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

RESULTS OF AN ONLINE SURVEY
MARCH 2021

Scaling Up NUTRITION Business Network
ENGAGE • INSPIRE • INVEST
gain Global Alliance for Improved Nutrition
WFP World Food Programme

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 Nigeria 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. **45 responses** were received, with most being from micro- or small-sized firms; respondents were **primarily processors** and within the **egg value chain**.

3. **All 45 firms reported being impacted** by the pandemic, mainly via decreased sales (58%), difficulty paying staff (47%), difficulty accessing inputs (44%), and less access to equipment/service (42%).

4. **For most firms, impacts had lessened over time**; about 22% of firms reported that their business was essentially 'back to normal.

5. **78% reported changing their production volume** as a result of the pandemic (generally decreasing it), and **60% reported changing their product price** as a result of the pandemic.

EXECUTIVE SUMMARY

6 **37 firms (82%) expected impacts of the pandemic on their supply chains in the next 6 months**. The main anticipated impacts cited were shortages of supplies (38%) and supplier business closures (30%).

7 **96% of firms reported taking actions** to mitigate the impact of the pandemic on their business and to protect their employees, respectively.

8 **Only about 29% of firms had received support, but 93% and 80% 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 Mozambique, 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 two food system networks convened by GAIN, WFP, and partners from 16 October to 9 November 2020. 45 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 descriptive statistics across Mozambique's 45 responding firms; all data are presented in an anonymised form.

RESPONDING FIRM CHARACTERISTICS

45

NUMBER OF FIRMS

45 responses were received from 11 provinces, with the majority coming from Maputo.

43%

SMALL/MICRO SIZED

43% of participating firms were small or micro-sized, with less than USD 100,000 in annual turnover and fewer than 50 staff.

2%

WOMEN OWNED

Of the businesses that were surveyed, 62% were owned by men, 2% owned by women, 27% were co-owned by women and men, and 9% preferred not to disclose the owner's gender.

6yrs

YEARS IN OPERATION

56% of participating firms have been in operation for less than 6 yrs (median: 6 yrs, interquartile range: 3-10, range: 0-55).

44%

PROCESSING

The largest share of firms were involved in processing (44%).

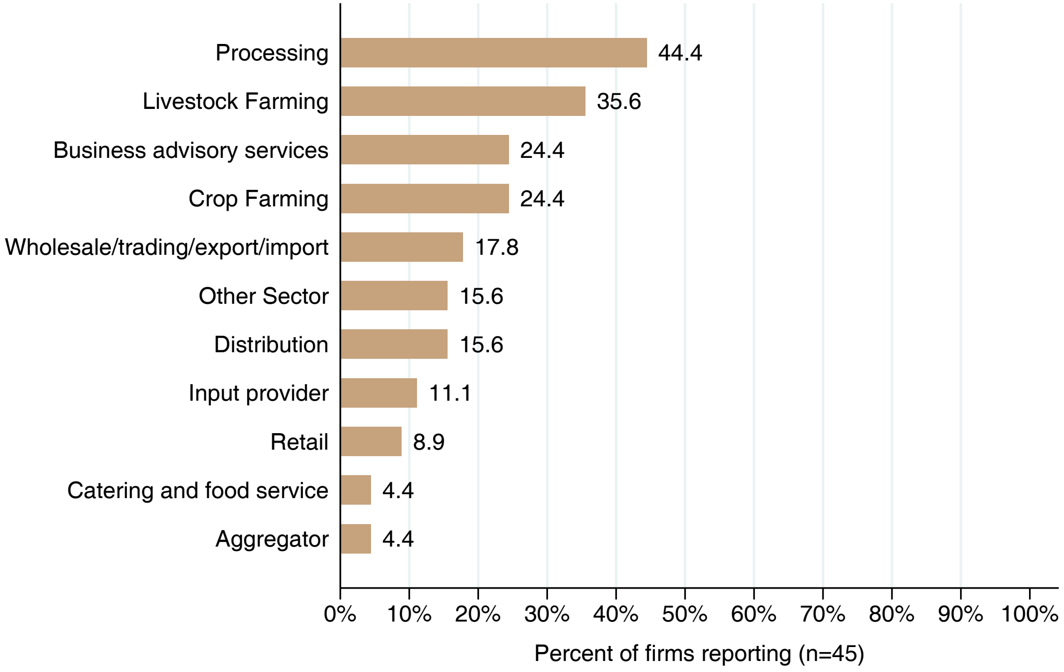
33%

EGGS

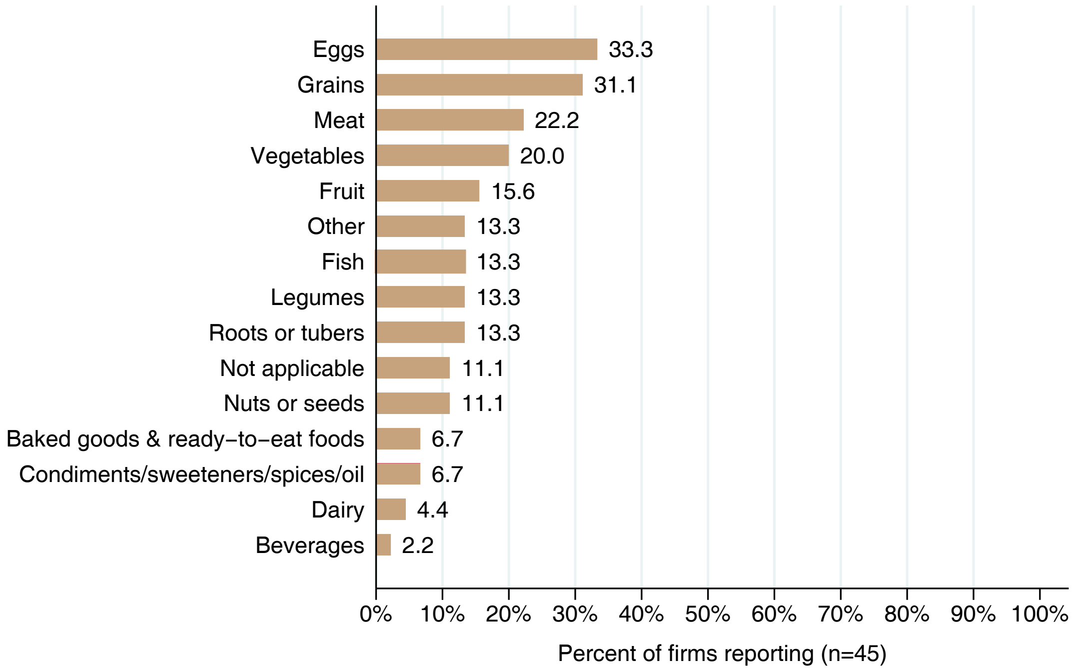
The largest share of firms (33%) surveyed operate in the egg value chain).

RESPONDING FIRM CHARACTERISTICS

Main sectors represented



Main food categories represented



The largest share of firms were in the processing sector (44%), followed by livestock farming (36%), business advisory services (24%), crop farming (24%) and wholesale/trading/export/import (18%). The main food categories represented included eggs (33%), grains (31%), meat (22%), vegetables (20%), and fruit (16%), with the representation of fish, legumes, roots/tubers, nuts/seeds, baked goods/ready-to-eat foods , condiment/sweeteners/spices/oil, dairy and beverages being <15% of firms each.

