



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

RESULTS OF A SECOND ONLINE SURVEY
NOVEMBER 2020



Business Network
ENGAGE • INSPIRE • INVEST



EXECUTIVE SUMMARY



- 1** **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 14 countries in October/November 2020, aiming to assess the impacts of the COVID-19 pandemic and associated control measures on their businesses and their support needs. This survey follows one in May 2020, results of which are available [here](#).
- 2** **327 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.
- 3** **98% reported being impacted** by the pandemic, mainly via decreased sales (75%), difficulty accessing inputs (53%), and difficulty accessing financing (47%).
- 4** **For most firms, impacts had lessened over time**; about 25% of firms reported that their business was essentially 'back to normal'.
- 5** 86% of firms reported **changing their production volume** as a result of the pandemic, generally decreasing it; **69% had changed their product's sales price**.

EXECUTIVE SUMMARY



- 6** **75% of respondents anticipated future impacts on their supply chains**, including shortages of supplies (61%) and transportation and distribution disruptions (34%).
- 7** **88% and 87% of firms reported taking actions** to mitigate the impact of the pandemic on their business and to protect their employees, respectively.
- 8** **Only about 20% of firms had received support, but 85% and 70% of firms reported urgently needing financial and technical support**, respectively, to cope with the effects of the pandemic.
- 9** **Food systems SMEs are crucial to ensuring food security but also vulnerable to the effects of the pandemic**; while their situation may have improved since the earlier days of the pandemic, some will require continued support to build back better and provide nutritious, safe foods in the future.
- 10** While overall impacts and support needs were similar **across women-owned and male-owned/co-owned firms, there were some differences in firm characteristics** and in specific needs for assistance. These differences should be taken into account when designing future interventions.

METHODOLOGY



1

ELIGIBLE RESPONDENTS

Owners and/or managers of micro, small- and medium-sized businesses (SMEs) in the food system in 14 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).

2

TOPIC & FRAMING

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.

3

DISSEMINATION

The online survey was shared via email with firms in three food system networks convened by GAIN and/or WFP from 16 October to 9 November 2020. 327 eligible firms responded. All respondents provided written informed consent to participate.

4

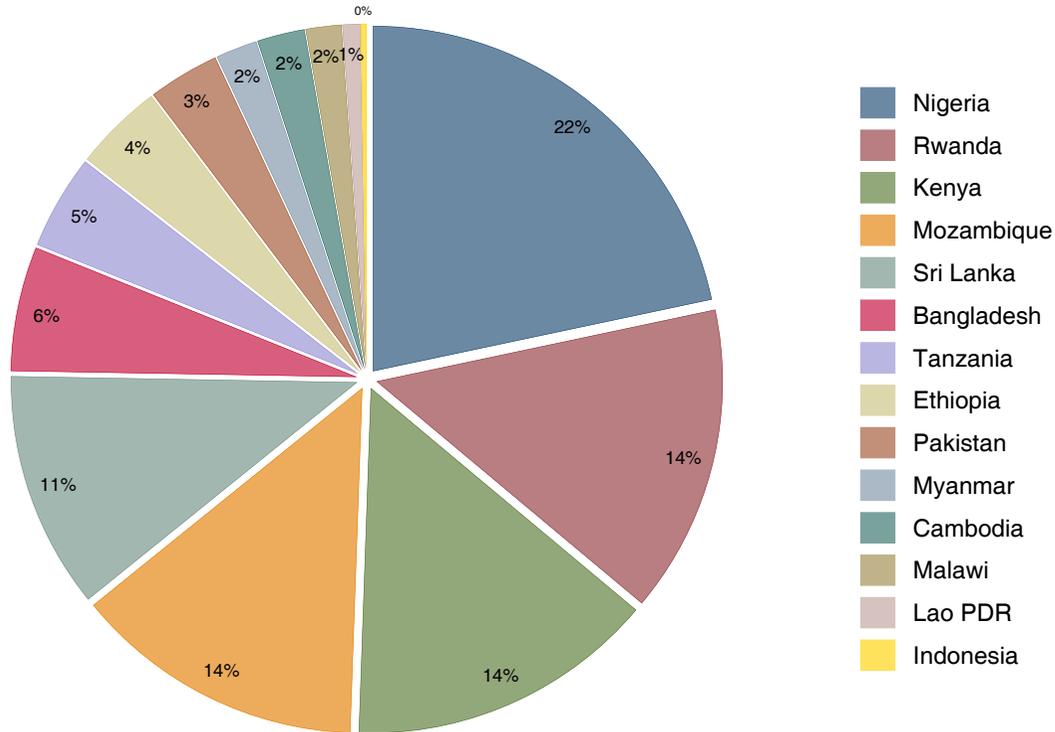
ANALYSIS

Data were cleaned and analysed using Stata SE15 (StataCorp, 2017). This rapid assessment report presents basic summary statistics across all 327 firms, without subgroup analyses; all data are presented in anonymised form.

RESPONDING FIRM CHARACTERISTICS



Survey respondents (n=327), by country



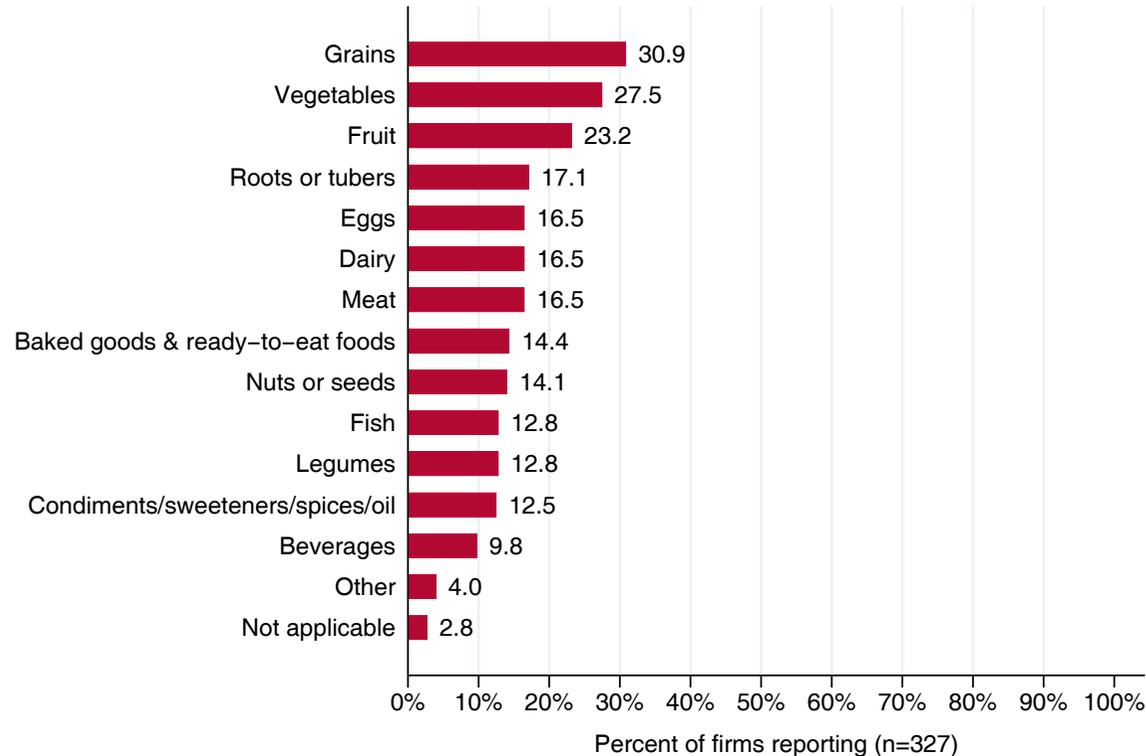
327 responses were received from **14 countries**, with the majority coming from Nigeria, Rwanda, Kenya, and Mozambique. Firm characteristics reveal the participating firms to generally be **small or micro-sized**, with less than \$100,000 USD in annual turnover. About **30% were from women-owned** businesses.

