



Survey: COVID-19 Challenges and Responses for African Food Processors, Second Edition

July 20, 2020

Introduction

Africa's food processing sector is vital to food security and rural livelihoods, but the COVID-19 pandemic is testing it in new ways.

As part of TechnoServe's ongoing support to the sector, we conducted a survey in April to see how food processing firms were responding to the outset of the crisis. Three months later, we've carried out this follow-up survey to gauge the resilience of the sector.

The results make clear that this is a difficult moment for the sector, with a clear majority of businesses facing sales declines and disruptions to their supply chains.

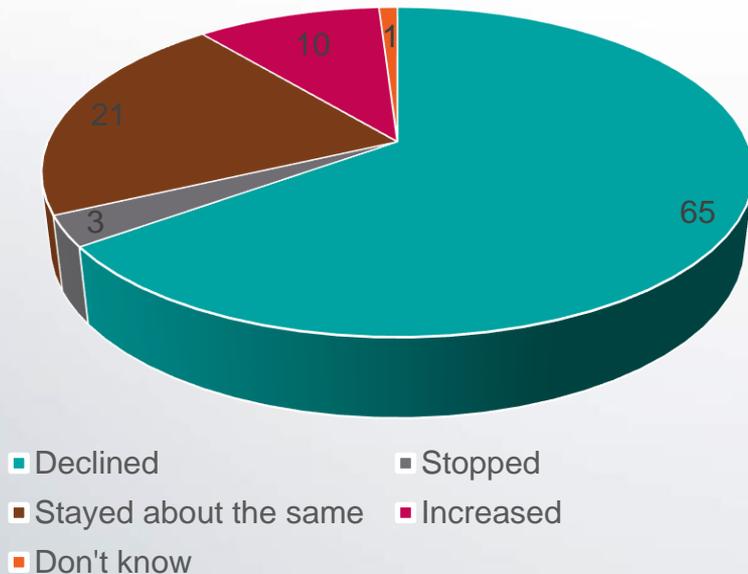
However, comparing the most recent results to April, we also observe something new: optimism.



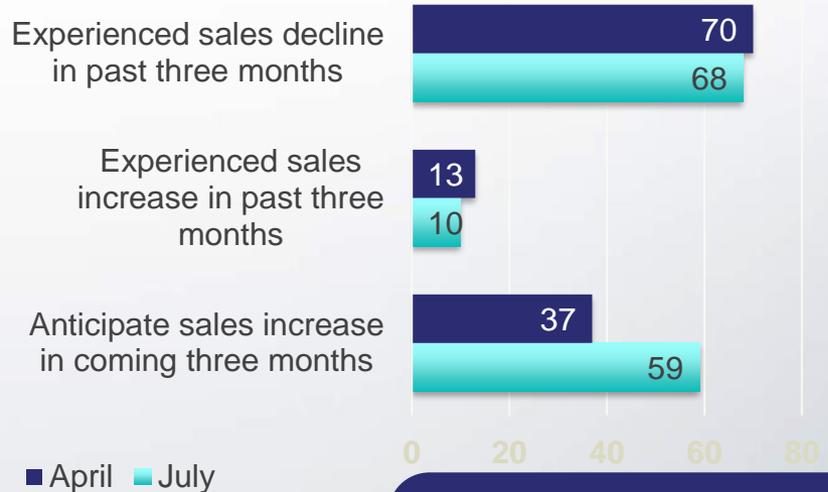
Continued struggles, new optimism

In July, more than two-thirds of firms reported that their sales have declined since the onset of the crisis, with just 10% of firms reporting increases. That is consistent with earlier findings. However, while most firms were pessimistic about the coming months in April, nearly 60% of firms now anticipate a sales increase.

CHANGES IN SALES, MAY-JULY (%)



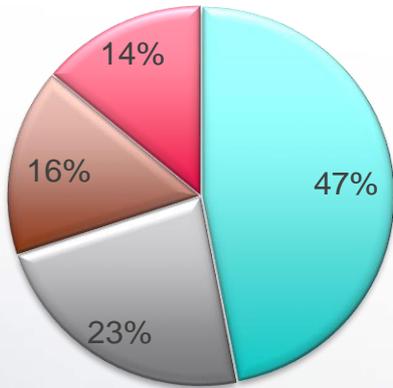
SALES TRENDS & EXPECTATIONS APRIL v JULY SURVEYS (%)



Survey Sample

The survey was conducted from July 7th-14th by interviewing 75 firms participating in TechnoServe programs in Benin, Ethiopia, Kenya, Nigeria, Malawi, Tanzania, and Zambia

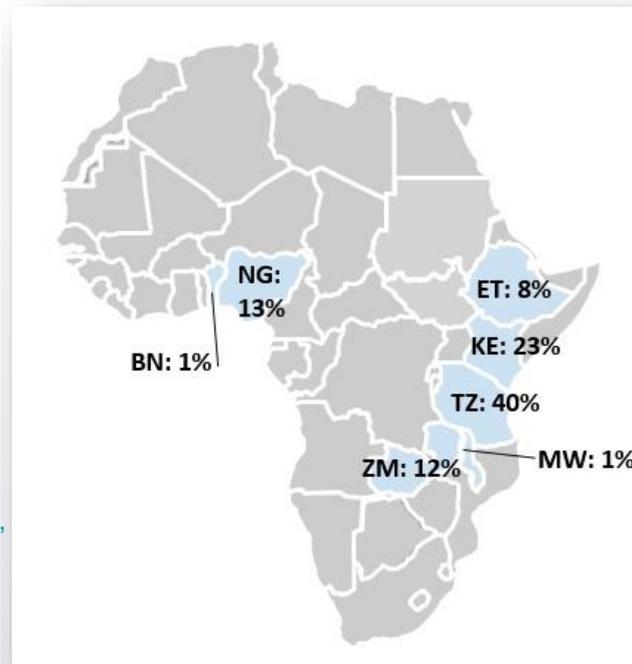
BY PRIMARY PRODUCT



■ Flours ■ Edible oils ■ Dairy ■ Other*

* Other includes therapeutic foods (3%), snacks (3%), spreads (3%), rice/grain (1%), baked foods (1%)