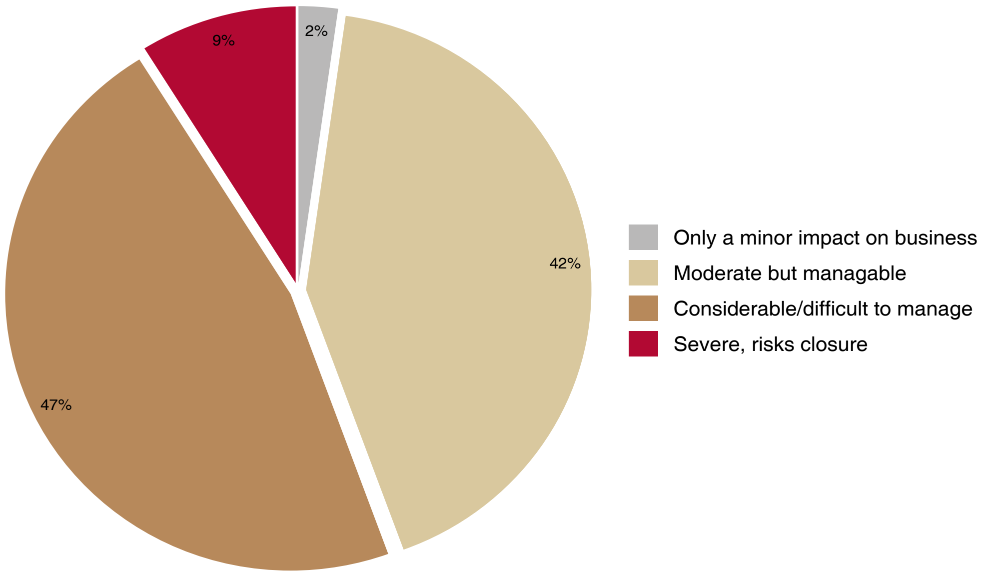
RESPONDING FIRM CHARACTERISTICS: GENDER DIFFERENCES

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-owed firms).

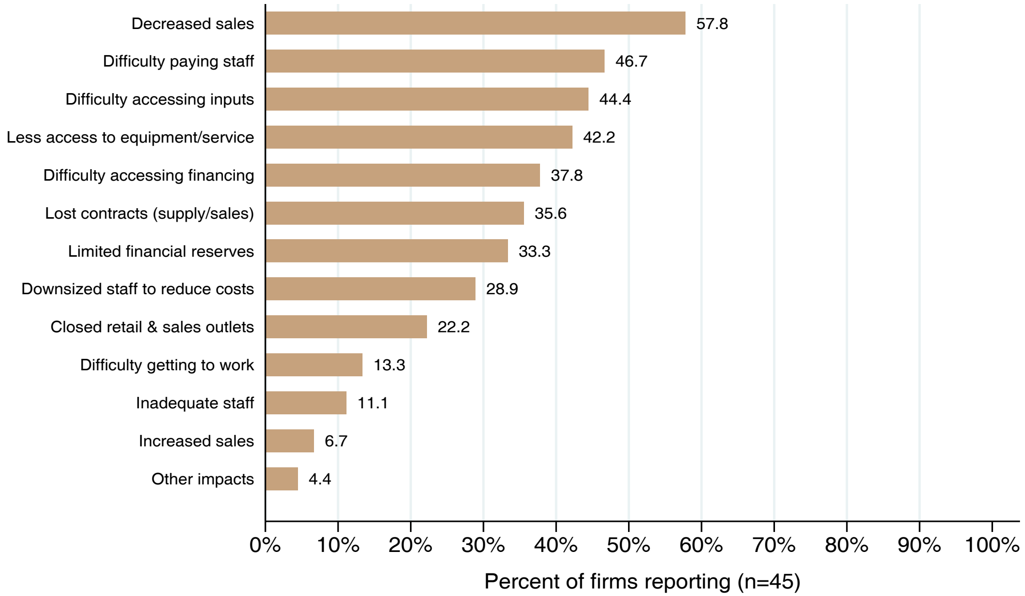
Female-owned firms worked across all food sectors, and there were no significant associations between the gender of the business owner and survey responses on firm size, firm maturity, annual turnover, value chain position, or incorporation status.

IMPACTS OF COVID-19

Severity of COVID-19 impacts (n=70)



