents (65%) reported that they had changed their product price as a result of the pandemic; of these, 27% reported a considerable (>30%) decrease in price, 15% a moderate price decrease (15–30%), 9% a slight price decrease (<15%), 27% a slight price increase, 12% a moderate price increase and 9% a price increase of more than 30%.
Additional Details on Impact

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

"Lockdown has affected my member farmers from going to their farms and more so the price of almost everything has gone up and it is giving the farmers a great challenge. Closing down of activities equally effects the means of accessing market." - crop farmer and processor in FCT

"One of the worst effects is the influx of substandard raw materials in the market at incredibly high costs." - processor and distributor in Lagos State

"It has been difficult to transport and supply tomato farm products from Kano to Lagos and other parts of the country" - crop farmer, processor and distributor in Benue State

"It has brought about serious post harvest losses to our member farmers who benefit from the Anchor Borrowers Program and are now unable to pay back loans." processor in Kano and FCT
Looking to the next 6 months, **40 firms expected impacts of the pandemic on their supply chains**. The main anticipated impacts cited were transportation disruptions (73%); shortages of supplies (63%); diversifying supply chains (30%); shifting to a localised supply chain (25%); suppliers closing down (23%); and less than 15% anticipated a long- or short-term change of their production focus (e.g., toward production of hand sanitiser or similar).
47 firms (92%) reported taking actions to mitigate the impact of the pandemic on their business. Of these firms, 60% reported increasing social media engagement. Other actions included; increasing communication with clients and customers (51%), promoting online sales (43%) and adapting supply chains (43%).

Considering employee support, 44 firms (86%) had reported taking actions to support employee health and safety. These actions included providing information on prevention of COVID-19 transmission (80%), providing personal protective equipment (64%), and cleaning work areas more frequently (57%).
Opportunities

About 65% of respondents noted wanting to explore new business areas as a result of the pandemic. Those commonly named included:

**Digitising Operations**
Explore the introduction of online sales and delivery, including use of smartphone apps.

**Diversifying into Other Sectors**
Some respondents have been keen to diversify into the production of medical supplies, protective equipment. Whilst others are looking to produce food supplements and therapeutic foods, especially for use in relief projects.

**New Business Strategies**
Firms are looking to optimise their supply chain by exploring upstream, midstream and downstream investments.

**New Product Range**
Firms are actively considering how to expand their product portfolios such as developing shelf-stable products (e.g., via drying, canning, or UHT processing).
48 respondents (94%) felt that government actions were needed to help firms weather the effects of the pandemic. Recommended actions included financial support (75%), providing incentives (58%), and support to ensure workforce continuity e.g., permitting travel, keeping public transport open (58%).
41 respondents (80%) reported urgently needing financial assistance to cope with the effects of the pandemic on their business; most required less than 50,000 USD (56%) or 50,000-100,000 USD (30%). Main uses of such financing included working capital (71%), equipment financing (49%), research and development (44%), inventory purchase (42%) and refinancing (32%). 26 respondents (51%) indicated that they were looking to access loans, with the largest share of these firms preferring medium-term debt (35%).
32 respondents (63%) reported urgently needing technical assistance to cope with the effects of the pandemic on their business. Of these firms, 65% of respondents sought advice on marketing, 53% on sales/distribution and 47% on linkages to distribution/logistics. On improving the nutritional value of products, 22% of firms needed advice on product reformulation and 28% on fortification.
Gender Differences

Of the businesses that were surveyed (n=51), 31% were owned by men, 33% owned by women, 29% were co-owned by women and men and 6% opted not to disclose the gender of the business owner(s). Four survey questions were analysed for gender differences, namely (1) technical support requested, (2) type of finance preferred, (3) finance support requested and (4) immediate impact of COVID-19 on business operations. *Lack of significant difference is partially driven by the small sample size (i.e., the study was underpowered to detect gender-based differences).*

1. **Technical Support Requested**
   - Advice on product reformulation was needed by fewer men-owned firms (44%) than women-owned firms (92%) (p=0.042)
   - Advice on nutrition labelling was needed by more men-owned firms (67%) than women-owned firms (8%) (p=0.032)
   - Although the association between gender and the need for marketing advice was significant (p=0.046), individual pairwise comparisons (eg., men vs women) were not significant.

2. **Finance Preferred:** No significant gender differences observed

3. **Technical Assistance Needs:** No significant gender differences observed

4. **Immediate Impact of COVID-19 on Business Operations:**
   - Although the association between gender and decreased sales was significant (p=0.014), individual pairwise comparisons (eg., men-owned vs women-owned) were not significant.

*Please note: Fisher’s exact test was used to assess associations between gender and survey responses. Where significant associations (p<0.05) were observed, pairwise comparisons (i.e. men vs women, co-owned vs women, unknown vs women) were made with a Bonferroni correction for multiple tests. Significant pairwise comparisons are presented using Bonferroni-corrected p-values.*
Conclusions

This rapid assessment has shown that:

1. Food system firms in Nigeria are experiencing financial hardship as a result of the pandemic and related control measures.

2. 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.

3. 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.

4. Most SMEs require financial support for working capital.

5. 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, 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. To that end, we make the following recommendations:

1. 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.

2. The 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.

3. 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.

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

1. 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.

2. Certain states are also over-represented in the responses, due to the greater presence of the surveyed networks in those states. In addition, certain firms in the tomato value chain are also over-represented in the responses, due to the greater presence of the surveyed networks operating in the tomato value chain.

3. The situation is also likely to change rapidly; the information presented here can only be considered a snapshot in time.
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