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

RESULTS OF AN ONLINE SURVEY
MARCH 2021

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

3. **70 firms (99%) reported being impacted** by the pandemic, mainly via decreased sales (73%), difficulty accessing inputs (54%), difficulty paying staff (50%), and downsizing staff (49%).

4. **For most firms, impacts had lessened over time**; about 49% of firms reported business operations had improved, but were still worse than before the pandemic.

5. **85% reported changing their production volume** as a result of the pandemic (generally decreasing it), and **83% had reported changing their product price**.

EXECUTIVE SUMMARY

6 **42 firms (59%) expected impacts of the pandemic on their supply chains in the next 6 months**. The main anticipated impacts cited were shortages of supplies (60%) and transportation disruptions (55%).

7 **90% and 92% 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 93% and 79% 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 Nigeria, 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 four food system networks convened by GAIN, WFP and related partners from 16 October to 9 November 2020. 71 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 Nigeria's 71 firms; all data are presented in anonymised form.

RESPONDING FIRM CHARACTERISTICS

71

NUMBER OF FIRMS
47 responses were received from 20 states, with the majority coming from Lagos State in South West Nigeria.

77%

SMALL/MICRO SIZED
77% of participating firms are small or micro-sized, with less than USD 100,000 in annual turnover and fewer than 50 staff.

39%

WOMEN OWNED
Of the businesses that were surveyed, 34% were owned by men, 39% owned by women, and 27% were co-owned by women and men.

5yrs

YEARS IN OPERATION
51% of participating firms have been in operation for less than 5 yrs (median: 5 yrs, interquartile range: 3-7, range: 0-41).

63%

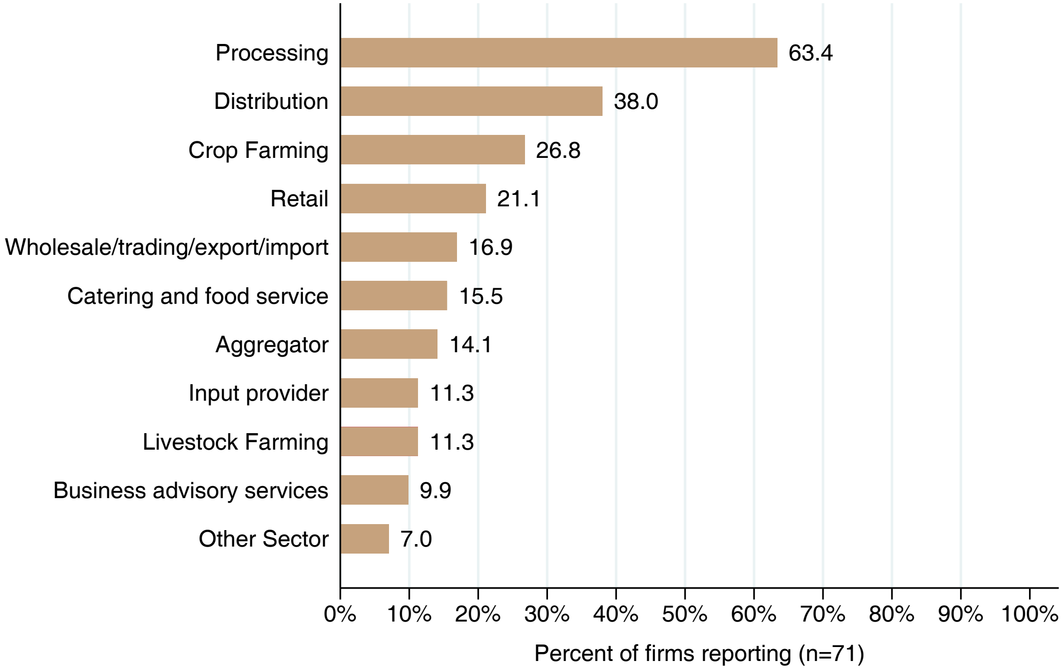
PROCESSING
Most firms were involved in processing (63%).

38%

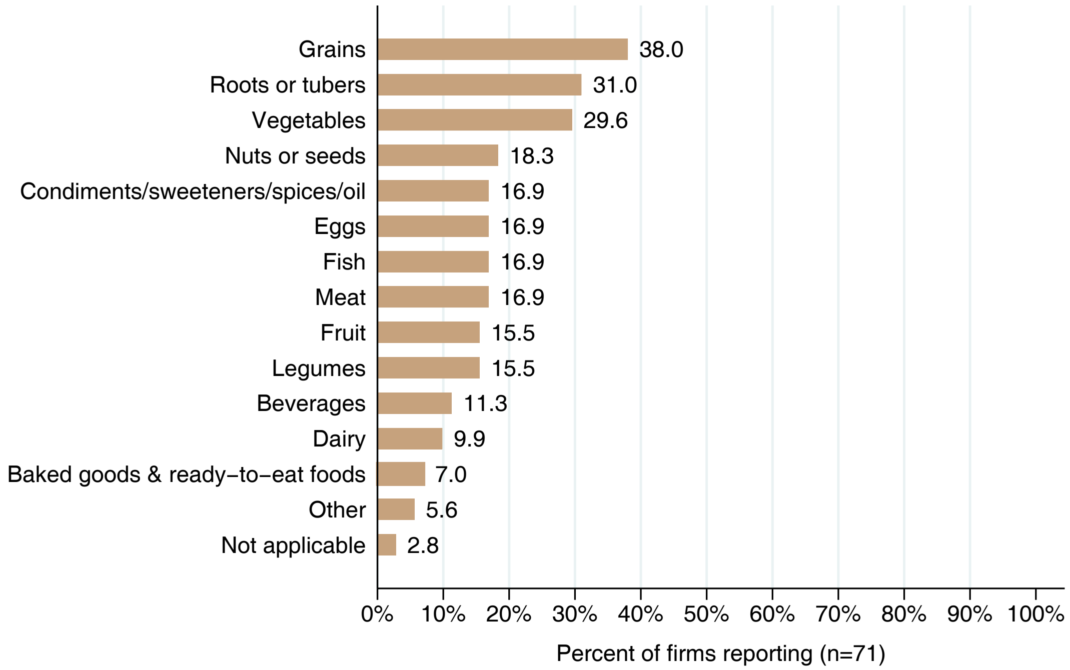
GRAINS
The largest share of firms (38%) surveyed operated in the grains value chain (rice, wheat, maize, etc.).