BY COUNTRY



BY BUSINESS PROFILE

<u><\$500K revenue</u>	<u>\$500K-\$2M</u>	<u>>\$2M</u>
50%	27%	23%
<u>Employ <20</u>	<u>20-100</u>	<u>>100</u>
23%	25%	52%
<u><5 years in operation</u>	<u>5-10 years</u>	<u>>10 years</u>
15%	20%	65%

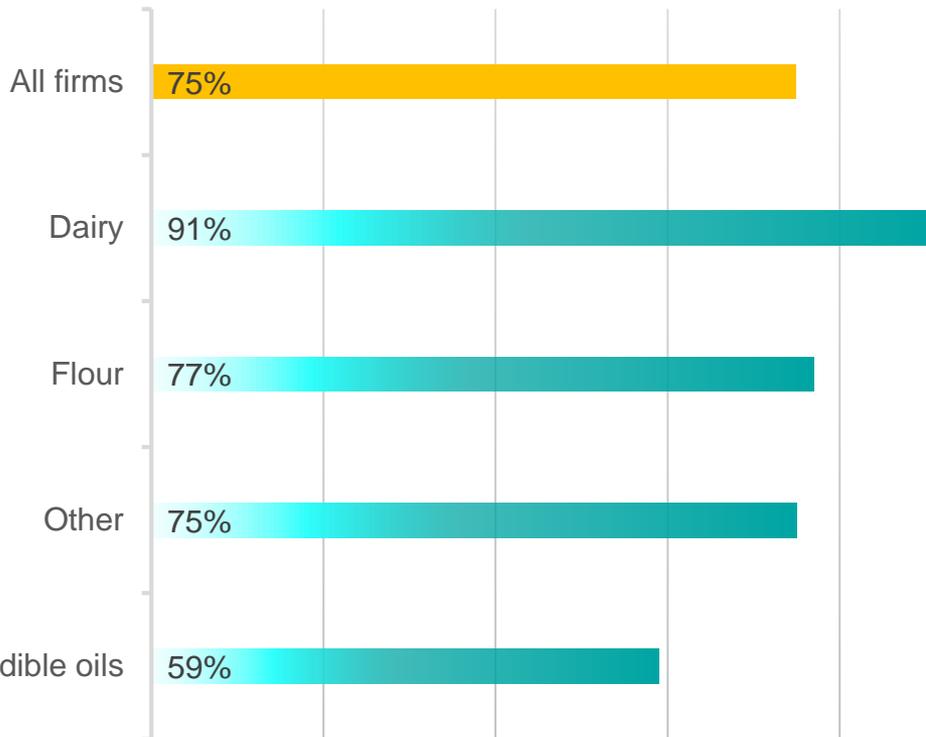
Challenges and responses surveyed across four critical business dimensions





Marketing, Sales & Distribution: Challenges

**FIRMS WITHIN EACH PRODUCT CATEGORY
REPORTING CHALLENGES IN MARKETING,
SALES, AND DISTRIBUTION RELATED TO
COVID-19 OVER THE LAST MONTH**