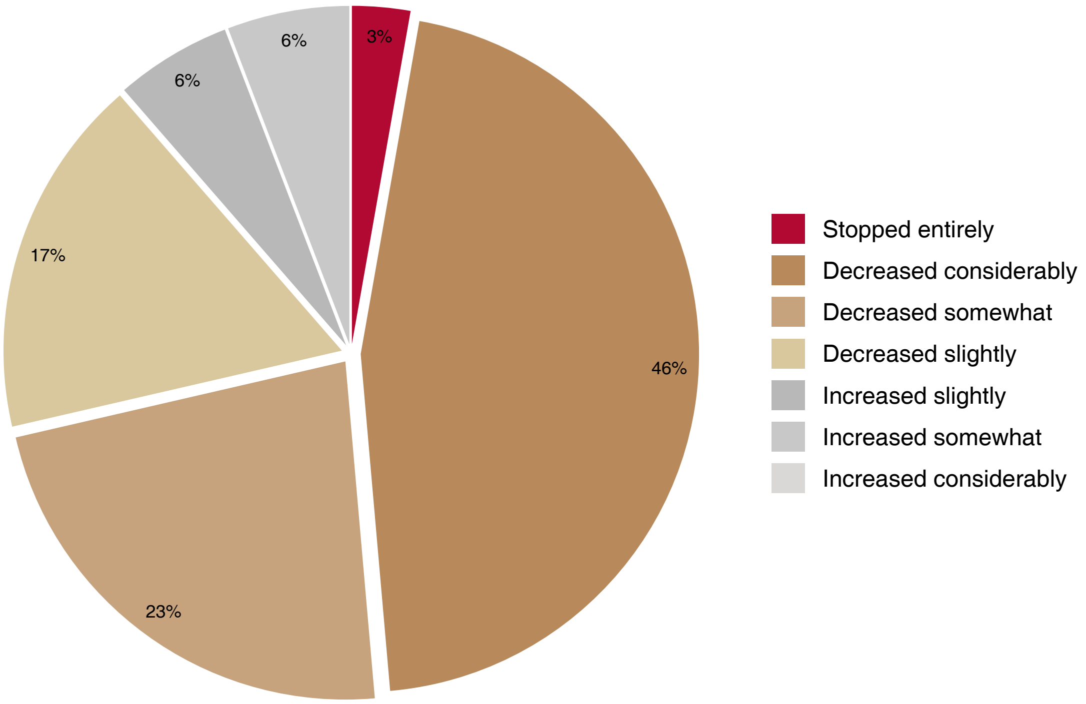
Main impacts reported by businesses



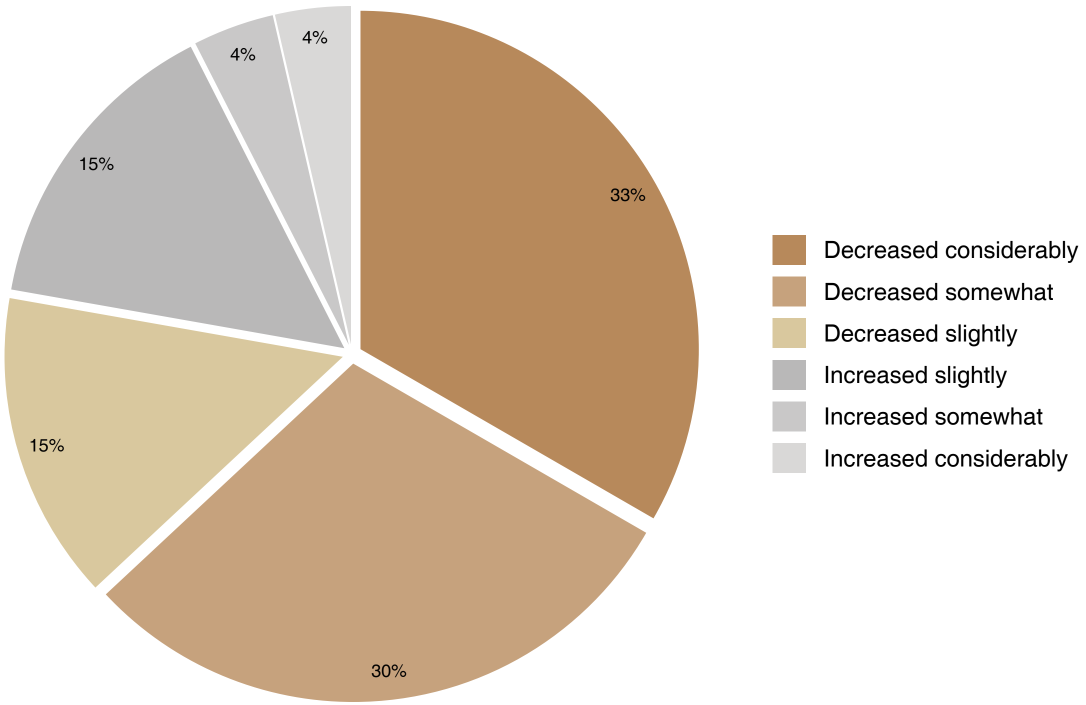
All responding firms reported that the pandemic had an immediate impact on their business. Of the impacted firms, 47% reported the impact as being difficult to manage; 42% reported the impact as moderate but manageable; whilst **9% reported that the impact was severe and likely to cause business closure**. The main impacts cited by firms included decreased sales (58%), difficulty paying staff (47%), difficulty accessing inputs (44%), less access to equipment/services (42%), difficulty accessing financing (38%), lost contracts (36%), limited financial reserves (33%), downsizing staff (29%), and closure of retail and sales outlets (22%). The majority of respondents (58%) reported that initially business impacts were more severely negative and had subsequently improved; however, their businesses were still worse off than before the pandemic. **22% of firms reported that their business was essentially 'back to normal'**.

IMPACTS OF COVID-19: PRICE & PRODUCTION VOLUME

Changes in production volume (n=60)



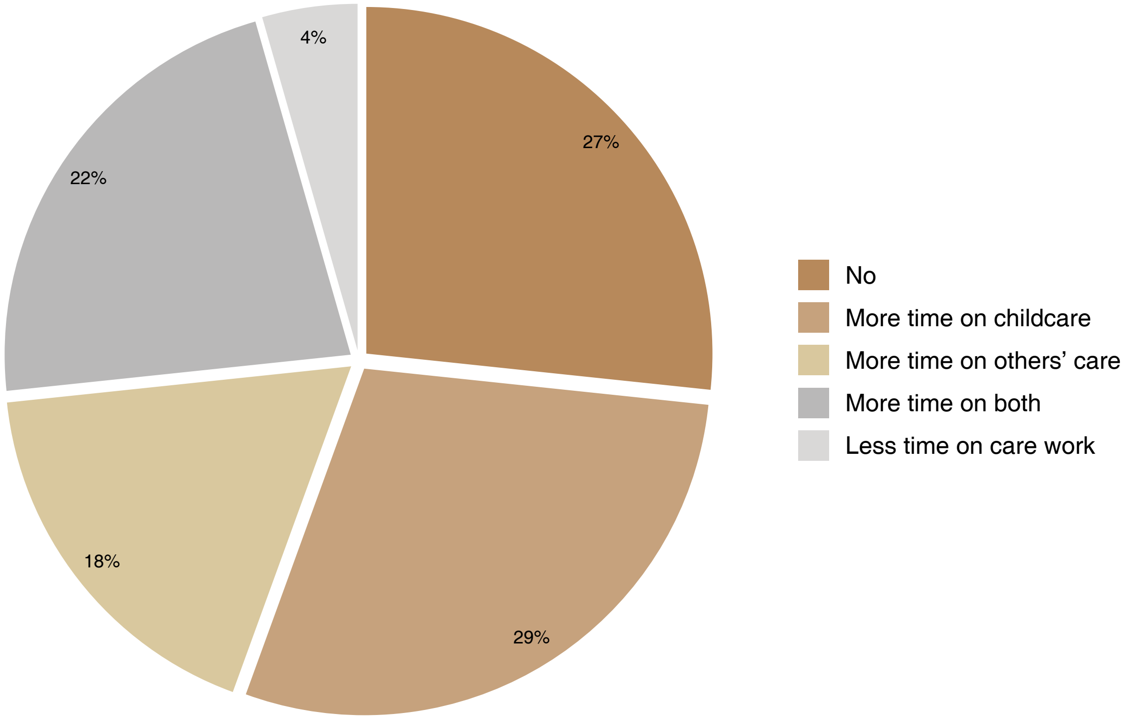
Changes in sales price (n=59)