Key firm characteristics	Percent / mean	n. / SD
Age of firm (mean, SD)	6.98	9.2
Pct. less than 5 y. old	50.8%	166
Pct. female-owned	30.3%	99
Pct. legally registered	89%	290
Turnover (2019)		
Less than \$50,000	45.9%	150
\$50k to \$100k	21.7%	71
\$100k to \$500k	10.7%	35
\$500k to \$1M	4.3%	14
\$1M or more	6.7%	22
Unknown / Prefer not to say	10.7%	35
Number of employees		
10 or fewer	49.2%	161
11-50	37.3%	122
51-300	9.2%	30
Over 300	3.1%	10
Unknown / prefer not to say	1.2%	4
n.		327

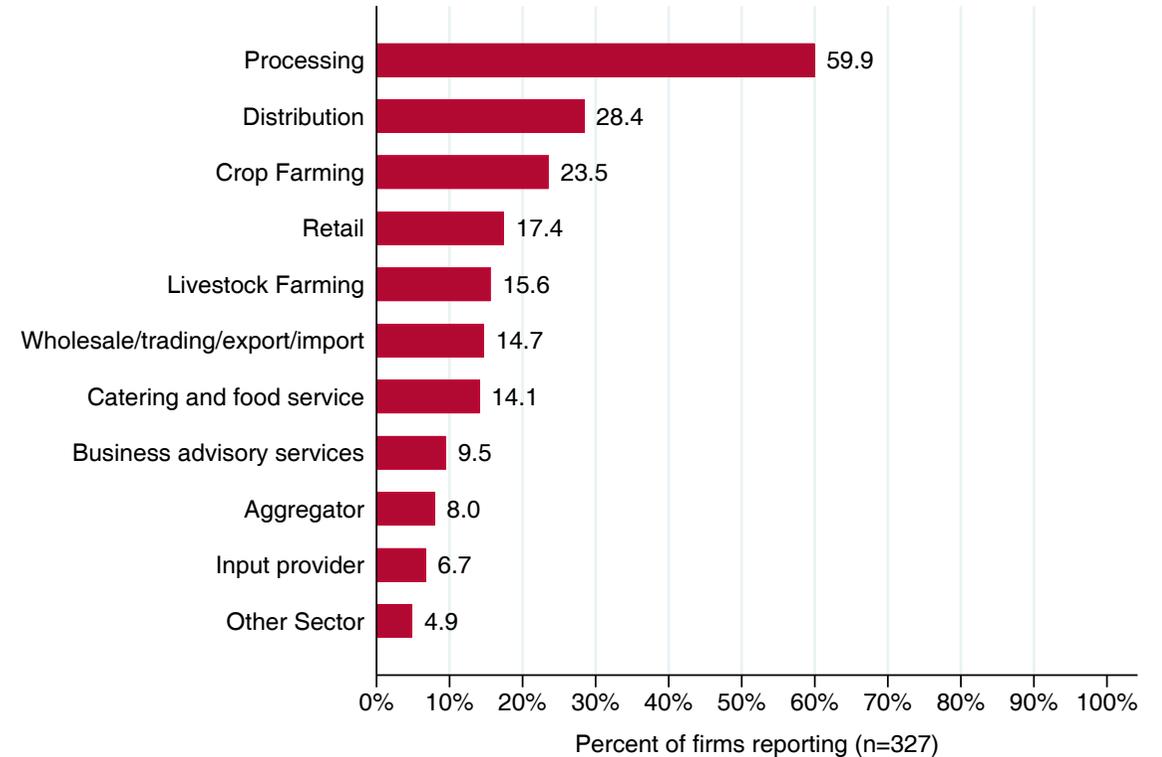
RESPONDING FIRM CHARACTERISTICS



Main food categories represented



Main sectors represented



Most firms were in the **processing sector (60%)**, followed by **distribution (28%)**, **crop farming (24%)** and **retail (17%)**. The main food categories represented included **grains (e.g., rice, maize) (31%)**, **vegetables (28%)**, **fruit (23%)**, and **roots/tubers (17%)**, with 13-17% for each of dairy, eggs, meat, baked goods & ready-to-eat foods, nuts/seeds, fish, legumes, and condiments/sweeteners/spices/oil. (Firms could work in more than one sector or food category).

RESPONDING FIRM CHARACTERISTICS: GENDER DIFFERENCES



As gender can influence access to resources and vulnerability to shocks, **all key indicators were examined for differences based on the gender of the firm's owner** (female-owned firms versus male-owned or male/female co-owned firms).

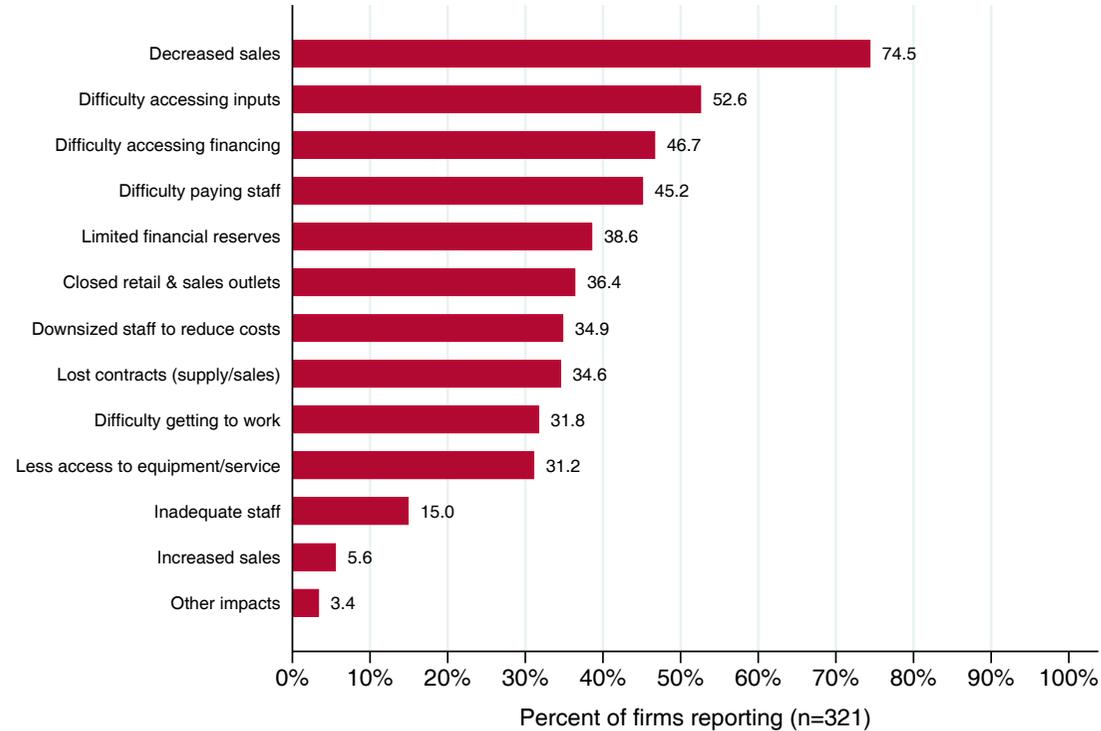
In terms of firm characteristics, **female-owned firms were significantly more likely to be smaller (in terms of both turnover and number of staff) and younger and less likely to be formally registered.** They were less likely to be in **livestock farming and business advisory services** but more likely to be in **catering or food services**. They worked across all food sectors but were slightly more likely to produce **roots/tubers and ready-to-eat foods**.



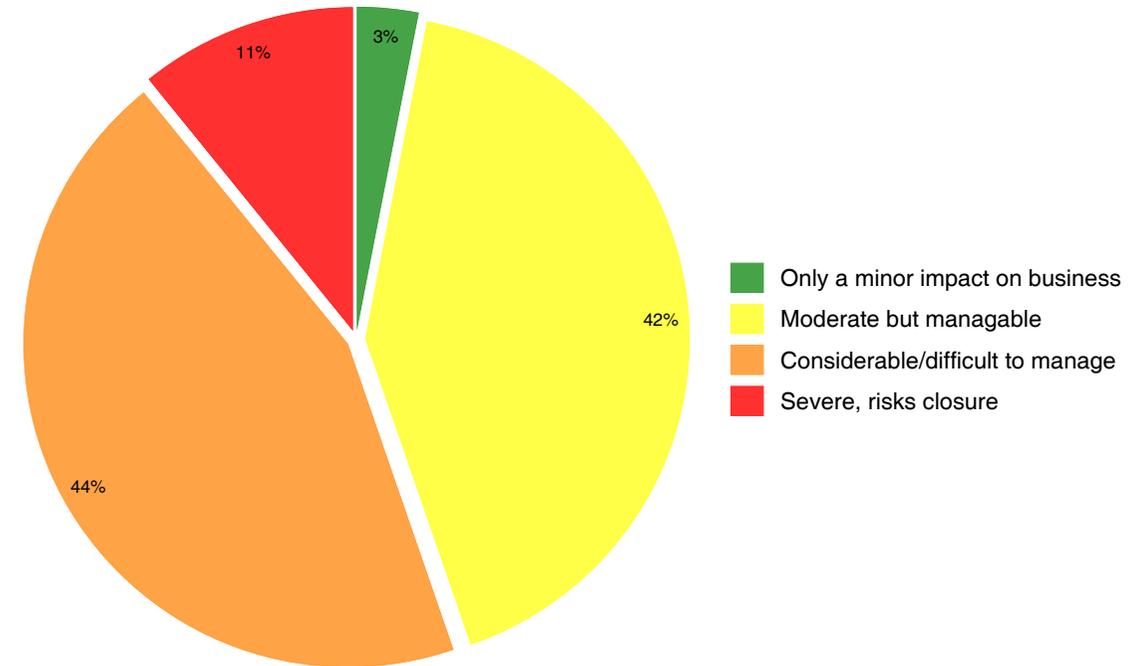
IMPACTS OF COVID-19



Main impacts reported by businesses



Severity of COVID-19 impact (n=321)