RESPONDING FIRM CHARACTERISTICS

Main sectors represented



Main food categories represented



The majority of firms were in the processing sector (63%), followed by distribution (38%), crop farming (27%), retail (21%), wholesale/trading/export/import (17%), and catering and food service (16%). The main food categories represented included **grains (38%)**, **roots and tubers (31%)**, **vegetables (30%)**, **nuts/seeds (18%)**, **condiment/sweeteners/spices/oil (17%)**, **eggs (17%)**, **fish (17%)**, **meat (17%)**, with the representation of fruit, legumes, beverages, dairy, baked goods and ready-to-eat foods from 7-16%. Firms could work in more than one sector or food category.

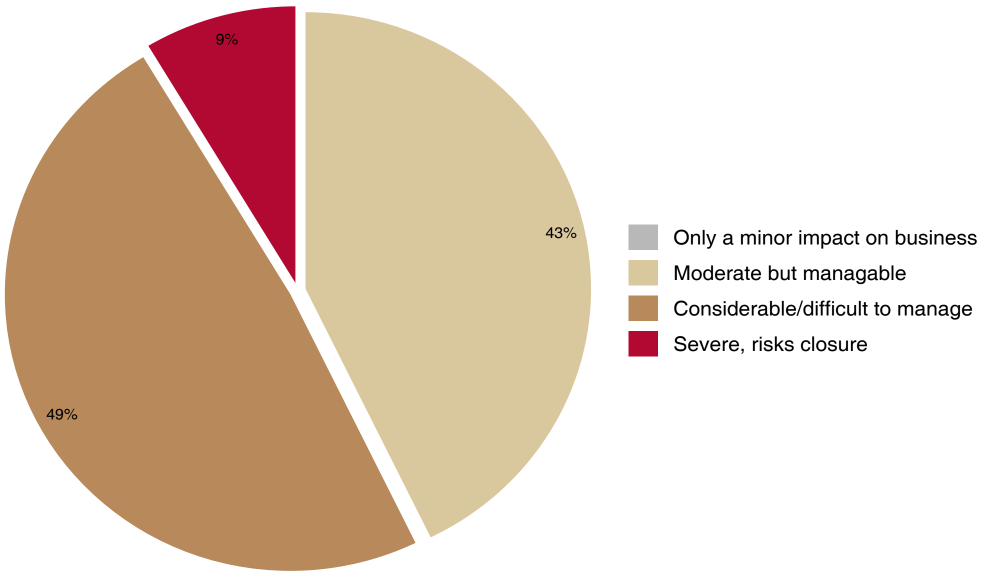
RESPONDING FIRM CHARACTERISTICS: GENDER DIFFERENCES

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-owed firms).

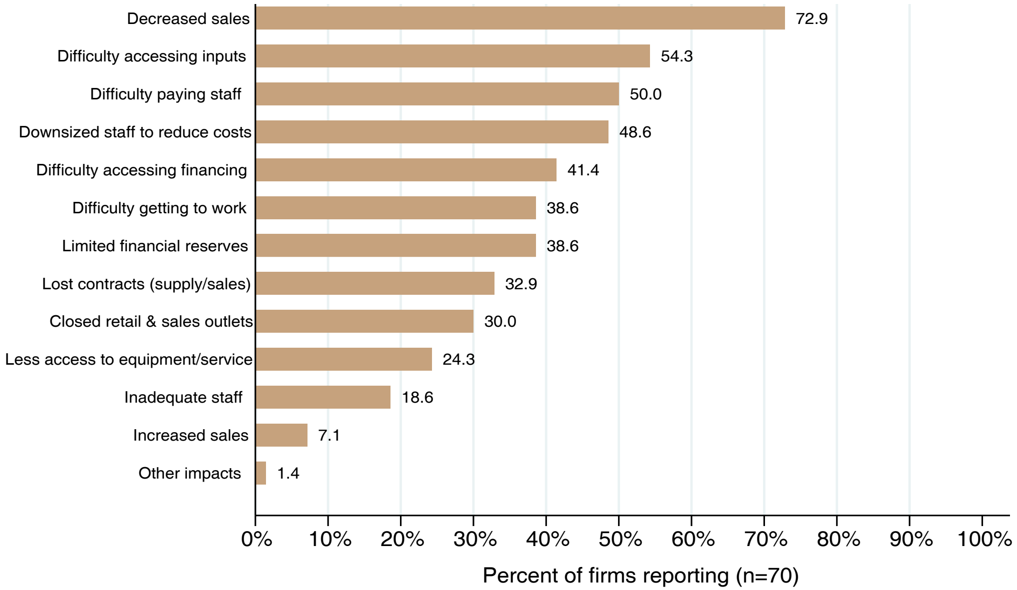
Female-owned firms worked across all food sectors but were significantly more likely to produce **fruit (28.5% vs 7%, p=0.02) and nuts/seeds (32.1% vs 9.3%, p=0.02)**. There were no other significant associations between the gender of the business owner and survey responses on firm size, firm maturity, annual turnover, value chain position, and incorporation status.