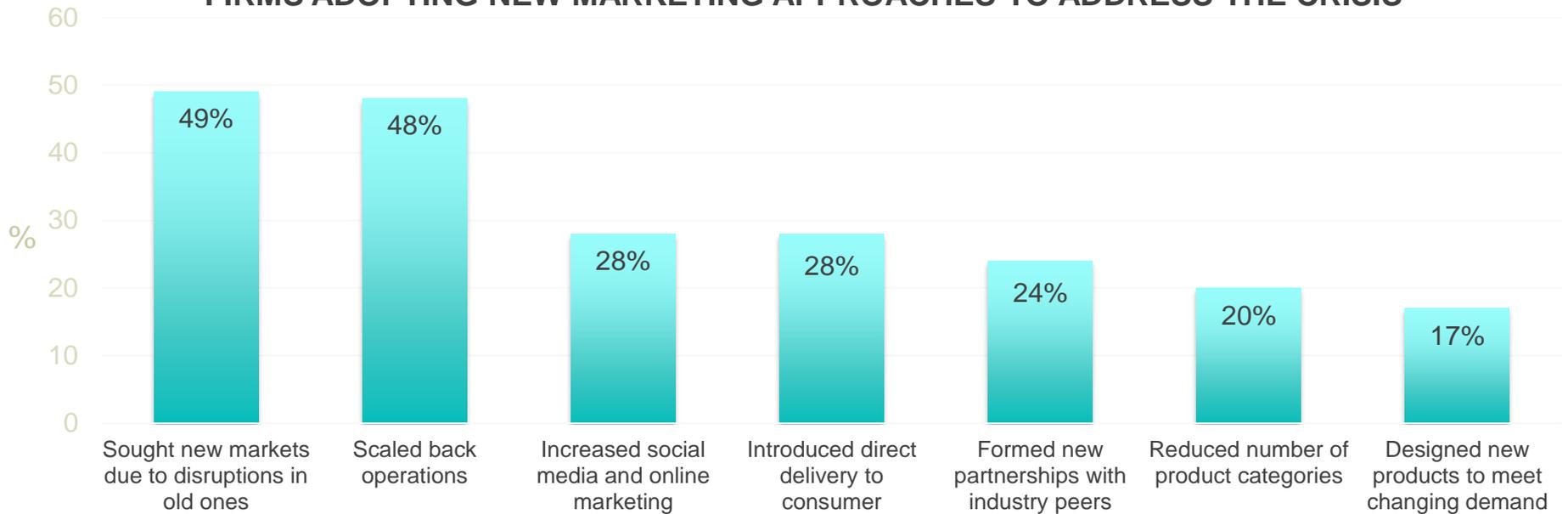


- Firms serving the hospitality and institutional sectors remain hardest hit, due to persistent closures
- Demand is further depressed by reduced consumer purchasing power and preference; e.g. dairy firm in Kenya cited slow sales at a supermarket chain as a major challenge, with fresh milk sales down 60%
- Border and transportation delays, as well as other logistics problems, also make it difficult to reach markets; for example, several Tanzanian flour mills have had to stop exporting to Kenya



Marketing, Sales & Distribution: Responses

FIRMS ADOPTING NEW MARKETING APPROACHES TO ADDRESS THE CRISIS



- Almost half sought new markets, up from just 8% in April, e.g. In Kenya, TechnoServe is helping a therapeutic food producer who lost 70% of sales when school feeding programs shut, to develop and market a new nutritious product for retail to BoP consumers
- While many firms are scaling back operations and product categories, some are seeking out opportunities created by the situation; e.g. a TechnoServe dairy client in Kenya is shifting technology to meet demand for UHT milk and fermented yogurt with greater shelf life.
- Increased use of digital solutions, direct delivery, and new partnerships are likely to grow and will likely remain beyond the pandemic



MARKETING, SALES & DISTRIBUTION:

"Our market depends on consumers such as schools and high learning institutions; during the coronavirus pandemic, we were not able to supply to them as they were all closed following government guidelines."

Flour mill, Tanzania

"The market went into shut down, rural customers not traveling into town to purchase products for resale."

Dairy, Zambia

"Demand from the service sector has decreased; dairy is a perishable product, and it is difficult to manage stock when there is no market,"