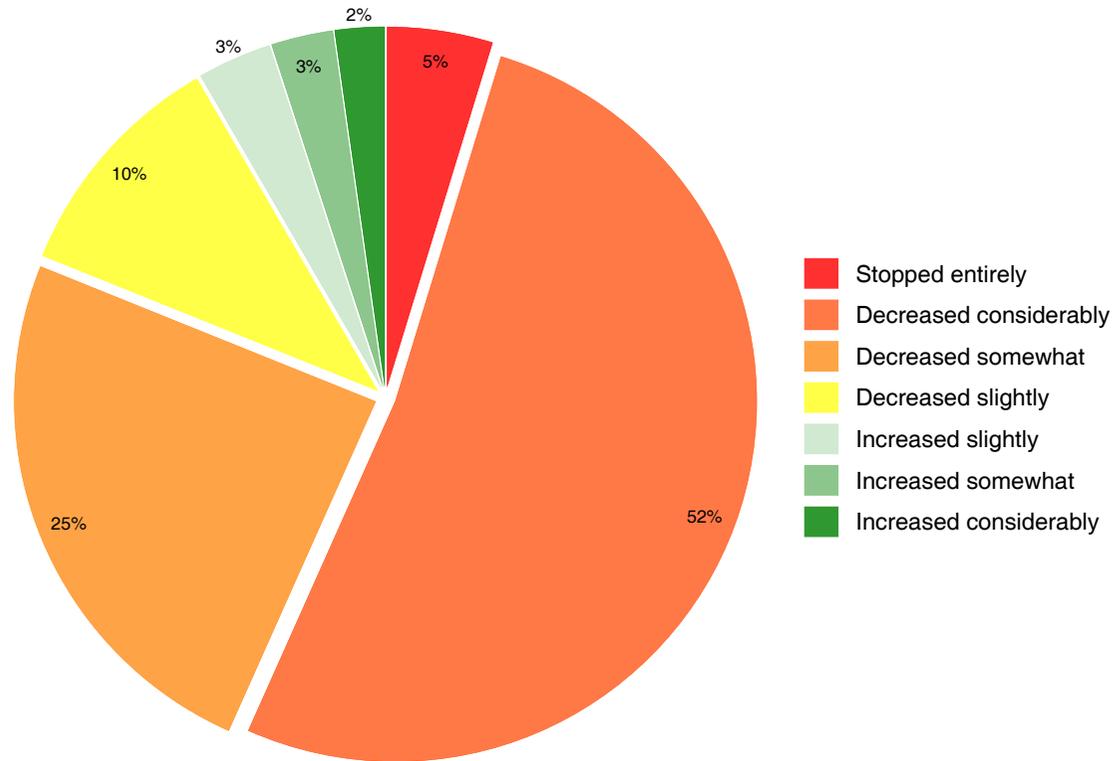


About **98% of firms reported having been impacted by the pandemic** and associated control measures. The main impacts cited were decreased sales (75%), difficulty accessing inputs (53%), difficulty accessing financing (47%), and difficulty paying staff (45%). Of the impacted firms, **42% reported the impact being moderate but manageable** and **44% described it as considerable**, from which it would be difficult to recover; 11% reported that the impact was severe and likely to cause business closure. The majority (84%) reported that the impacts had initially been severe but had improved over time; for **25% of firms reported that their business was essentially 'back to normal'**.

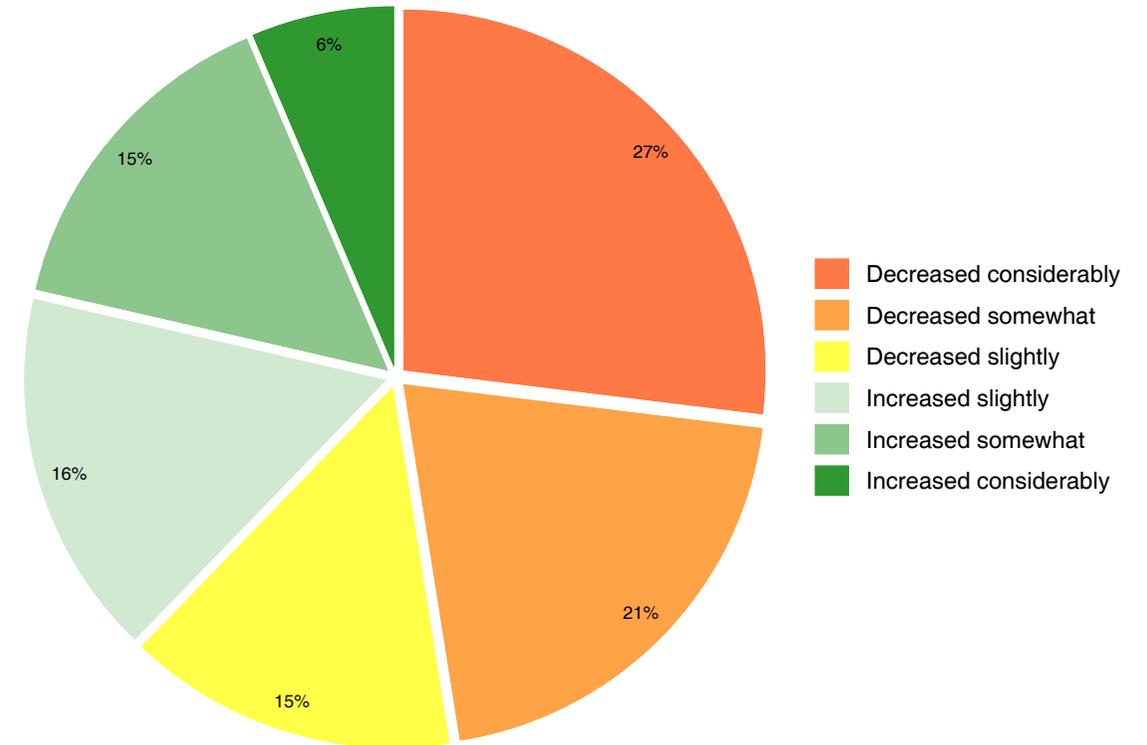
IMPACTS OF COVID-19: PRICE & PRODUCTION VOLUME



Changes in production volume (n=277)



Changes in sales price (n=223)