IMPACTS OF COVID-19

Severity of COVID-19 impacts (n=70)



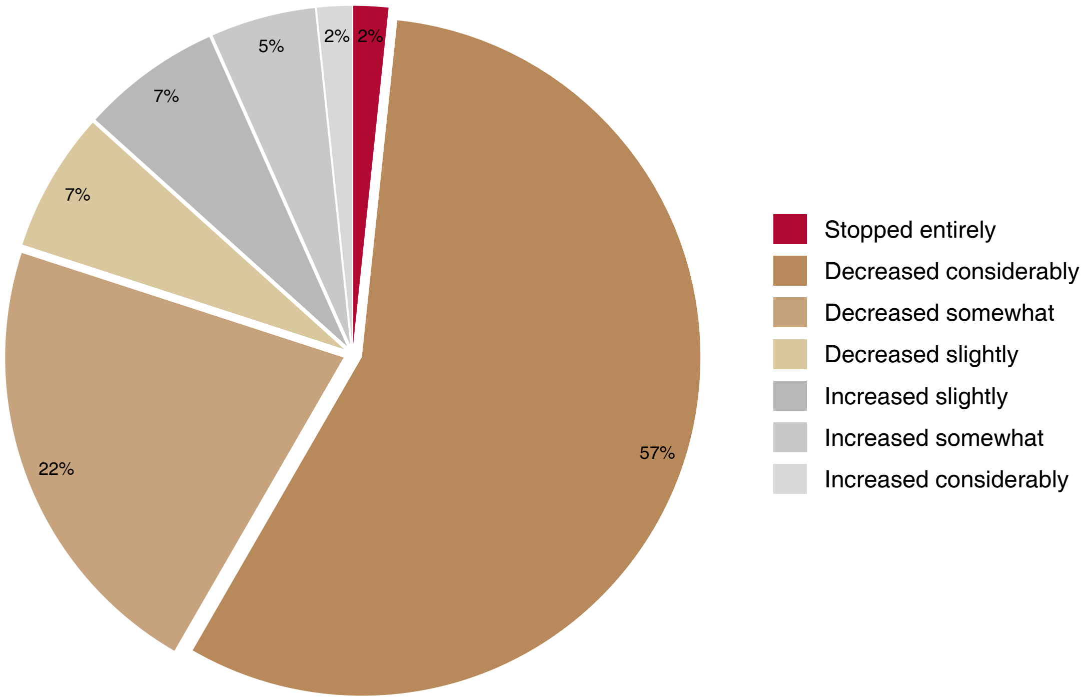
Main impacts reported by businesses



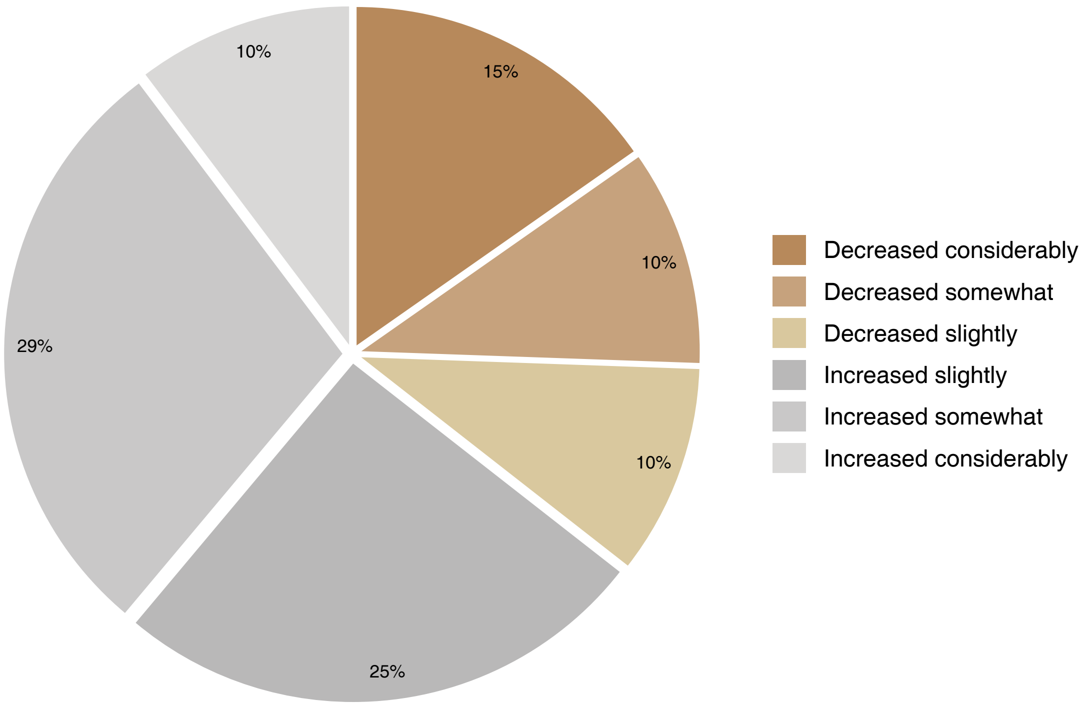
70 firms (99%) reported that the pandemic had an immediate impact on their business. Of the impacted firms, 49% reported the impact as being difficult to manage; 43% reported the impact as moderate but manageable; whilst **9% reported that the impact was severe and likely to cause business closure**. The main impacts cited by firms included **decreased sales (73%)**, **difficulty accessing inputs (54%)**, **difficulty paying staff (50%)**, **downsizing staff to reduce costs (49%)**, **difficulty accessing financing (41%)**, **difficulty getting to work (39%), and limited financial reserves (39%)**. The largest share of respondents (49%) reported that initially business impacts were more severely negative and had subsequently improved; however, their businesses were still worse off than before the pandemic. Only **3% of firms reported that their business was essentially 'back to normal'**.