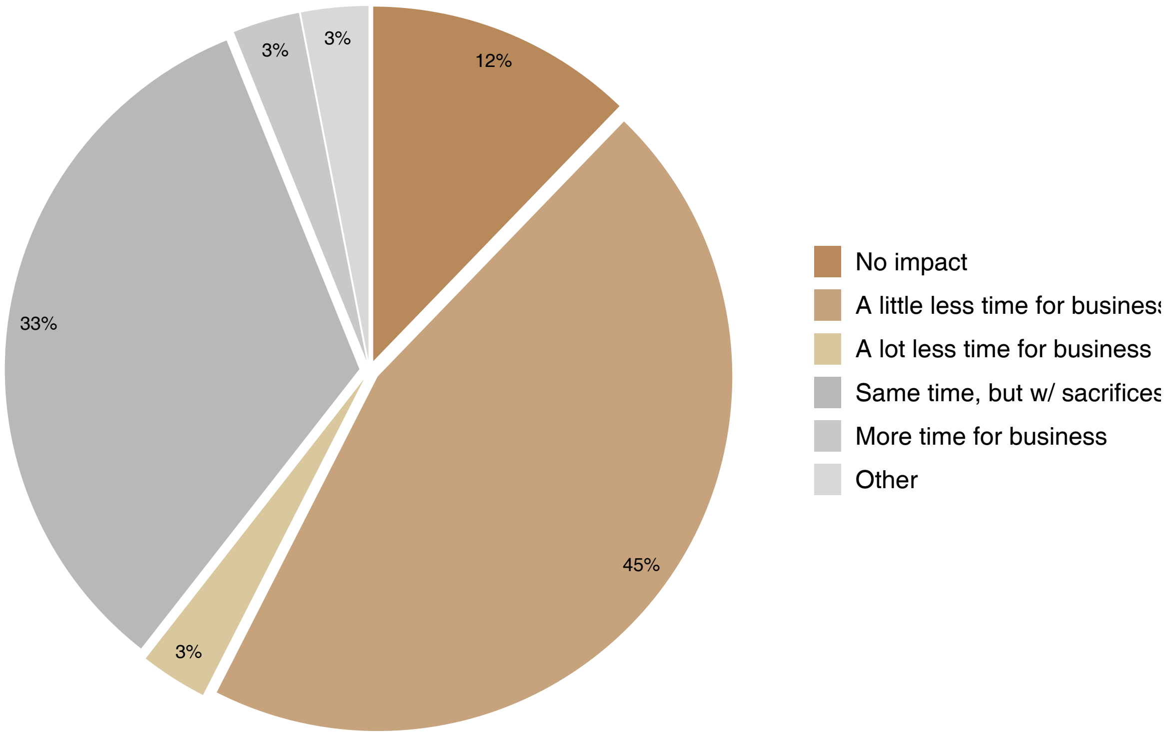
35 firms (78%) reported changing their production volume as a result of the pandemic; of these, 3% reported stopping production, 46% reported a considerable (>30%) decrease, 40% a smaller decrease (0-30%), and 12% an increase. Considering the firm's product sales price, **27 respondents (60%) had reported changing their product price** as a result of the pandemic; of these changes, 33% represented a considerable (>30%) price decrease, 30% a moderate (15-30%) price decrease, 15% a slight (<15%) price decrease, 15% a slight price increase (<15%), 4% a moderate price increase (15-30%), and 4% considerable increase (>30%).

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

Changes in household responsibilities (n=71)



Impact of changes in household responsibilities



33 survey respondents (73%) reported experiencing changes in household responsibilities (e.g., caring for children or relatives) due to the pandemic, primarily spending more time on childcare. Of those who had experienced such changes, most felt that they had less time 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 were generally impacted in the same ways as men-owned firms, with the same severity and changes over time. Looking ahead, women-owned firms were equally likely to expect the pandemic to impact their company's supply chain in the next 6 months.

There were no significant differences in production or sales price changes.

ADDITIONAL DETAILS ON IMPACT

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

‘One of our major income streams is school feeding programs, but since schools closed, we lost about 30% of our income. Additionally, border closures prevented us from getting technical support for our maize mill, which resulted in major delays in our milling activities due to quality issues and ultimately losing 90% of our clients.’

– grain crop farmer and processor in Zambezi Province

‘Delays in acquisition of imported inputs and goods.’

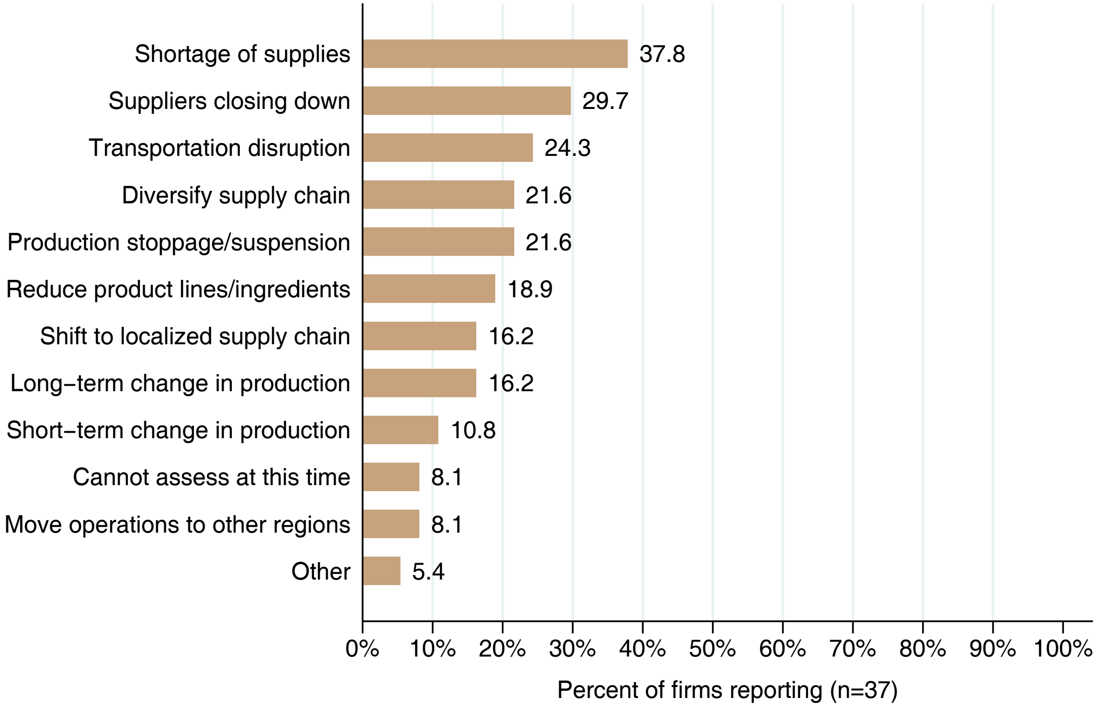
– grain and meat processor in Nampula Province

‘After the declaration of a state of emergency, the company’s operations were affected by the resizing of personnel and decreased production. During the pandemic period, some costs increased, such as those related to energy and new COVID related compliance measures. These set of costs put the company in a difficult position. Another aspect that aggravated the business situation was the retraction of the market due to the weak purchasing power of consumers and a rampant increase in raw material (maize) [prices] that reached 20Mt / Kg in July, suffocating the processing industry...’