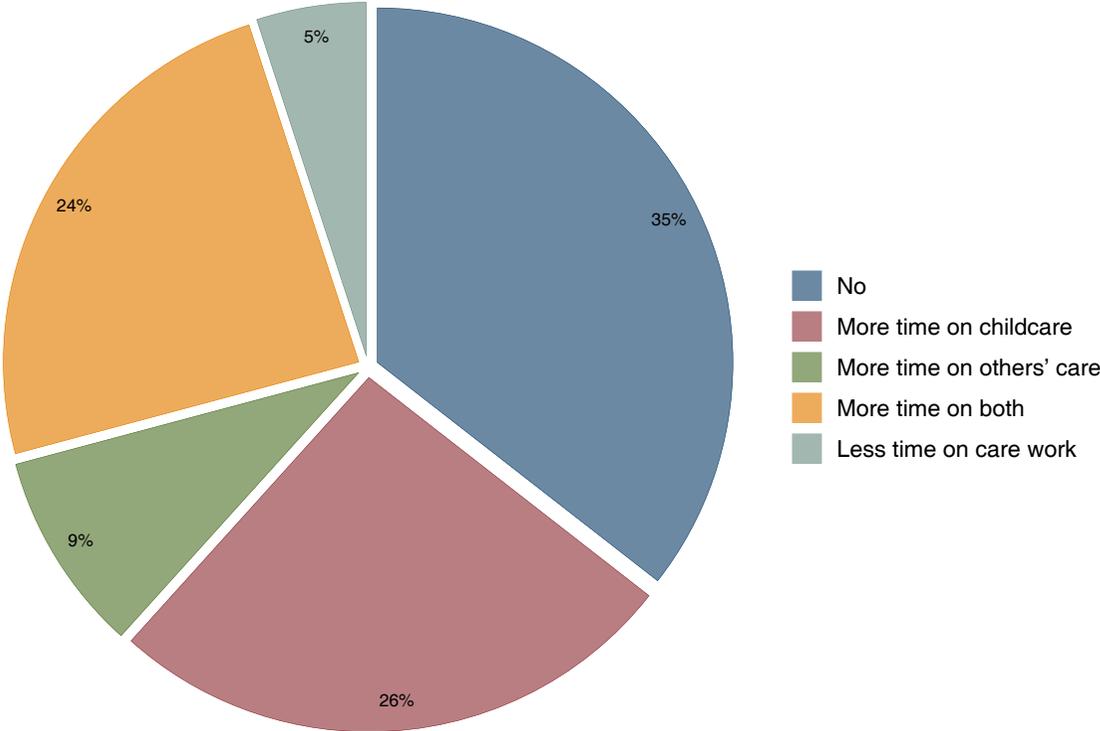


About 86% of firms reported **changing their production volume** as a result of the pandemic; of these, only about 5% reported stopping production, 52% reported a considerable (i.e., >30%) decrease, 35% a smaller decrease (0-30%), and 8% an increase. Considering the firm's product's sales price, approximately 69% 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, 21% a moderate decrease (15-30%), 15% a slight decrease (<15%), 16% a slight increase, and 21% a moderate or considerable increase.

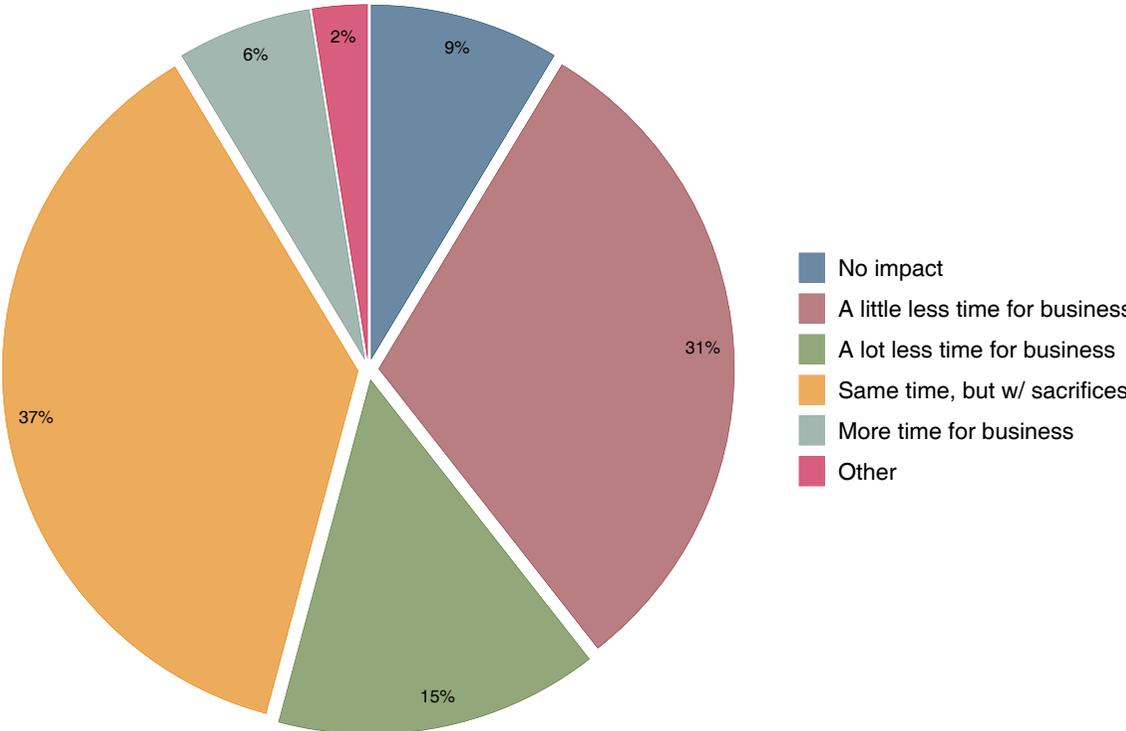
IMPACTS OF COVID-19: HOME RESPONSIBILITIES VIS-À-VIS BUSINESS



Changes in household responsibilities (n=327)



Impacts of changes in household responsibilities (n=211)



About **two-thirds of respondents reported experiencing changes in household responsibilities** (e.g., caring for children or relatives) due to the pandemic, primarily spending more time on child care. Of those who had experienced such changes, **most felt that it had impacted their business**, generally by reducing the time they had available to devote to their business. In general, and perhaps surprisingly, reporting such disruptions was not significantly more likely for female-owned firms' representatives than for male-owned or co-owned firms' representatives.



IMPACTS OF COVID-19: GENDER DIFFERENCES



Women owned firms were equally likely to report being impacted by the pandemic and generally were impacted in the same ways as men-owned firms, with the same severity and changes over time. However, they were **less likely to report difficulty accessing financing or limited financial reserves as impacts**. There were no differences in production or sales price changes.

Women-owned firms were slightly less likely to anticipate future disruptions to their supply chains, though the majority (68%) still expected such disruptions. There were no differences in the types of disruptions expected.

Women-owned firms were **less likely to be interested in exploring new business areas as a result of the pandemic** (38% versus 53%).

ADDITIONAL DETAILS ON IMPACT

Some respondents elaborated on the impacts of the pandemic on their business and the adaptations they had made in response. Representative quotes include:

'[We are] Looking to reconstruct our processing unit in [new region]. Because [old region] was highly affected by the pandemic, hence there are a lot of curfews affecting production, people are not willing to get out of their homes due to the severeness of the pandemic in the region.'

– an organic farmer of fruits, vegetables, and other products in Tanzania

'Taking care of children and relatives is costly while the business makes little income'

– a farmer and processor of roots/tubers and vegetables in Rwanda

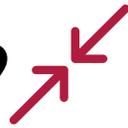
'Farmers in our network are 50 in number on each hectare; when they are reporting for production, in order to reduce the risk of infections, we have reduced them to 10 in number reporting everyday.'