IMPACTS OF COVID-19: PRICE & PRODUCTION VOLUME

Changes in production volume (n=60)



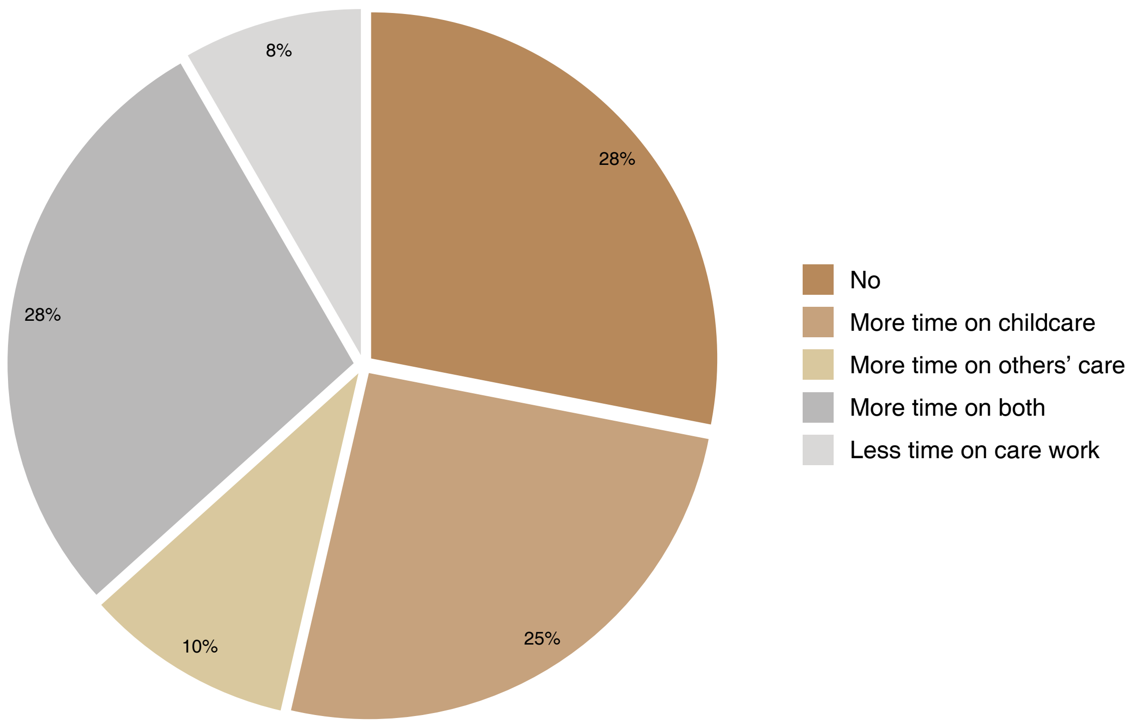
Changes in sales price (n=59)