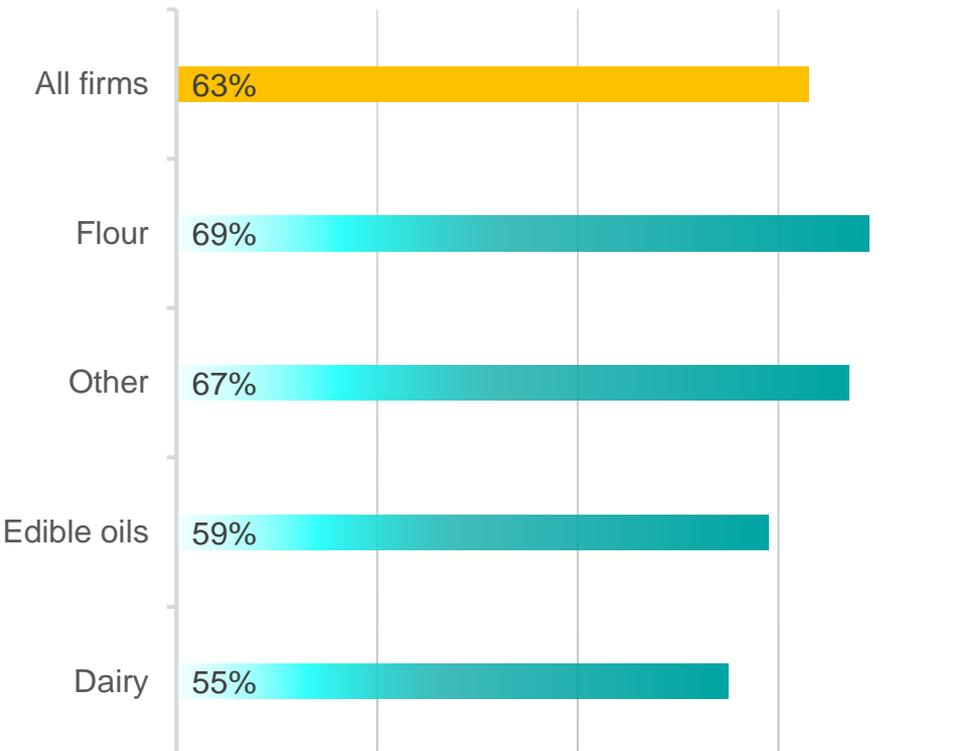
Dairy, Ethiopia





Supply Chain: Challenges

FIRMS WITHIN EACH PRODUCT CATEGORY REPORTING CHALLENGES IN SUPPLY CHAINS RELATED TO COVID-19 OVER THE LAST MONTH

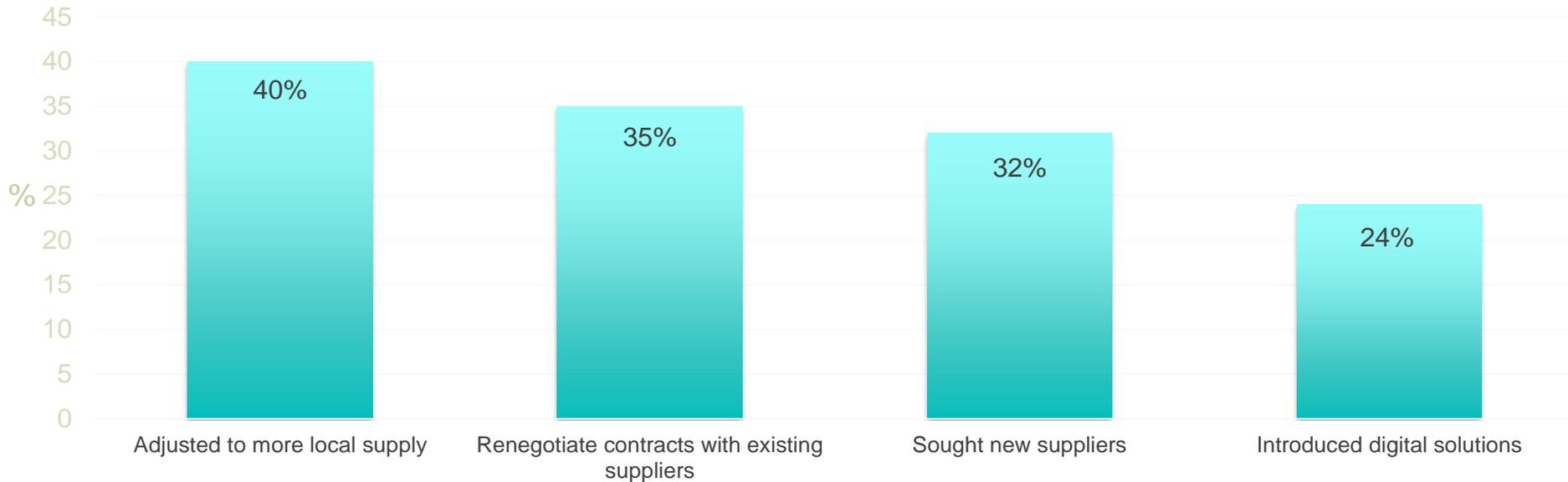


- Almost two-thirds (63%) reported some kind of challenge to accessing supplies, roughly equally challenging for both raw material and other materials (like packaging); compared with April where 70% struggled with sourcing raw material and 75% with other materials
- The cost of transportation has increased significantly, due to check-point delays and health precautions, among other issues, one processor of edible oils in Nigeria cited the cost of conveyance had doubled
- In Zambia, a therapeutic food producer reported that its supply chain was disrupted when the firm it purchases vitamins from halted production due to a COVID-19 case among its staff



Supply Chain: Responses

FIRMS ADOPTING NEW SUPPLY CHAIN APPROACHES TO ADDRESS CRISIS



- The demand for local supplies has grown as importing has become more difficult, but can be more expensive; e.g. a flour mill which typically imported cereals from the region, reported difficulty bringing materials in and has had to purchase grains locally at greater expense.
- The crisis has pushed nearly a quarter of firms to adopt digital solutions
- Local supply chains are proving to be more resilient in a time of crisis



SUPPLY CHAIN:

“[We have] an inability to access raw material due to lockdown and, secondly, run out of stock to sell to customers due to the inability to get raw material to produce.”

Edible oil processor, Nigeria

“We could not access pasteurized milk packaging material from my supplier; it is difficult to import materials at this time.”