– a farmer, retailer, and distributor of fruit and vegetables in Nigeria

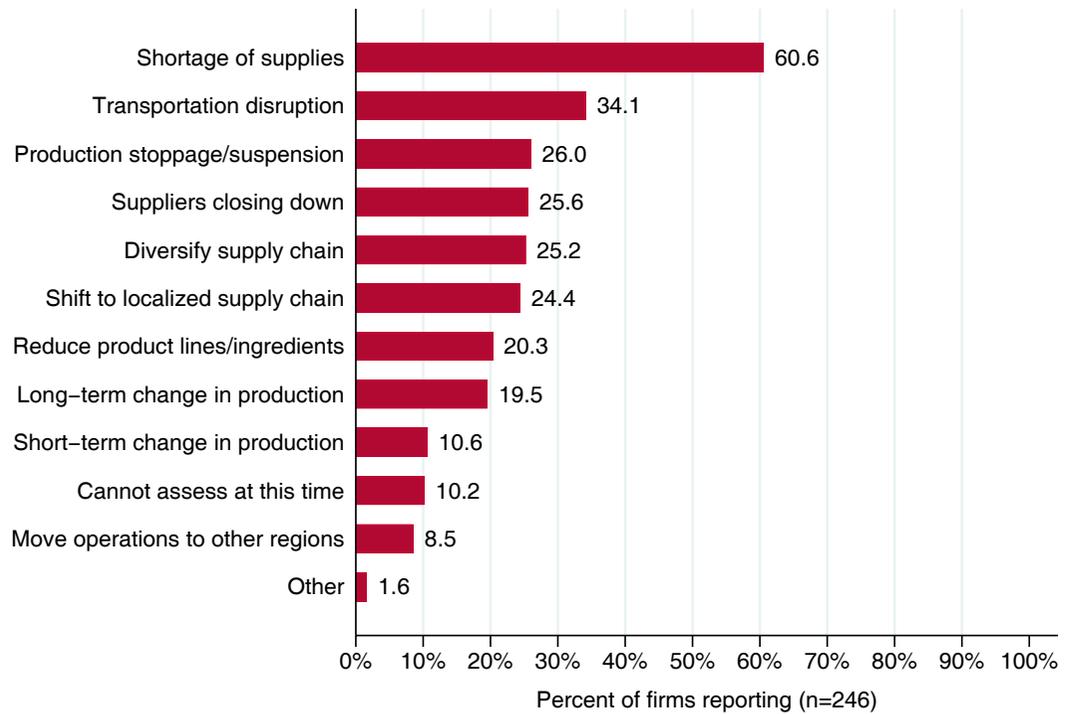




ANTICIPATED FUTURE IMPACTS OF COVID-19



Anticipated future impacts on supply chains

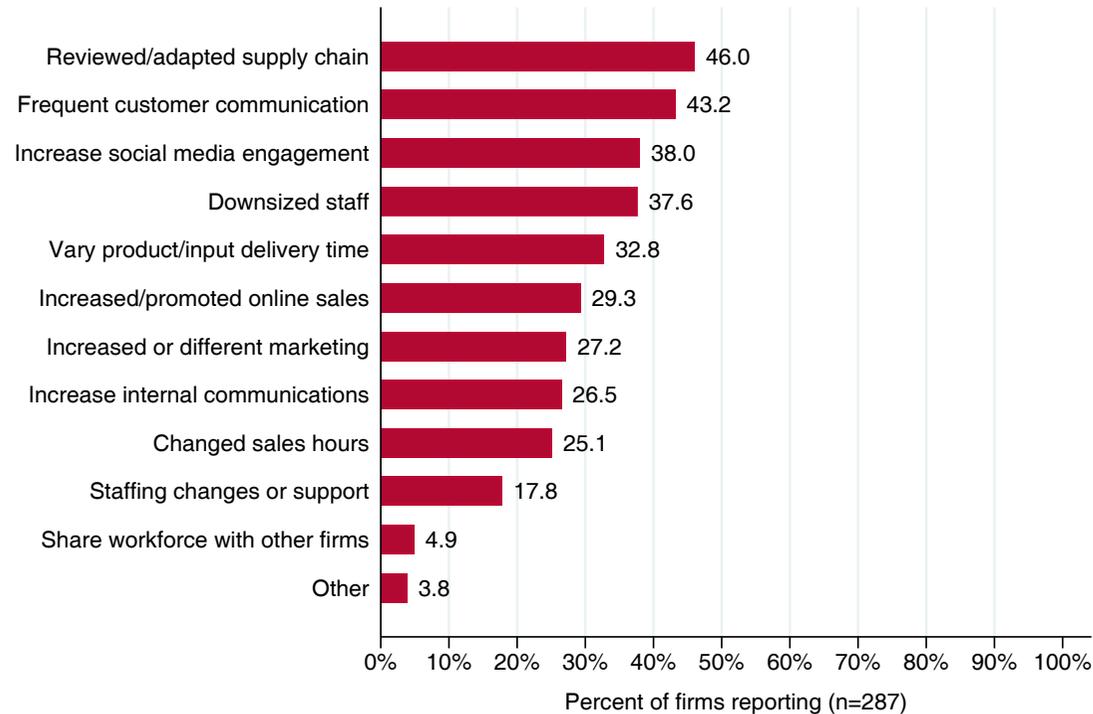


Looking to the next 6 months, **75% of firms expected impacts of the pandemic on their supply chains**. The main anticipated impacts cited were shortages of supplies (61%) and transportation and distribution disruptions (34%); about 25% each expected suppliers to close down, to diversify supply chains, or to localise their supply chains. About 30% anticipated a short or long-term change of their production focus.

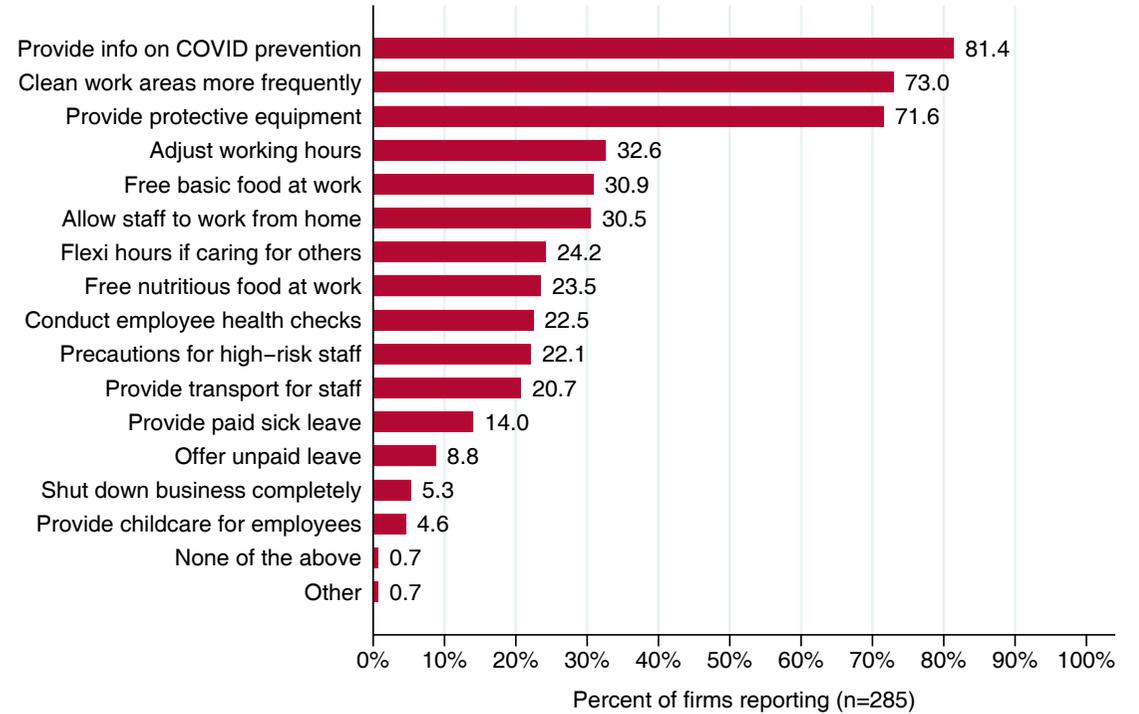
FIRM ACTIONS TO MITIGATE COVID-19 IMPACTS



Business impact mitigation actions taken



Employee safety and support actions taken



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 (43%), via social media (38%), and internally (27%). **About 38% of respondents reported downsizing their workforce**. Considering employee support, main actions included providing information on prevention of COVID-19 transmission (81%), cleaning work areas more frequently (73%), and providing personal protective equipment (72%).

FIRM ACTIONS: GENDER DIFFERENCES



Female-owned firms were also **equally likely to report taking action to preserve their business and to support staff**, with similar actions reported aside from being less likely to report increasing internal communications with staff.

Women-owned firms offered similar reports to men-owned/co-owned firms on actions taken by government and on which actions they found most helpful. They were also similar in that they overwhelmingly **felt additional support was needed**, and generally agreed on the types needed—aside from being less likely to suggest workforce continuity measures and keeping borders open.

There were **no gender differences in the share of firms reporting receiving support to date**.



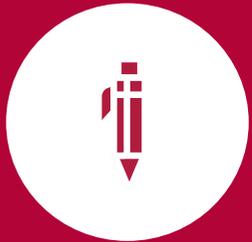
OPPORTUNITIES



'[We want to] continue trainings and sustainability workshops for our suppliers in order to create a real opportunity for them to produce based on the required quality, volume and sustainability standard. That will help to achieve sustainability, create employment, and increase income of smallholder suppliers.'

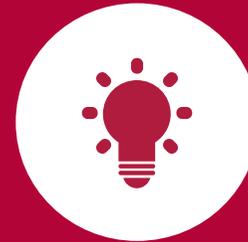
– a honey processor/producer in Ethiopia

Indeed, some respondents saw the pandemic creating opportunities to shift their business onto a stronger long-term trajectory. About 49% of respondents noted wanting to explore new business areas as a result of the pandemic. Those commonly named included:



NEW BUSINESS STRATEGIES

Firms are looking to optimise their supply chain by exploring upstream, midstream and downstream investments. Many respondents wanted to increase processing activities and create shelf-stable products (e.g., via fermenting or UHT processing).



NEW PRODUCT RANGE

Firms are actively considering how to expand their product portfolios such as producing healthy, safe, or 'immunity-boosting' foods/supplements and diversifying into the production of medical supplies, or protective equipment.