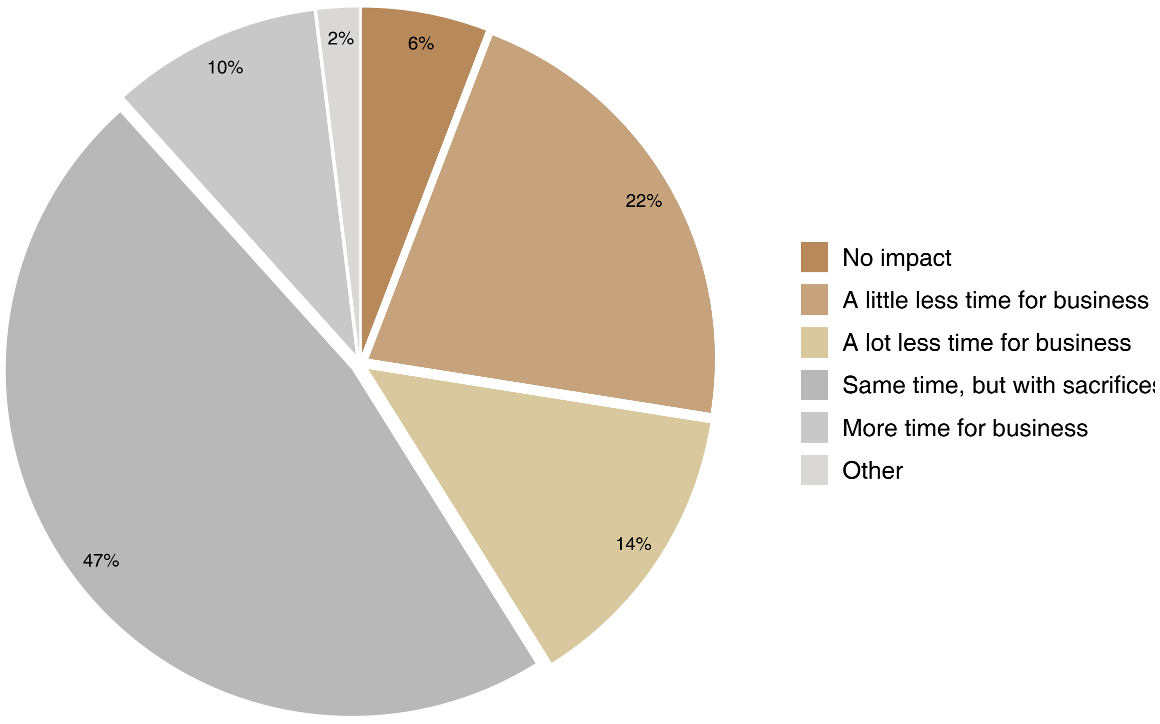
60 firms (85%) reported changing their production volume as a result of the pandemic; of these, 2% reported stopping production, 57% reported a considerable (>30%) decrease, 29% a smaller decrease (0-30%), and 14% an increase. Considering the firm's product sales price, **59 respondents (83%) had reported changing their product price** as a result of the pandemic; of these changes, 15% represented a considerable (>30%) price decrease, 10% a moderate (15-30%) price decrease, 10% a slight (<15%) price decrease, 25% a slight price increase (<15%), 29% a moderate price increase (15-30%), and 10% a 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



51 survey respondents (72%) reported experiencing changes in household responsibilities (e.g., caring for children or relatives) due to the pandemic, primarily spending more time on caring for children and other relatives. Of those who had experienced such changes, most felt that they devoted **the same of amount of time to their business, but at the sacrifice of their leisure/personal time**. 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. There were no significant differences in production or sales price changes.

Among the businesses that expected the pandemic to impact their company's supply chain in the next 6 months, **women-owned firms were significantly less likely to mitigate these impacts by diversifying their supply chain** (e.g., by working with more suppliers; **16.7% vs 50%, p=0.04**).

ADDITIONAL DETAILS ON IMPACT

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

‘My business was adversely affected because we were supposed to scale our processes with a loan from our bankers to purchase cold chain equipment . We were unable to proceed with the expansion plans because of the pandemic which slowed down the process.’

– vegetable crop farmer processor in Kaduna State

‘We were supposed to scale our operations in terms of purchasing equipment for post harvest management, we were unable to because the loan we applied [for] from our bankers was disrupted by the lockdown.’

– vegetable and fruit crop farmer processor in Kaduna State

‘COVID-19 pandemic affected so many SMEs. I know some who have closed operations. It affected our own revenue such that we may not be able to finance our lease.’

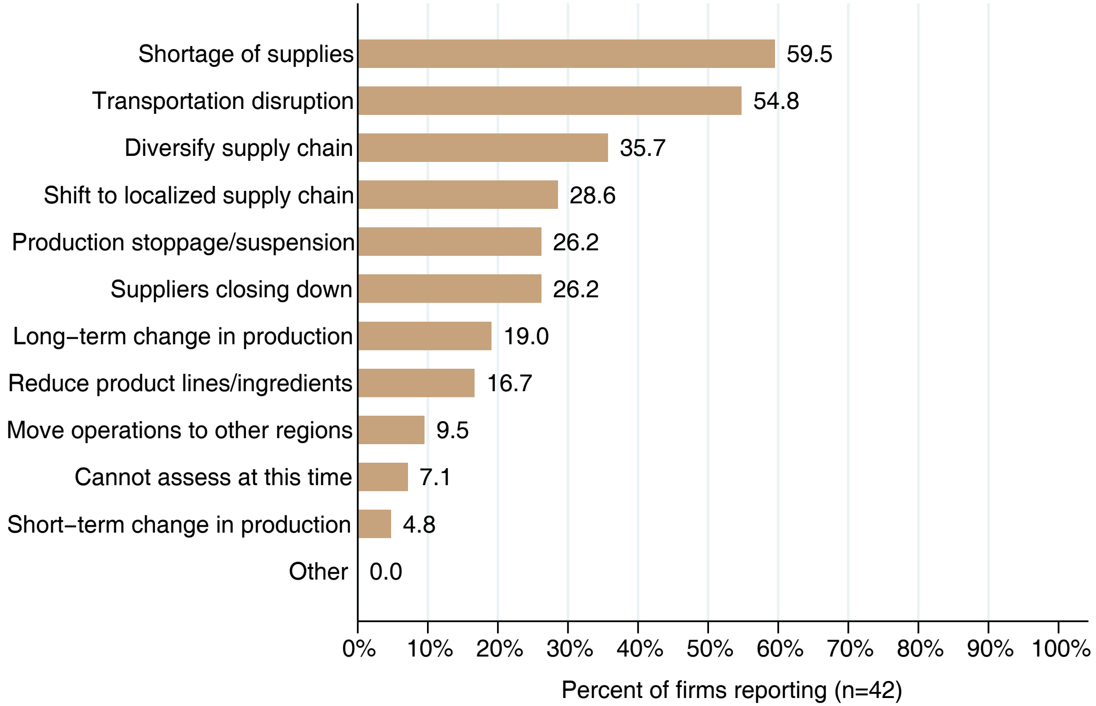
– roots/tubers farmer processor in Osun State

‘At the peak of the pandemic, there was total lockdown in Kano, and as a result of that, all the plantain we purchased for processing into flour got spoiled, and we lost almost 30% of our capital.’