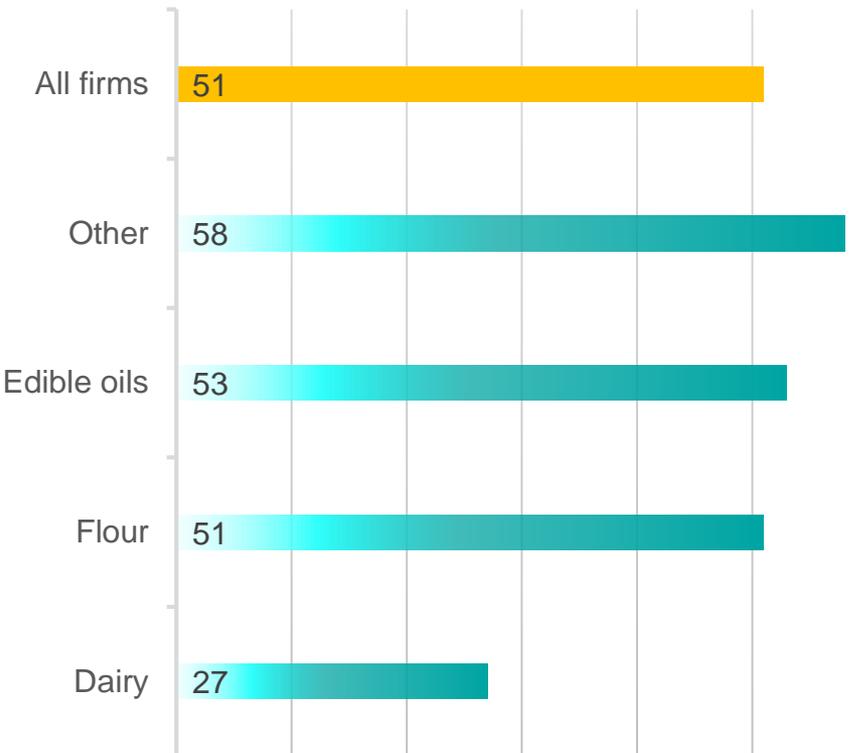
Dairy, Ethiopia





Workforce: Challenges

**FIRMS WITHIN EACH PRODUCT
CATEGORY REPORTING CHALLENGES
WITH LABOR/STAFF RELATED TO COVID-
19 OVER THE LAST MONTH**

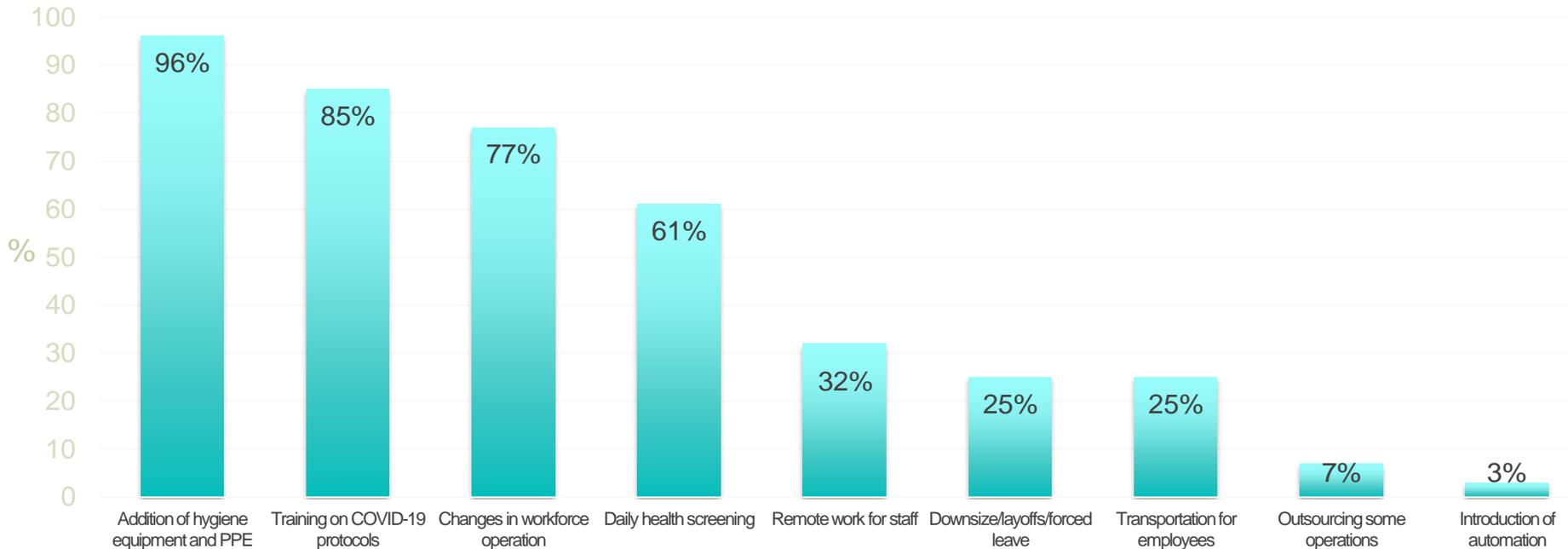


- A lack of employee motivation was a common cited concern, as workers face pay cuts, increased work hours, and the inability to do the job effectively; e.g. a dairy in Kenya reported its workers felt demotivated by travel restrictions that prevented them from visiting retailers and carrying out their work
- While still affecting more than half of businesses, labor challenges seem less prominent now than they were in April, when 69% of firms reported some kind of disruption to their workforce. Over the past months, firms have adjusted to new workforce management strategies



Workforce: Responses

FIRMS ADOPTING NEW WORKFORCE APPROACHES TO ADDRESS CRISIS



- Sensitization and incorporation of improved hygiene practices is high, but there are areas for improvement (e.g. 39% do not conduct daily health screens of workers)
- 77% of firms have changed their workforce operations to stay productive; e.g. a processor in Kenya introduced multiple shifts, allowing it to reduce the number of staff on the floor by 75%.
- However, one in four businesses have been forced to downsize their workforce



WORKFORCE:

"We were obliged to adjust our capacity to the situation as we could not host as many workers as usual to respect the social distancing."

Snack (cashew) processor, Benin

"Most casual laborers feared to report to duty because of fear of contracting the disease."