DIGITISING OPERATIONS

Explore the introduction of online sales, marketing and home delivery services.



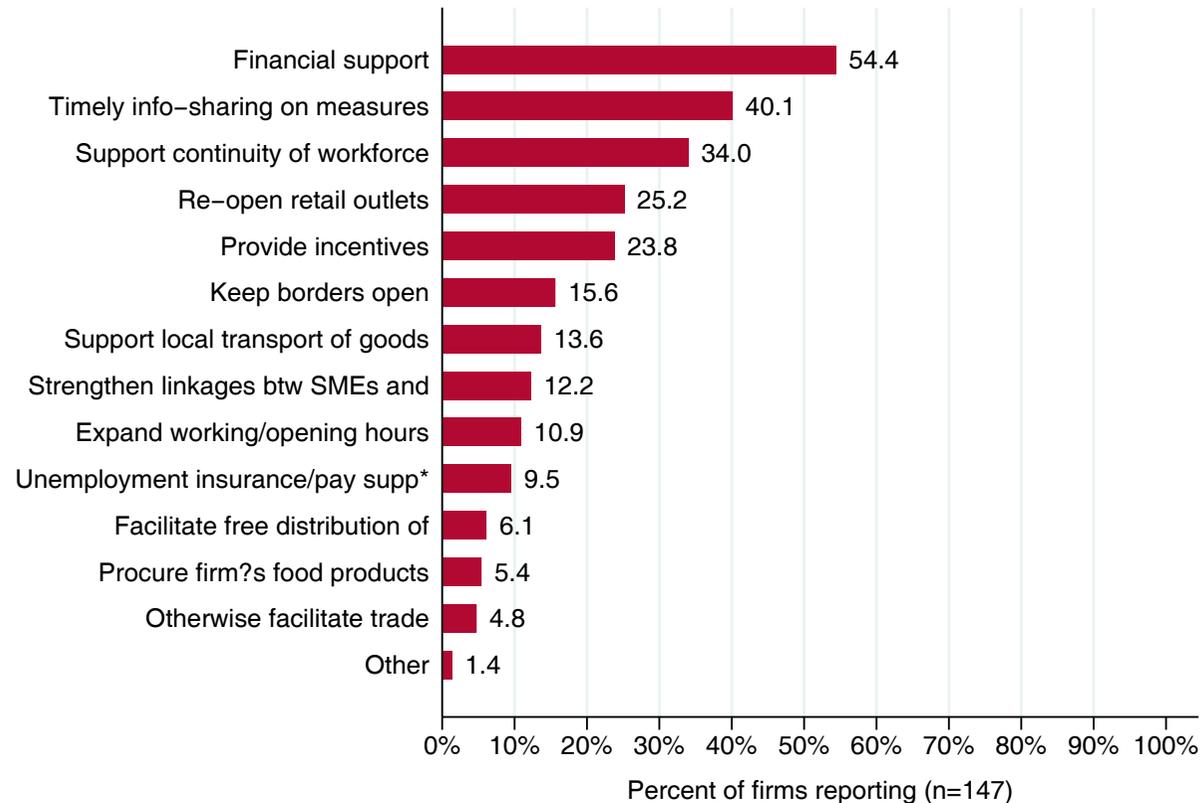
DIVERSIFYING INTO NEW MARKETS

Some respondents expressed interest in expanding exports.

GOVERNMENT SUPPORT IN PLACE



Government actions enacted



45% of respondents reported that the government had taken actions to support businesses. The main actions cited were financial support, information sharing, supporting workforce continuity, re-opening retail outlets, and providing incentives.

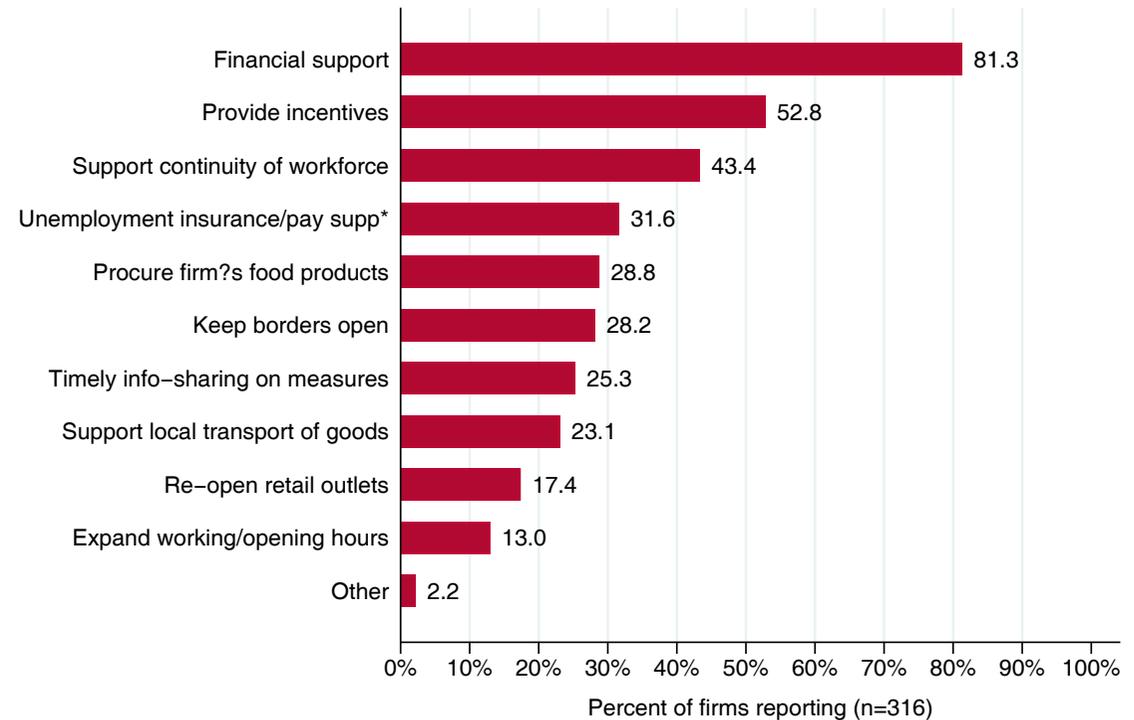
Of these, the **most helpful was thought to be financial support (47% of respondents naming), followed by support for workforce continuity (33%),** re-opening retail outlets (26%) and timely sharing of information on control measures that were to be taken (26%), providing incentives (20%), and strengthening linkages between SMEs and national multi-stakeholder platforms on decisions affecting business operations (18%).



GOVERNMENT SUPPORT REQUESTED



Government actions recommended

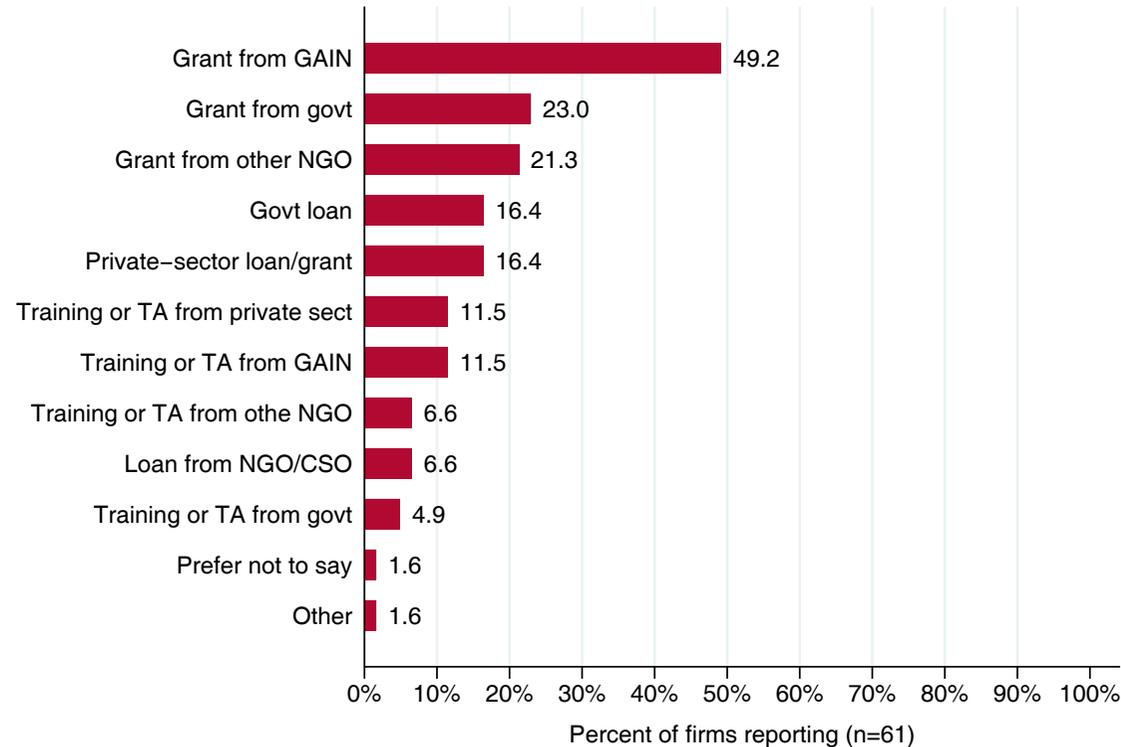


About 96% of respondents felt that government actions were needed to help firms weather the effects of the pandemic. Main recommended actions included financial support (81%), providing incentives (53%), and support to ensure workforce continuity (e.g., permitting travel, keeping public transport open) (43%). Relatively few respondents, however, requested expanding working hours (13%) or re-opening retail outlets (17%).