– grain processor in Kano State

ANTICIPATED FUTURE IMPACTS OF COVID-19

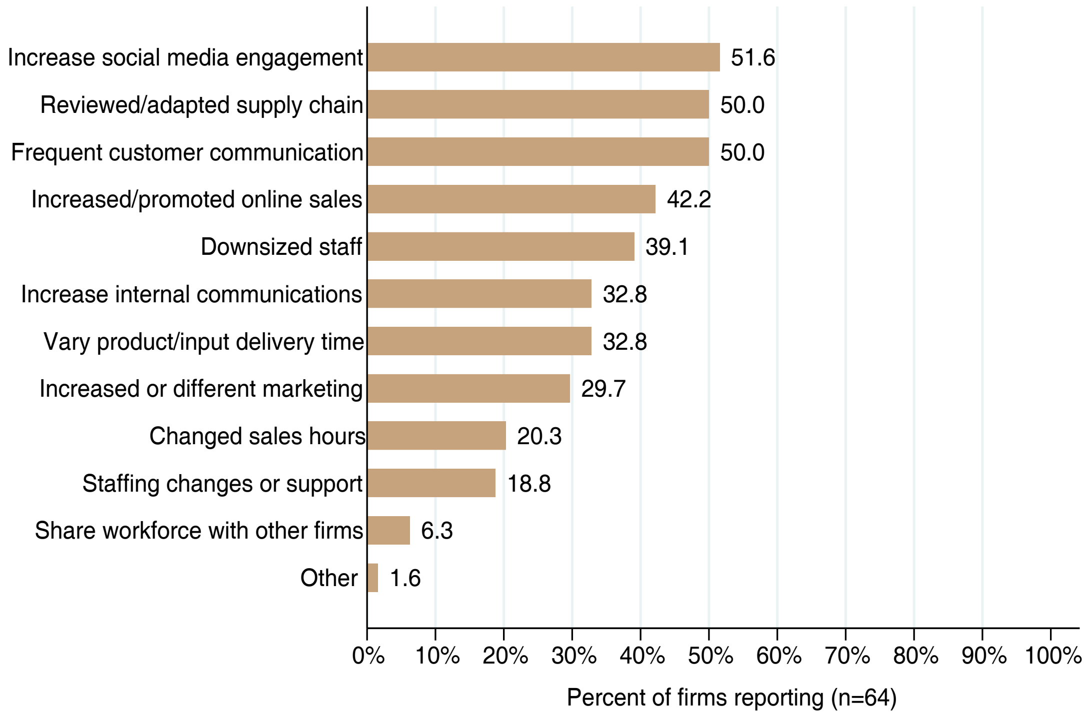
Anticipated future impacts on supply chains



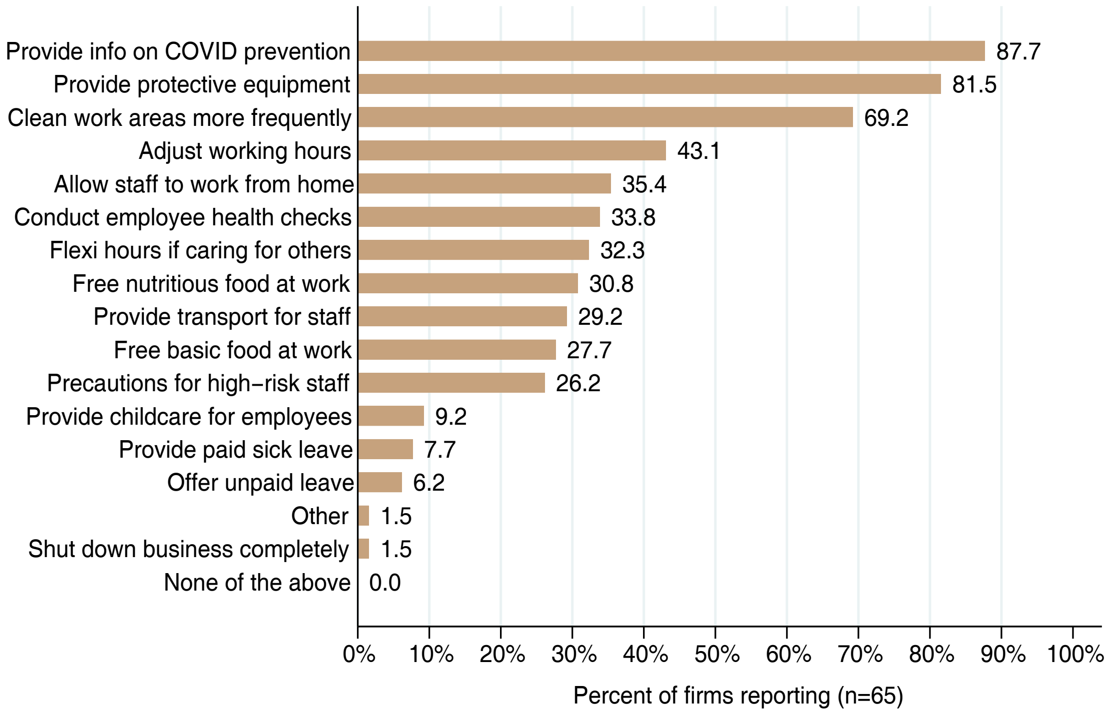
42 firms (59%) expected impacts of the pandemic on their supply chains in the next 6 months. The main anticipated impacts cited were shortages of supplies (60%); transportation disruptions (55%); diversifying supply chains (36%); shifting to a localised supply chain (29%); production stoppages (26%); and supplier business closures (26%). About 19% anticipated a long-term change of their production focus whilst 5% anticipated short-term changes.