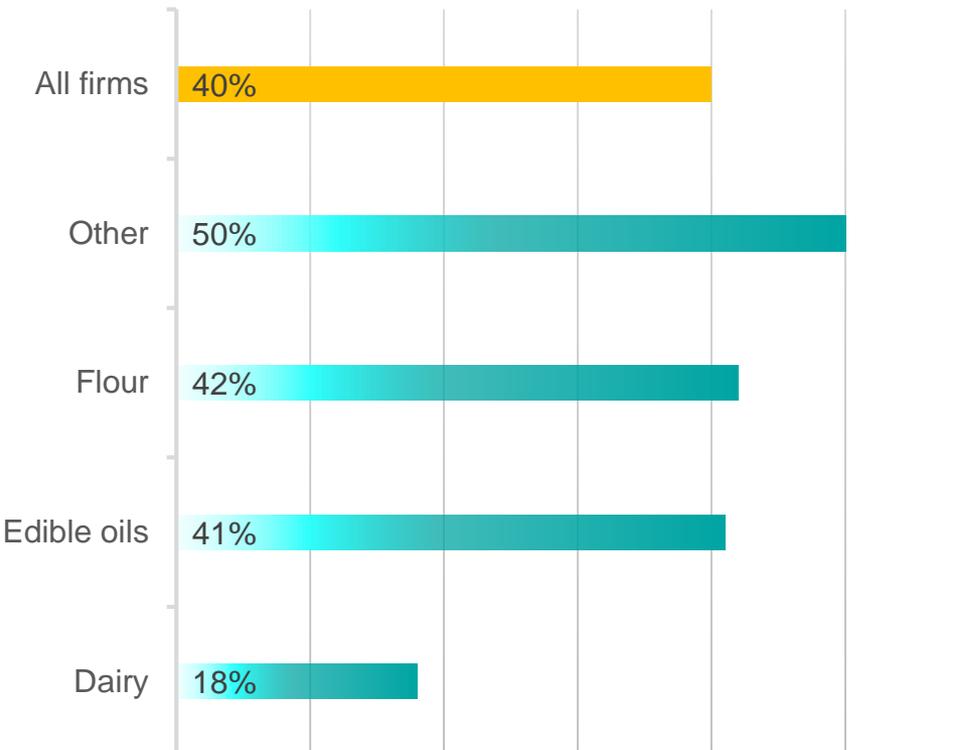
Flour mill, Tanzania





Access to Finance: Challenges

**FIRMS WITHIN EACH PRODUCT
CATEGORY REPORTING CHALLENGES IN
ACCESS TO FINANCE DUE TO COVID-19
OVER THE LAST MONTH**

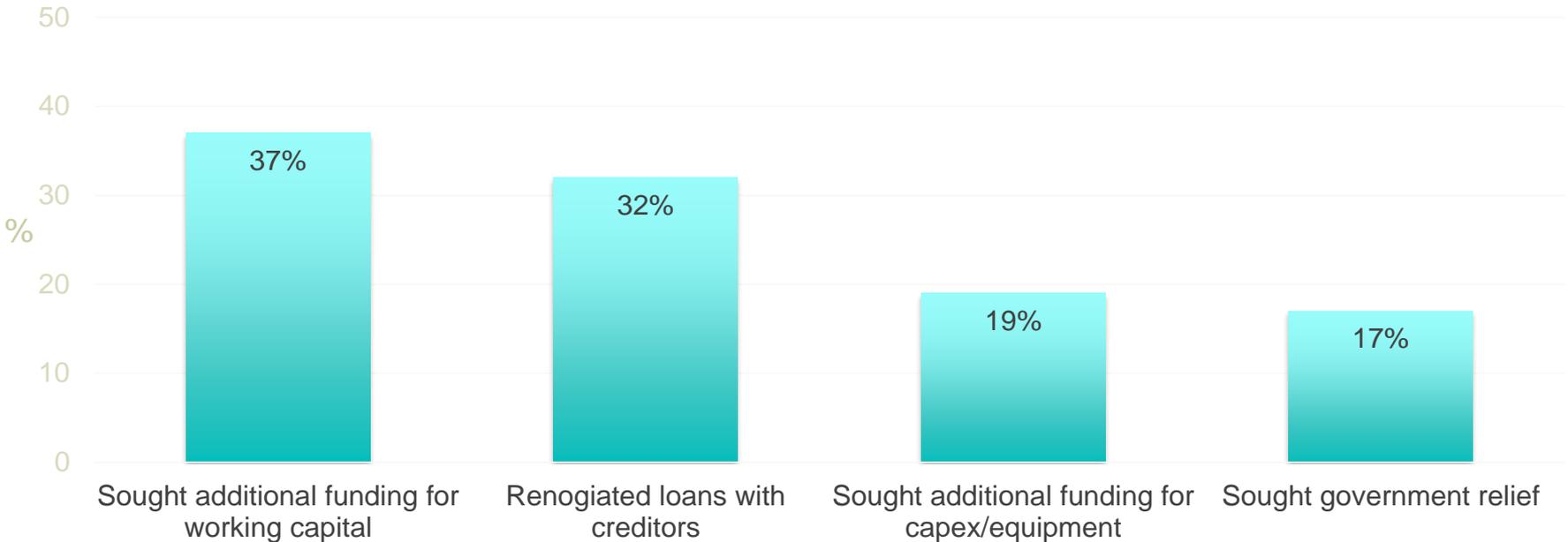


- Finance continues to be important as decreased sales reduce working capital
- 40% found it challenging to access finance in the last month, reasons cited include:
 - Physical inaccessibility of banks
 - Some financiers too slow
 - Reluctance by banks due to high risk



Access to Finance: Responses

FIRMS ADOPTING NEW FINANCE APPROACHES TO ADDRESS CRISIS (%)



- One in three processors (32%) have renegotiated loans with their creditors
- In April, 14% of firms had requested financing as a result of the crisis; by July, 43% of firms had sought additional finance from financiers and/or government relief schemes (however, many have found the response negative).



ACCESS TO FINANCE:

"Most banks are not extending overdrafts and short term loans. Received negative responses from several banks..."