– grain processor in Nampula Province

ANTICIPATED FUTURE IMPACTS OF COVID-19

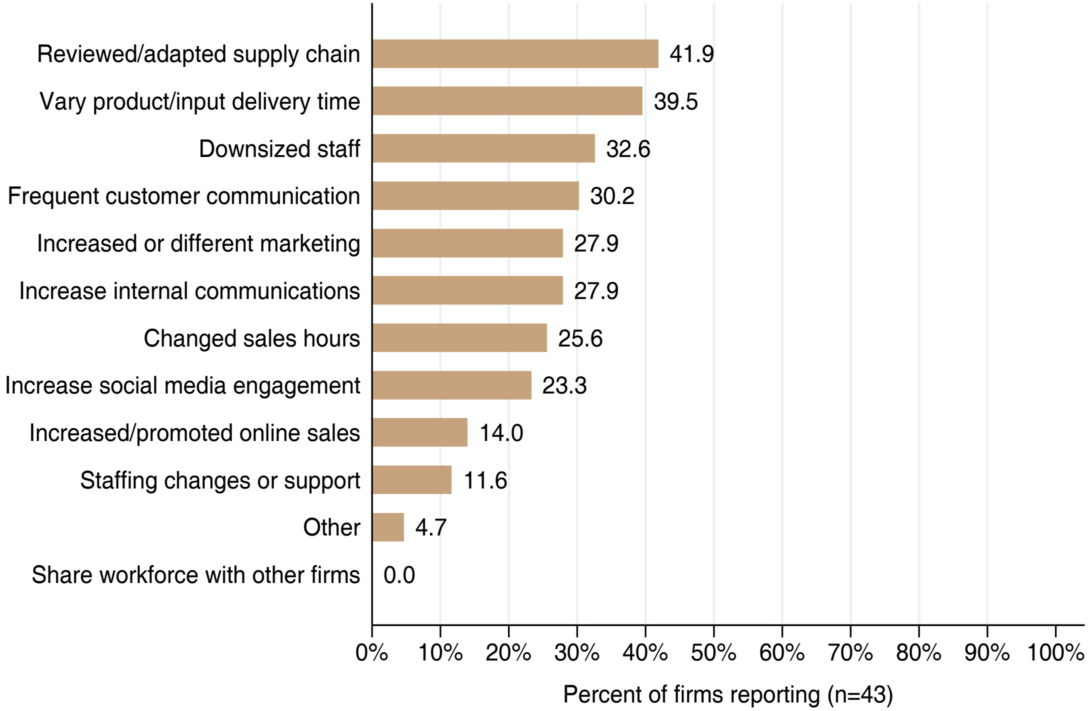
Anticipated future impacts on supply chains



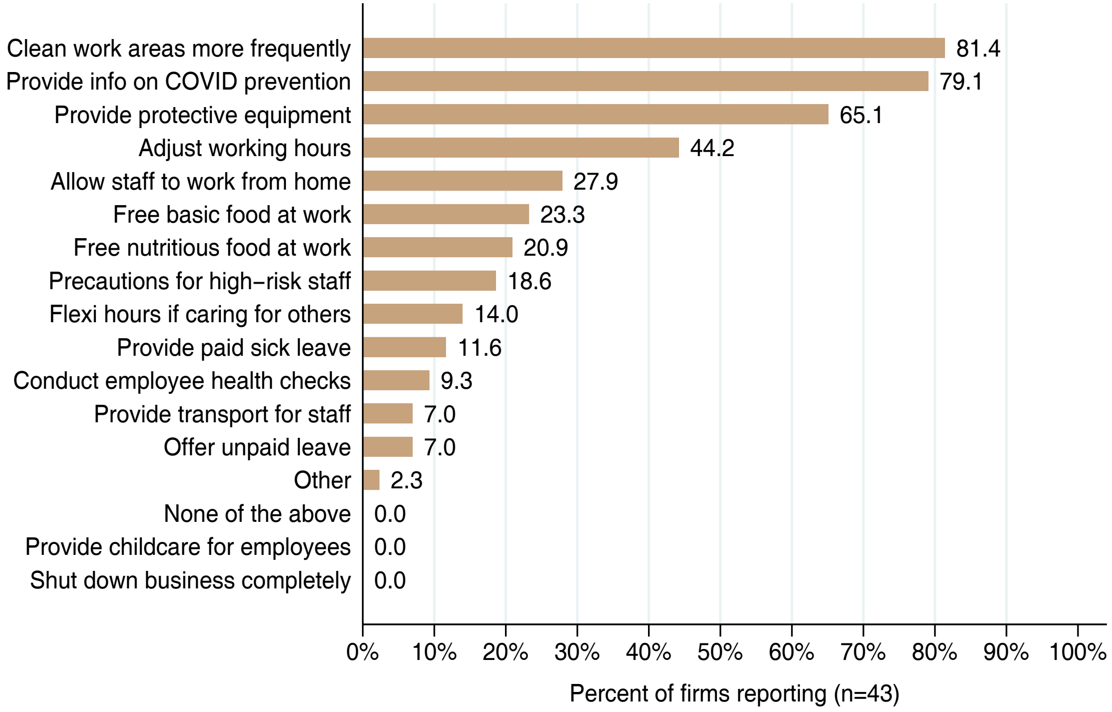
37 firms (82%) expected impacts of the pandemic on their supply chains in the next 6 months. The main anticipated impacts cited were shortages of supplies (38%); supplier business closures (30%); transportation disruptions (24%); diversifying supply chains (22%); production stoppages (22%); and reduction in product lines (19%). About 16% anticipated a long-term change of their production focus, whilst 11% anticipated short-term changes.

FIRM ACTIONS TO MITIGATE COVID-19 IMPACTS

Business impact mitigation actions



Employee safety and support actions taken



43 firms (96%) reported taking actions to mitigate the impact of the pandemic on their business. The majority of responding firms (42%) reported reviewing or adapting their supply chains. Other actions included varying product/input delivery times (40%), downsizing staff (33%), and increasing communication with clients and customers (30%). Considering employee support, **43 firms (96%) reported taking actions to support employee health and safety**. These actions included cleaning work areas more frequently (81%) and providing information on prevention of COVID-19 transmission (79%) and personal protective equipment (65%).

OPPORTUNITIES

About 53% 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. In particular, 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.

FIRM ACTIONS: GENDER DIFFERENCES

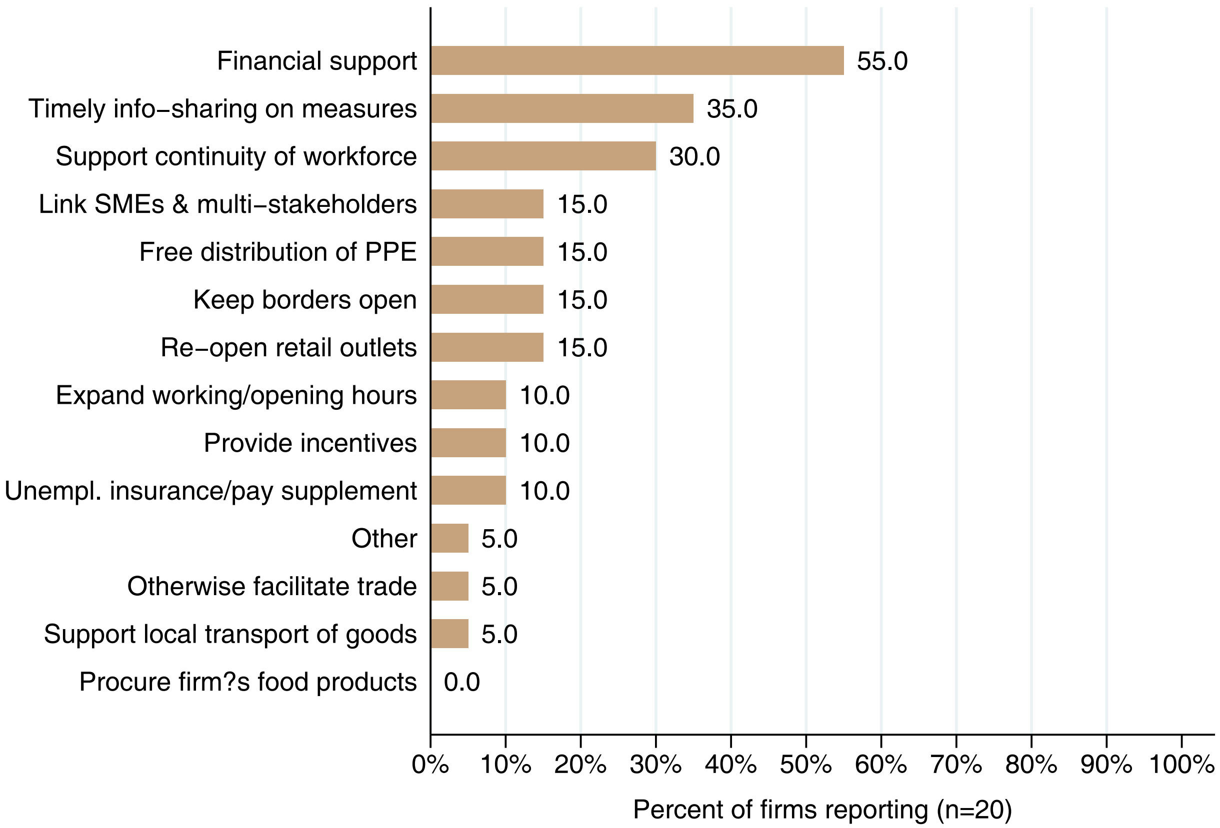
Women-owned firms were **equally likely to take actions to support day-to-day business and operational continuity during the coronavirus pandemic**, with similar actions reported.