FIRM ACTIONS TO MITIGATE COVID-19 IMPACTS

Business impact mitigation actions



Employee safety and support actions taken



64 firms (90%) reported taking actions to mitigate the impact of the pandemic on their business. **The majority of responding firms (52%) reported increasing social media engagement**. Other actions included adapting supply chains (50%), increasing communication with clients and customers (50%), promoting online sales (42%), and downsizing staff (39%). Considering employee support, **65 firms (92%) reported taking actions to support employee health and safety**. These actions included providing information on prevention of COVID-19 transmission (88%), providing personal protective equipment (82%), and cleaning work areas more frequently (69%).

OPPORTUNITIES

'The pandemic has impacted our business in so many ways, but has also shown our level of resilience and flexibility. As the pandemic unfolded, disruption in domestic food supply chain became evident and that spurred us on to pivot into a community-based platform to connect consumers with farmers through a network of food connectors.'

– Grain aggregator in Oyo State

About 56% 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.

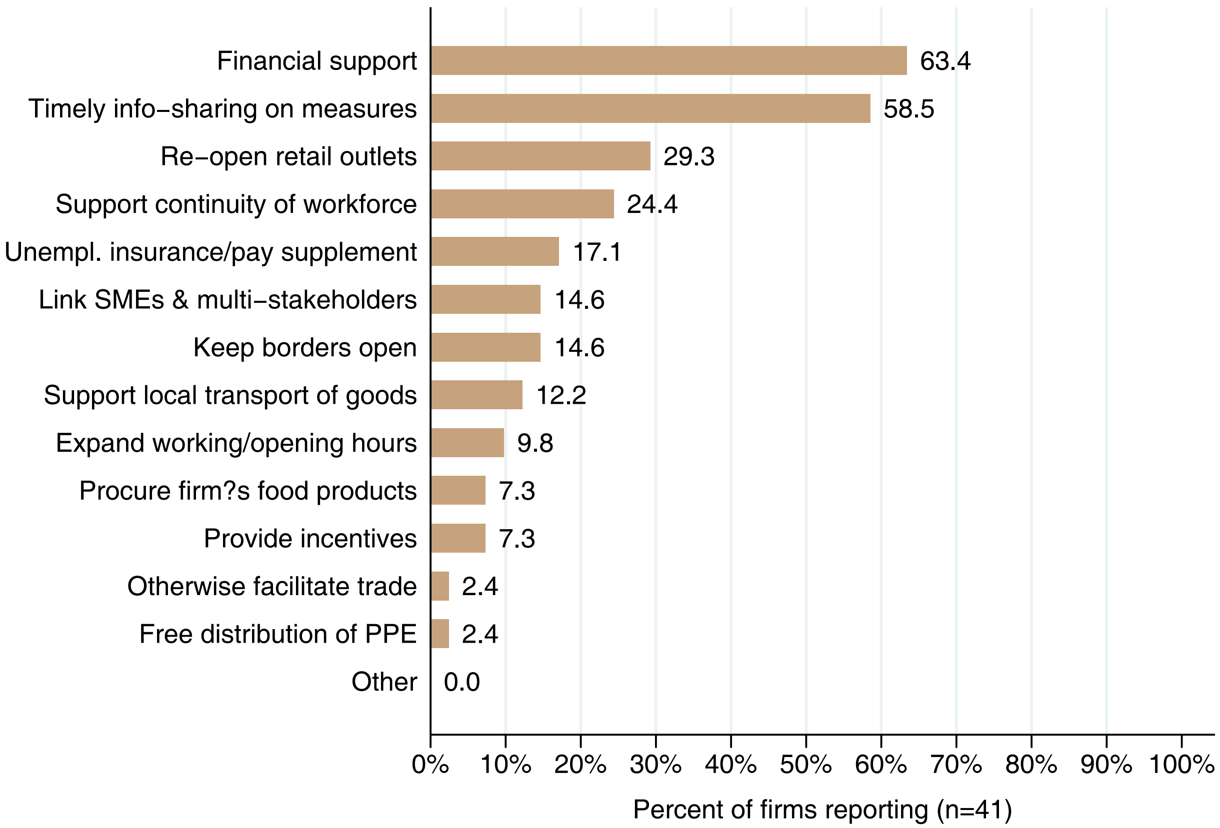
FIRM ACTIONS: GENDER DIFFERENCES

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 aside from women-owned firms being significantly more likely to change product and input delivery times (**50.0% vs 22.5%, p=0.03**). 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