SUPPORT RECEIVED



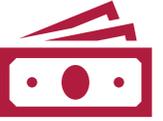
Support received



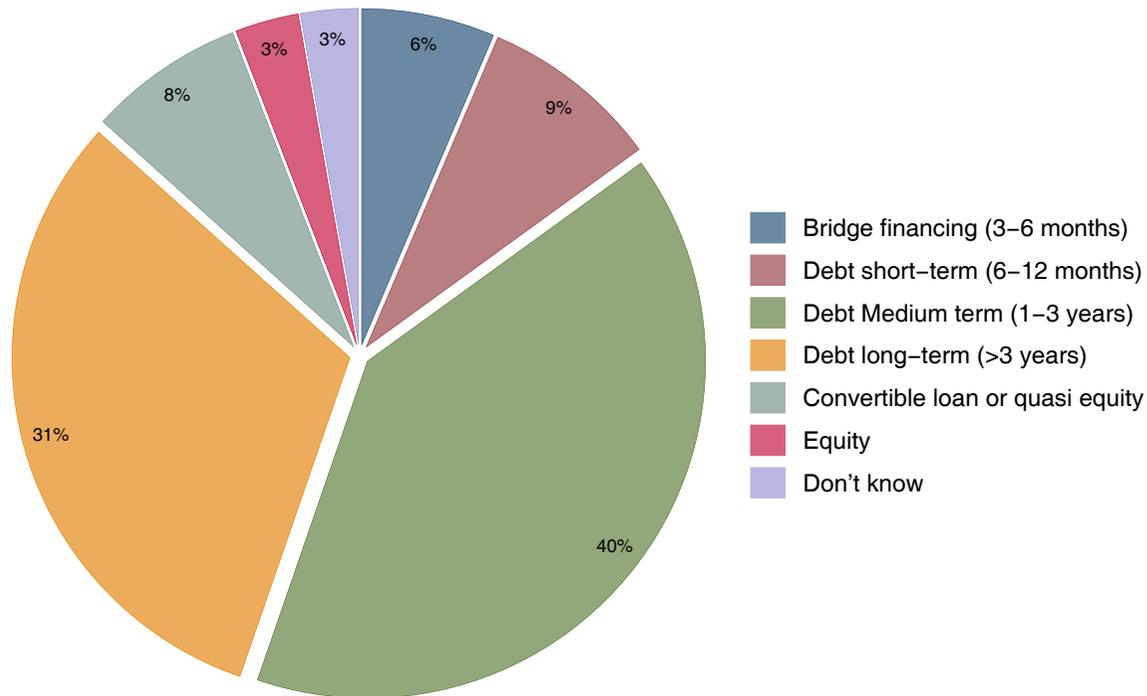
Only about 19% of respondents reported having received some type of support (government, private-sector, or NGO-provided) to cope with the pandemic's effects. The main types of support cited were grants from GAIN (49%; likely high due to the sample being drawn from GAIN networks), grants from government (23%), grants from other NGOs (21%), and government or private-sector loans/grants (16% each).



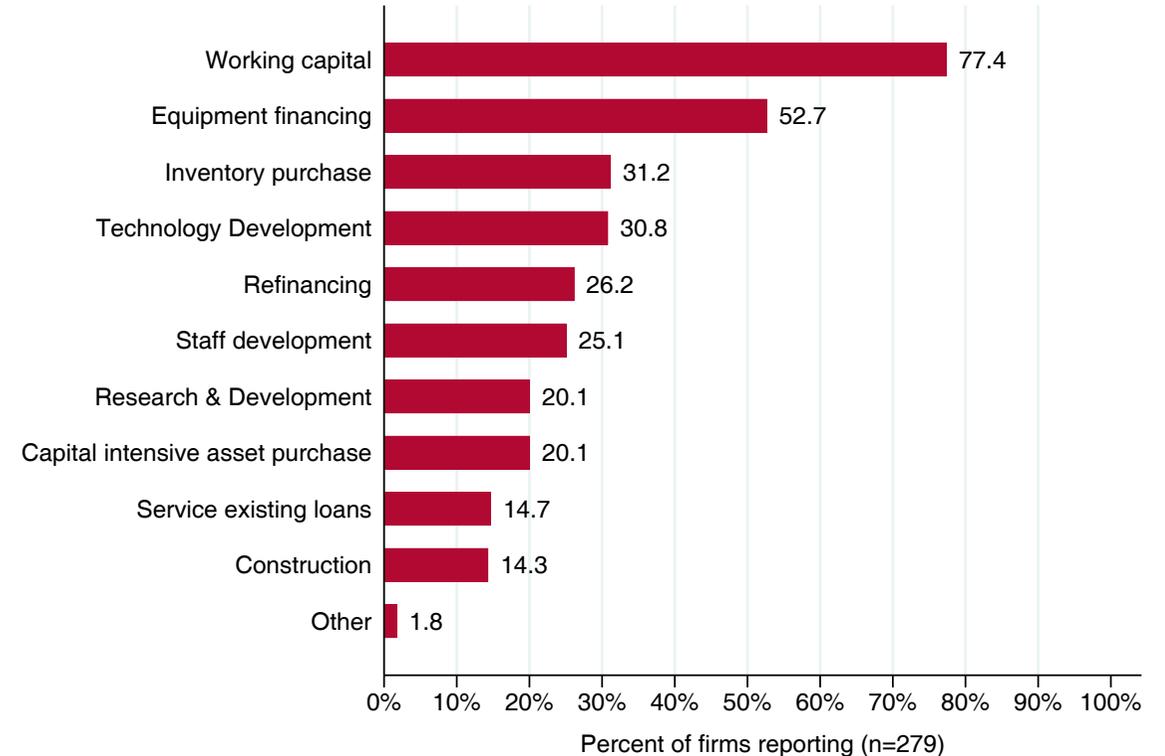
FINANCIAL SUPPORT REQUESTED



Type of financing preferred (n=186)