In addition, women-owned firms offered similar reports on taking extra precautions to support employee health and safety of staff during the coronavirus pandemic.

Women-owned firms were **equally likely to be interested in exploring new business areas as a result of the pandemic**.

GOVERNMENT SUPPORT ENACTED

Government actions enacted

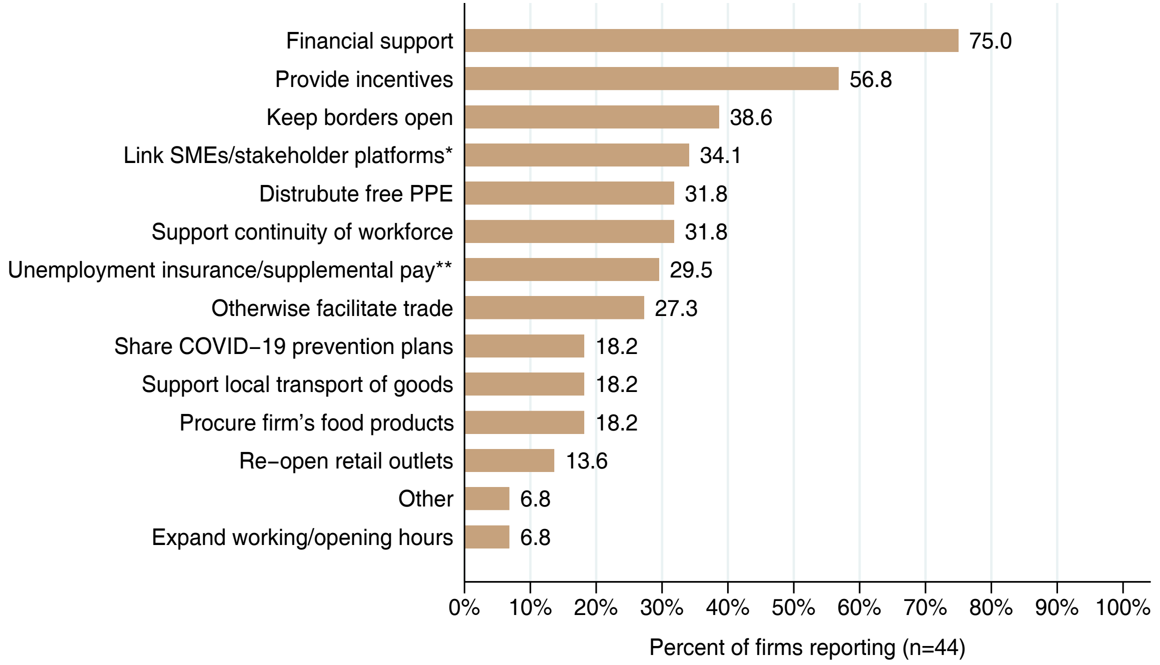


44% of respondents reported that the government had taken actions to support businesses. The main actions cited were providing financial support, timely information-sharing on measures, and supporting workforce continuity.

Of these, the most helpful was thought to be the provision of financial support (55%), timely dissemination of information on COVID-19 prevention measures to be taken (35%), supporting workforce continuity (30%), strengthening linkages between SMEs and multi-stakeholder platforms (15%), facilitating the provision of free Personal Protective Equipment (15%), keeping borders open (15%), and reopening retail outlets (15%).

GOVERNMENT SUPPORT RECOMMENDED

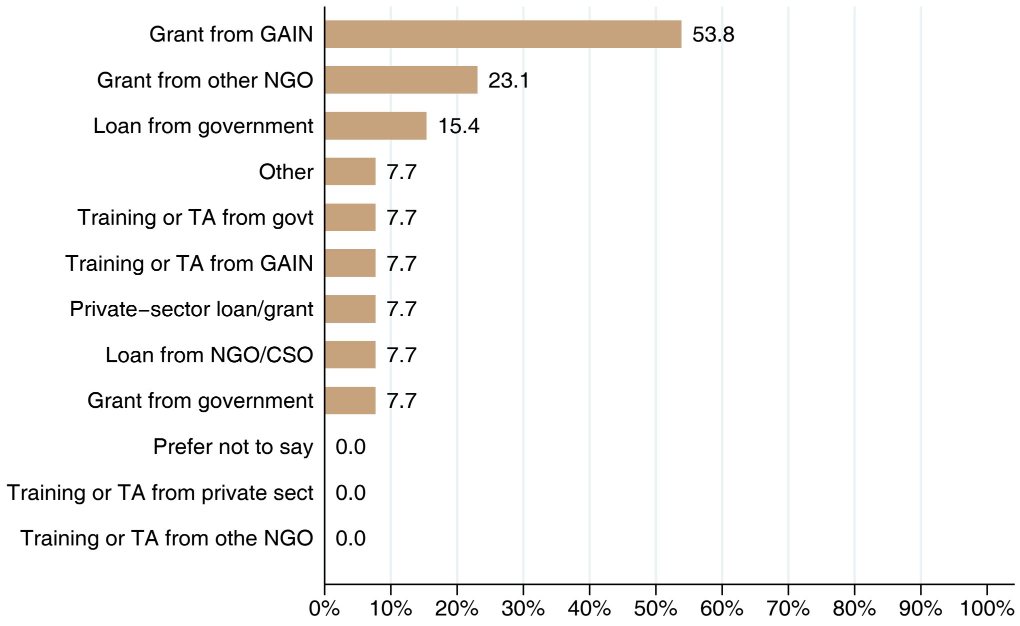
Government actions recommended



About 98% of respondents felt that government actions were needed to help firms weather the effects of the pandemic. Main recommended actions included financial support (75%), providing incentives (57%), keeping borders open (39%), strengthening linkages between SMEs and multi-stakeholder platforms (34%), distributing free PPE (32%), supporting workforce continuity (32%), and unemployment insurance (30%).