Flour mill, Kenya

"Banks stopped giving loans, fearing the repayment plan from borrowers who were not optimally producing."

Edible oil processor, Tanzania

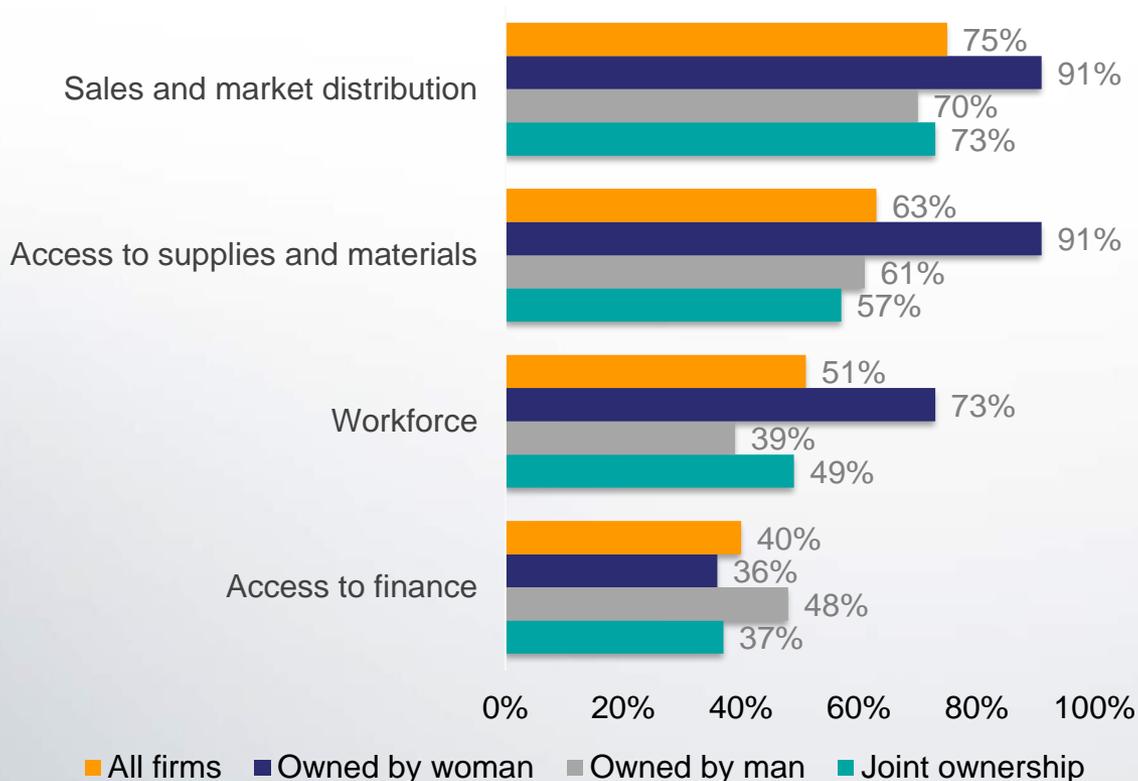
"The inaccessibility of banks due to COVID-19, banks working for shorter hours, and closure of banks also affect financial transaction."

Edible oil processor, Nigeria



Challenges, Disaggregated by Sex of Business Owner

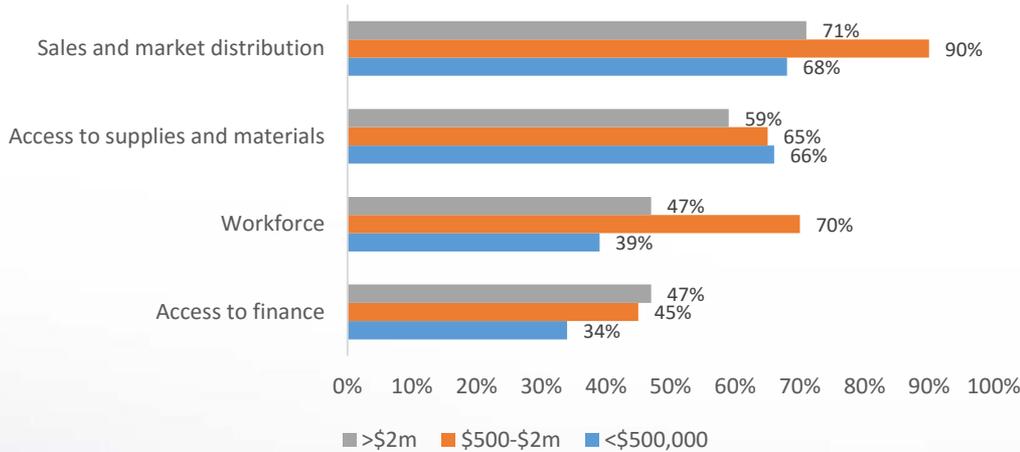
PERCENTAGE OF FIRMS REPORTING CHALLENGES IN A GIVEN AREA OVER THE LAST MONTH



- Businesses owned by women were significantly more likely than their counterparts owned by men, to report challenges related to sales, supplies and workforce
- Analyses showed that roughly 80% of female businesses surveyed had revenues below \$500k

Challenges, Disaggregated by Business Size

Challenges Disaggregated by Revenue



- Businesses in the \$500-\$2m revenue range were more likely to report challenges in sales and workforce. This may be because mid-sized businesses are most often in the space between competing with large brands, but not yet having their operating scale and efficiency