Uses of financing

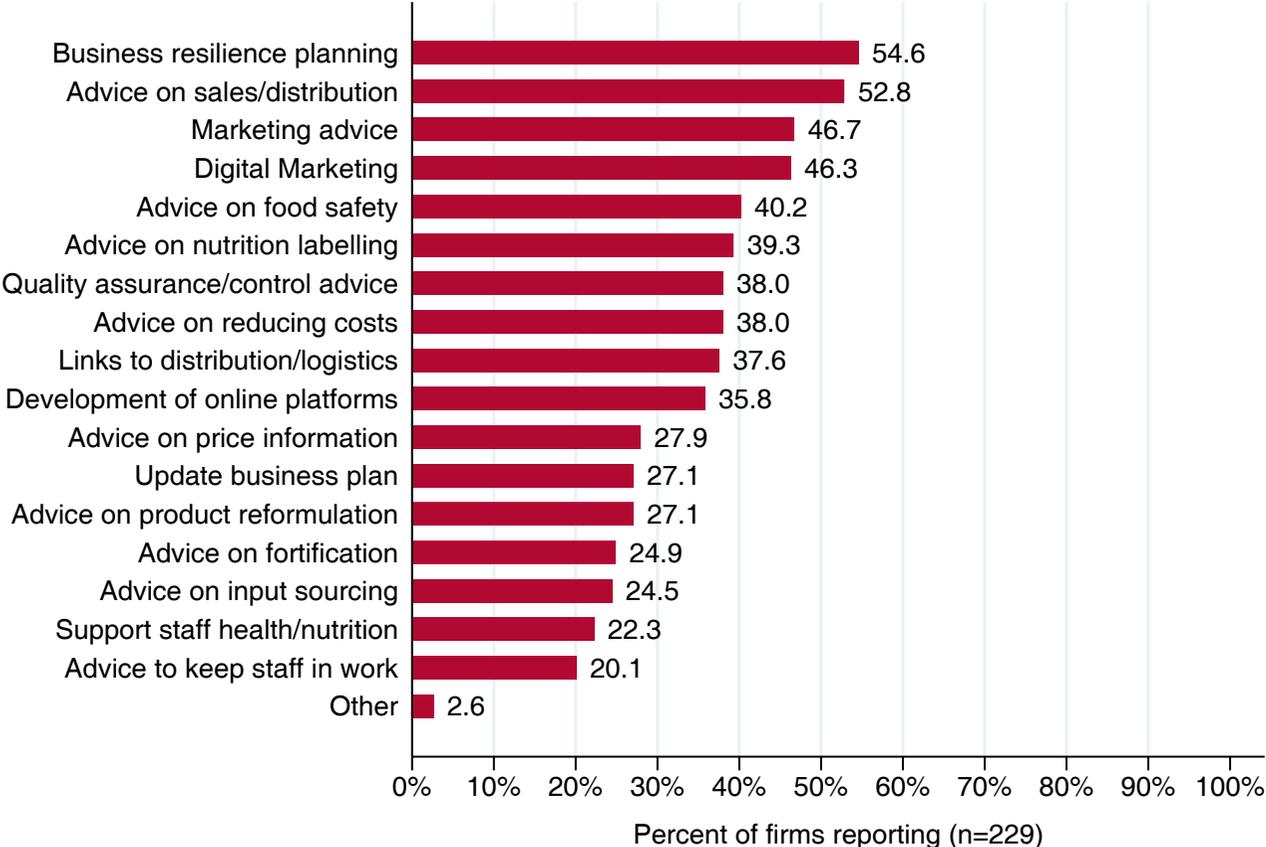


About 85% of respondents reported urgently needing financial assistance to cope with the effects of the pandemic on their business; most required less than 50,000 USD (31%) or 50,000-100,000 USD (32%). Main uses of such financing included working capital (77%), equipment (53%), inventory purchase (31%), and technology development (31%). Preferred financing types were medium- and long-term debt.

TECHNICAL SUPPORT REQUESTED



Technical assistance needs



70% of respondents reported urgently needing technical assistance (TA) to cope with the effects of the pandemic on their business. Main types of technical assistance sought were business resilience planning (55%), advice on sales or distribution (53%), marketing (47%), digital marketing specifically (46%), advice on food safety (40%) or nutrition labelling (39%), quality assurance and/or quality control (38%), advice on reducing costs (38%), links to distribution/logistics (38%), and development of online platforms (36%).

In terms of format for TA, the most preferred option (48%) was in person, in a small group; about 37% each preferred in being done one-on-one, virtually via group webinars, and in written documents. Online training and one-on-one video calls were seen as less useful.



SUPPORT: GENDER DIFFERENCES



In terms of future support, women-owned firms were equally likely as men-owned/co-owned firms to report needing financial assistance. They were slightly more likely to report using that financing for working capital and less likely to report using it for refinancing, but otherwise planned uses were the same.

The only difference seen in terms of types of financing was that women-owned firms were **less likely to request loans with longer terms** (>36 mo.).

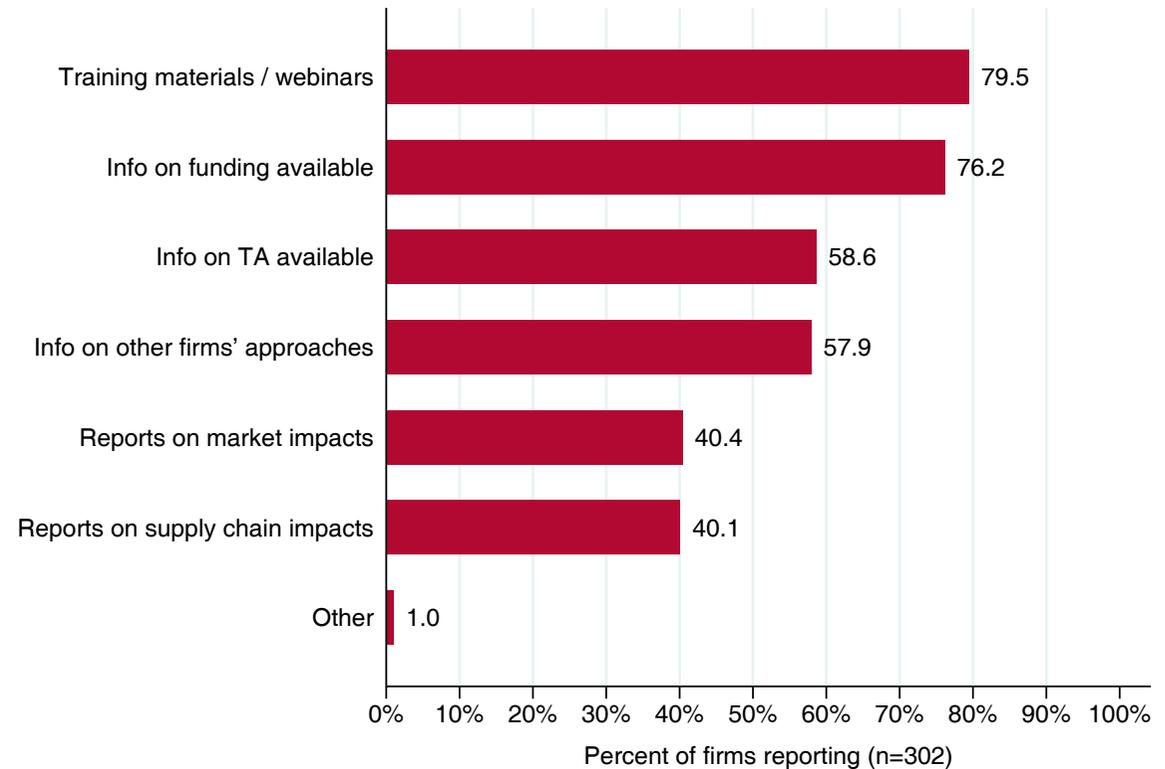
Similarly, women-owned firms were equally likely as men-owned/co-owned firms to report needing technical assistance. While the types of TA requested were largely similar, **women-owned firms were more likely to request advice on fortification, food safety, and nutrition labelling.** In terms of the format for TA, they were slightly **less likely to prefer written guidance.**



RESOURCE CENTRE



Resource centre elements preferred



About 92% of respondents felt that an online resource centre, specifically for food SMEs, would be useful to them. Considering such a resource centre, the most useful resources for it to house would be training materials and webinars (80%), information on available funding (76%), information on TA available (59%), and information on other firms' approaches to adapting to COVID-19 (58%).

CONCLUSIONS



This rapid assessment has shown that:

1

Impacts of the pandemic on firms have generally lessened since May 2020, but many were significantly impacted by the pandemic and related control measures.

2

In many cases, the pandemic resulted in decreased or stopped production, as well as changes to sales prices.

3

Firms also generally anticipated continued disruption to their supply chains going forward, particularly in terms of supply shortages.

4

Many firms do, however, have put in place new approaches and models and see additional opportunities for new business models or products.

5

As the pandemic continues, and eventually looking to its end, it will be important to mitigate these impacts and facilitate these opportunities, in order to support the ongoing supply of safe and nutritious foods for consumers and stronger, more resilient businesses over time.

RECOMMENDATIONS



Based on these conclusions, we make the following recommendations:

1

It is essential for governments and development partners to continue to support and facilitate the business of SMEs to ensure they remain in a position to provide nutritious, safe foods in the future.

2

Particularly important is communicating clearly on any future pandemic mitigation actions to be taken in a timely way, so that firms can be prepared and adapt.

3

It will be important to partner with local financial services providers to ensure that firms can build back better by providing a comprehensive package of financial support for SMEs, including short-term low-interest bridge loans to meet immediate needs and adapt businesses in the long- term.

4

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.

5

While overall impacts and support needs were similar across women-owned and male-owned/co-owned firms, there were some differences in firm characteristics and in specific needs for assistance. These differences should be taken into account when designing future interventions.



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

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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