SUPPORT RECEIVED

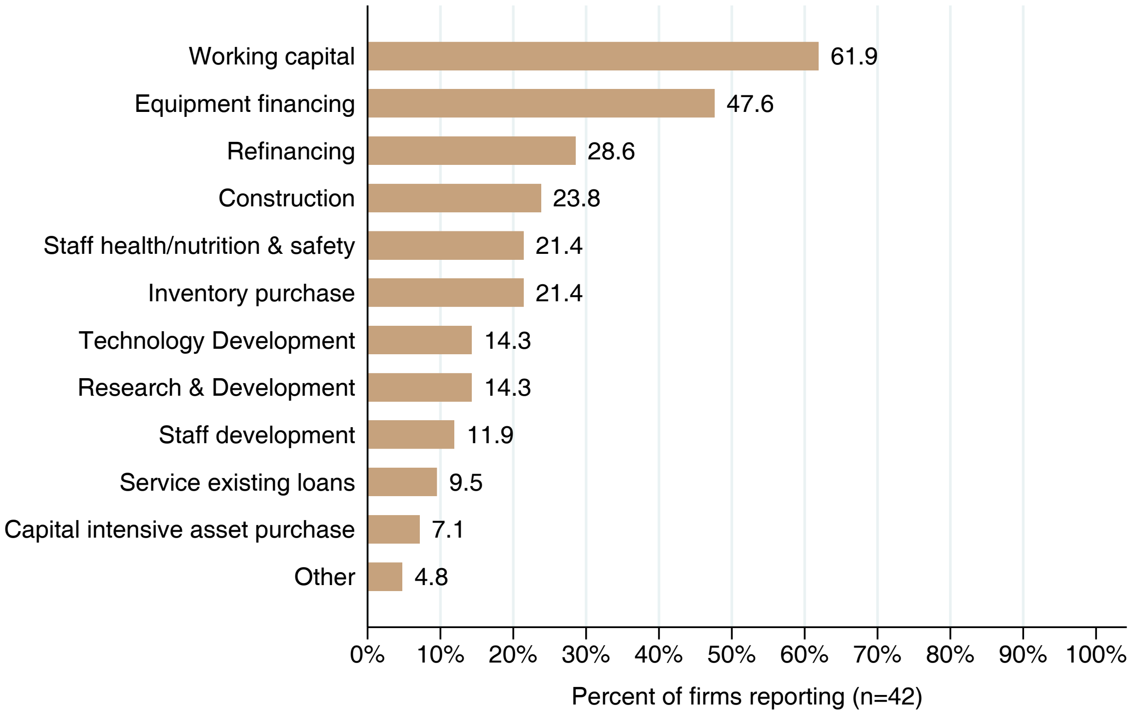
Public/private sector support received



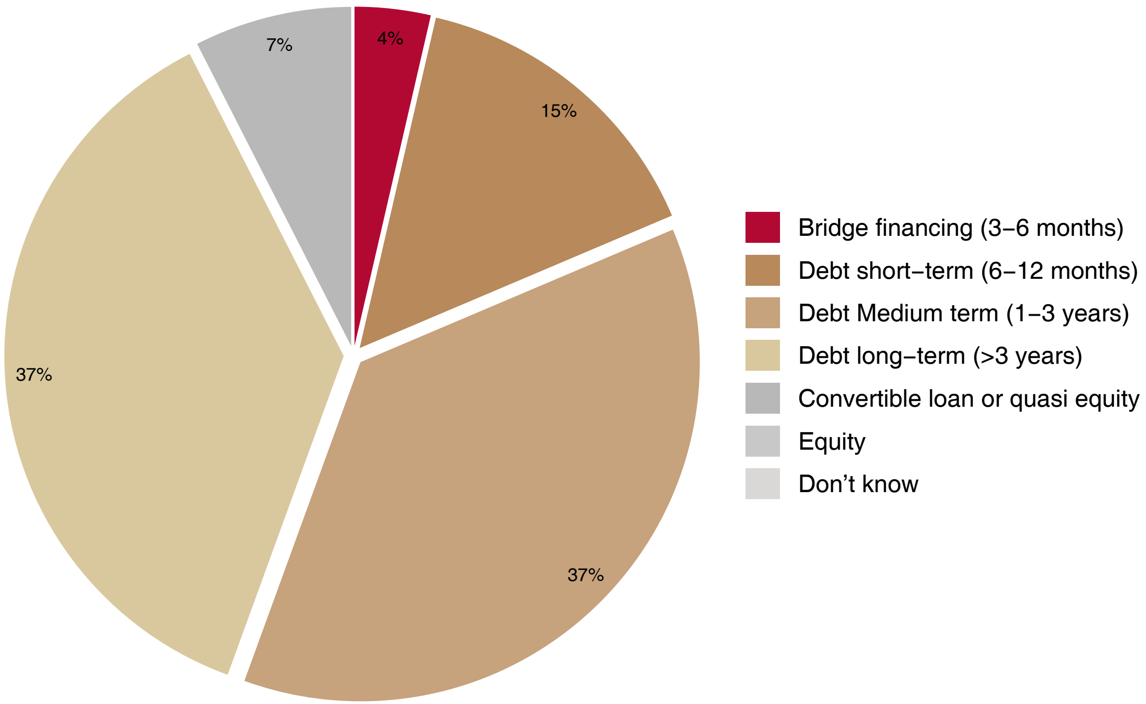
Only 13 respondents (29%) reported having received some type of support (government, private-sector, or NGO-provided) to cope with the pandemic's effects. The main types of support cited were grants from GAIN (54%; likely high due to the sample being drawn from GAIN-related networks), from other NGOs (23%), and from government (8%). Some firms also noted receiving training or technical assistance from the government (8%) and GAIN (8%), in addition to loans from the private sector (8%), NGOs (8%), and government (15%). None of the respondents reported receiving technical support from other NGOs or the private sector.