Challenges Disaggregated by Employee Numbers



- The greater the employee count the larger the workforce challenge
- Employee count is not likely to have a big influence on some of the other factors, i.e. access to finance

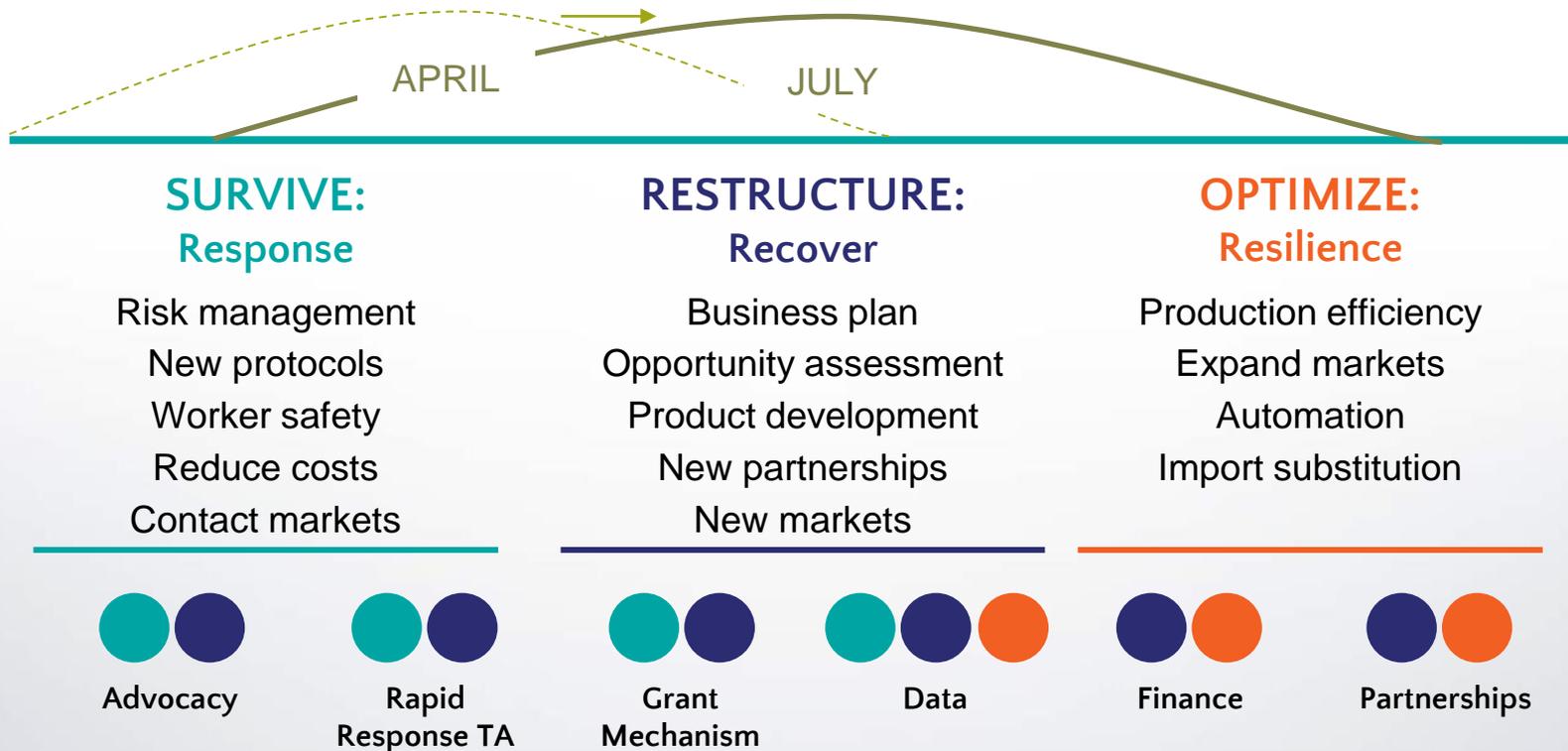
Conclusions and Recommendations

- While labor challenges eased somewhat, perhaps due to better understanding and adoption of management strategies, sales have clearly emerged as a continued and pressing concern. It is vitally important to help processors safely find markets and reach consumers: without sales, these businesses will collapse, putting at risk entire food systems and the food security and livelihood of those who depend upon them.
- Firms' optimism about future sales is encouraging, but they cannot wait for economic conditions to improve. More food processors have to develop and implement continuity plans, including adaptive marketing strategies, finding new marketing and distribution channels and do all they can to drive efficiency and maintain cashflow if they are to survive.
- While food supply chains have been listed as essential activities, delays at borders and other transport restrictions are driving up costs, slowing down production, and making it difficult to do business. More must be done to safely facilitate trade throughout the supply chain.
- To adjust to this environment, firms will need better financing options and technical assistance, as well as a responsive enabling environment.



TechnoServe's Support

While the situation is different for each sector, country, and firm, we have generally observed that firms have moved from immediate survival mode to restructure, and we continue to provide tailored support to meet the changing needs of our clients.





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Disclaimer: This survey is a snapshot in time, intended to give an insight into what the surveyed companies are experiencing at this moment and what similar companies might be facing. The survey results aggregated here are not intended to be a rigorous study, but rather to provide a quick check-in during a rapidly evolving situation. We hope it will be useful as we develop responses to improve the critical flow of food during this crisis.