FINANCIAL SUPPORT REQUESTED

Uses of financing preferred



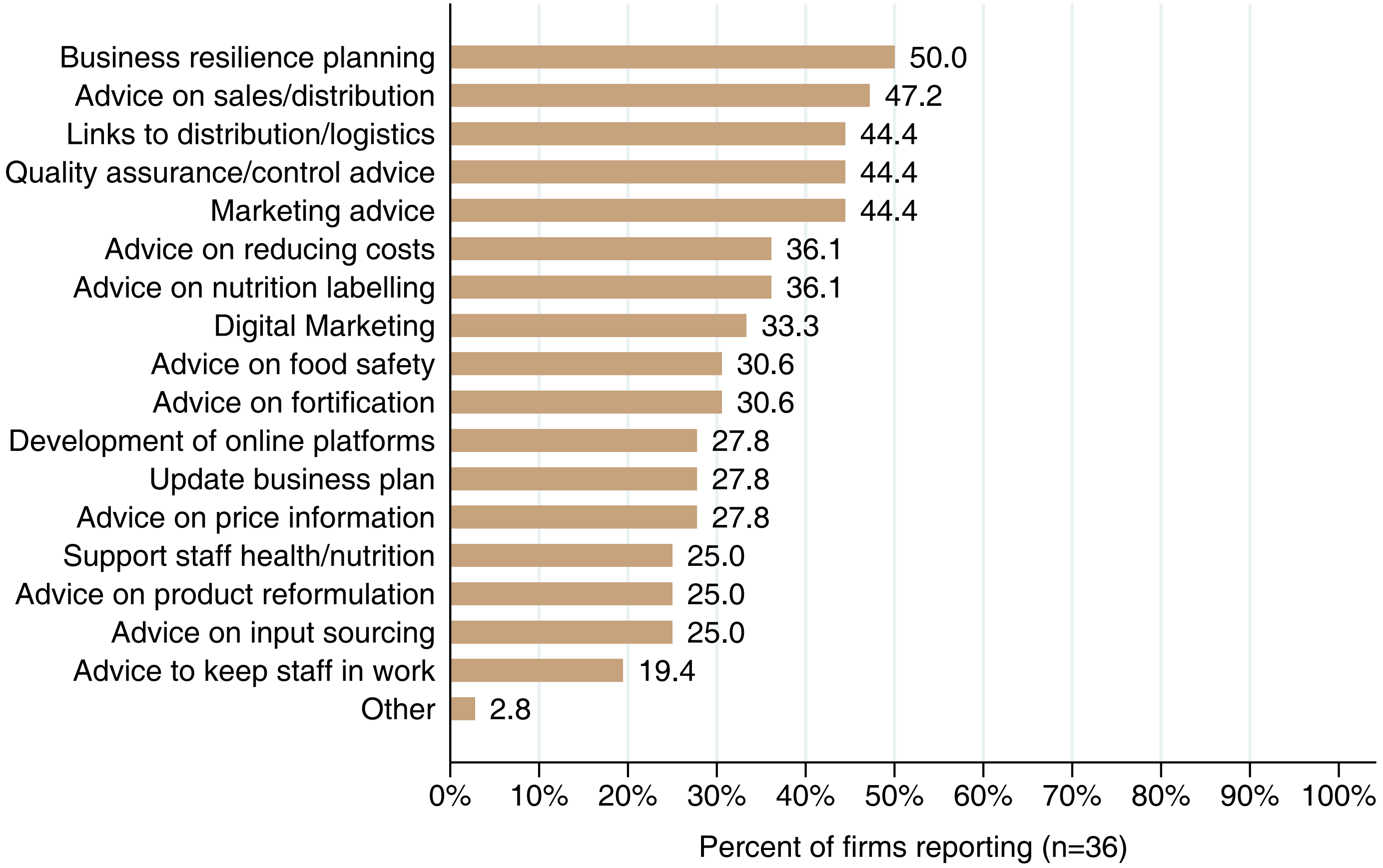
Type of financing preferred (n=33)



42 respondents (93%) reported urgently needing financial assistance to cope with the effects of the pandemic on their business; most required **USD 50,000-100,000 (40%)**. Main uses of such financing included working capital (62%), equipment financing (48%), refinancing (29%), and construction costs (24%). Preferred financing types were medium- and long-term debt.

TECHNICAL SUPPORT REQUESTED

Technical assistance needs



36 respondents (80%) reported urgently needing technical assistance to cope with the effects of the pandemic on their business. Of these businesses, 50% sought advice on business resilience planning, 47% on sales/ distribution, and 44% on links to distribution/ logistics, quality assurance ad marketing advice. On improving the nutritional value of products, 31% of firms needed advice on fortification and 25% on product reformulation.

SUPPORT: GENDER DIFFERENCES

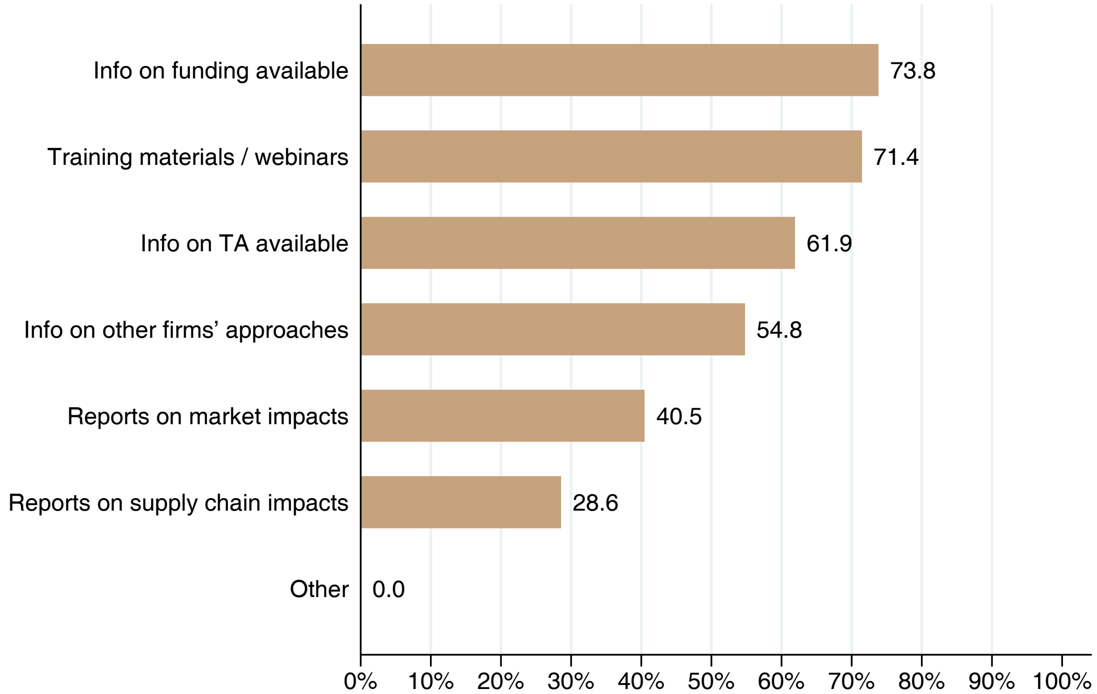
Women-owned firms offered similar reports to men-owned/co-owned firms on actions taken by government, which actions they found to be helpful and additional **support still needed**.

There were **no gender differences in the share of firms reporting receiving government, private-sector, or NGO-provided support to cope with the pandemic**.

In terms of future support, women-owned firms were equally likely as men-owned/co-owned firms to report needing financial and technical assistance including the type and modality of this support.

RESOURCE CENTRE

Resource centre preferences



About 93% of respondents felt that an online resource centre, specifically for food system SMEs, would be useful to them. Considering such a resource centre, the most useful resources named for it to house were information on available funding (74%), training materials and webinars (71%), information on available technical assistance (62%), and information on other firms' approaches to adapting to COVID-19 (55%).

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

3

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

Acknowledgements

We wish to thank:
The members of SBN Mozambique, GAIN Marketplace for Nutritious Foods, Mozambique confederation of Business Association and all other respondents for participating in the survey.

This publication has been produced by the Keeping Food Markets Working (KFMW) programme of the Global Alliance for Improved Nutrition with funding from the Netherlands Ministry of Foreign Affairs, the Department of Foreign Affairs, Trade and Development of Canada, and the Rockefeller Foundation. The views expressed herein are the responsibility of GAIN and do not necessarily reflect the views of the supporting organisations.

Recommended citation

GAIN. 2021. Impacts of COVID-19 on Small- and Medium-Sized Enterprises in the Mozambican Food System: Results of an Online Survey. Geneva: Global Alliance for Improved Nutrition (GAIN).

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