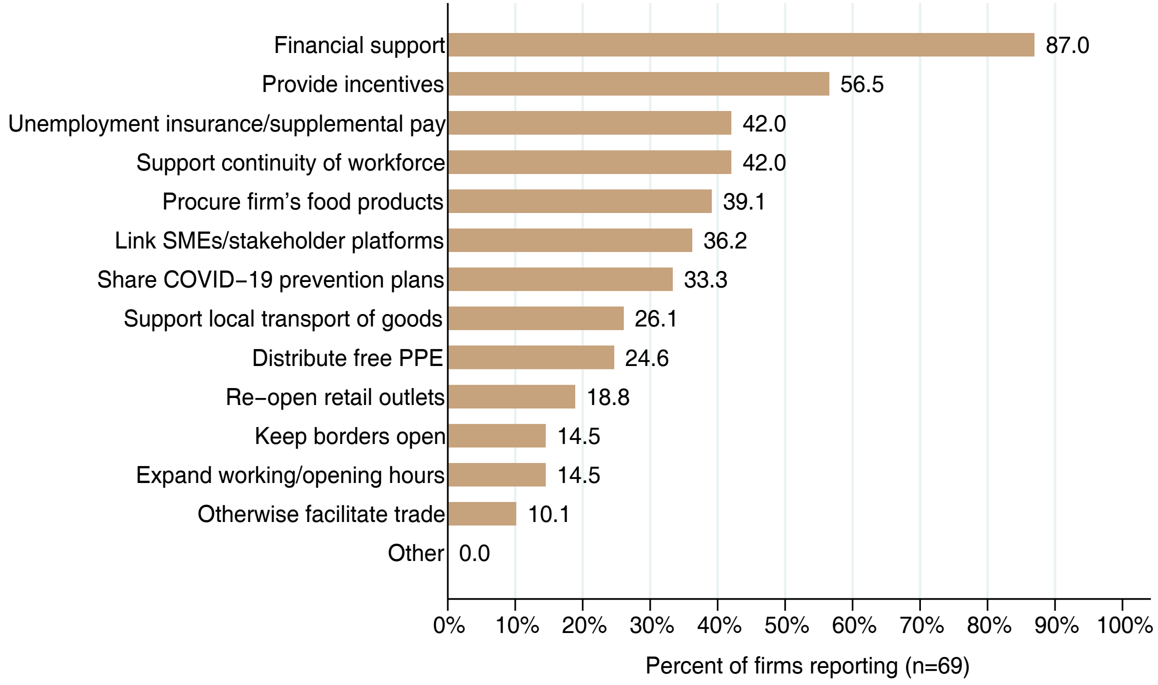


58% of respondents reported that the government had taken actions to support businesses. The main actions cited were providing financial support, timely information sharing on COVID-19 prevention measures to be taken, supporting workforce continuity, and providing unemployment insurance.

Of these, the most helpful was thought to be the provision of financial support (63%), timely dissemination of information on COVID-19 prevention measures to be taken (59%), re-opening retail outlets (29%), supporting workforce continuity (24%), unemployment insurance (17%), strengthening linkages between SME's and multi-stakeholder platforms (15%), and keeping boarders open (15%).

GOVERNMENT SUPPORT RECOMMENDED

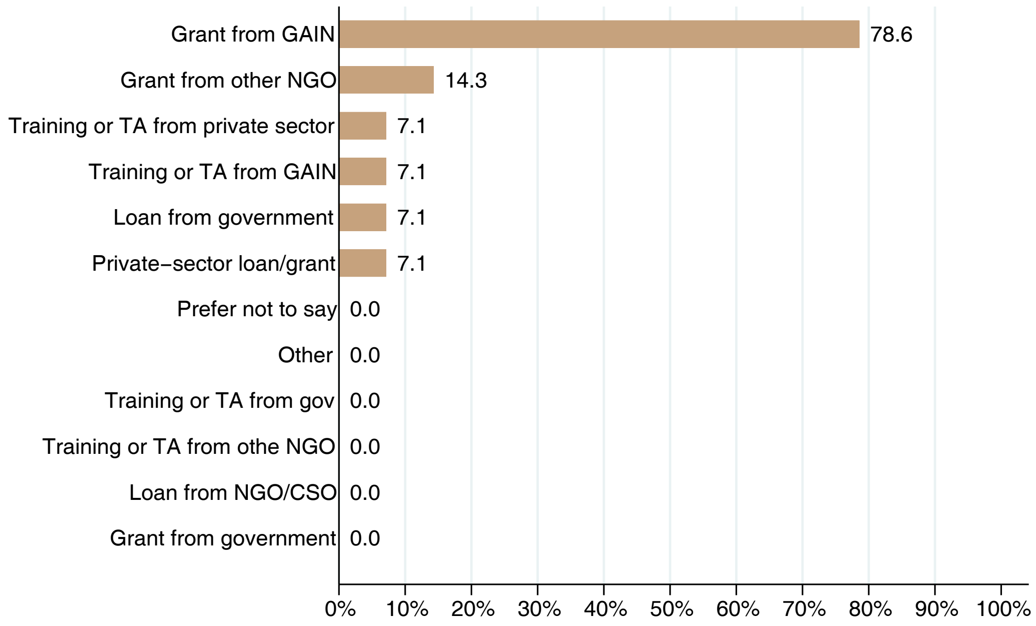
Government actions recommended



About 97% of respondents felt that government actions were needed to help firms weather the effects of the pandemic. Main recommended actions included financial support (87%), providing incentives (57%), unemployment insurance or supplemental pay (42%), support to ensure workforce continuity (42%), procuring firm's food products (39%), strengthening linkages between SME's and multi-stakeholder platforms (36%), and sharing COVID-19 prevention plans (33%).

SUPPORT RECEIVED

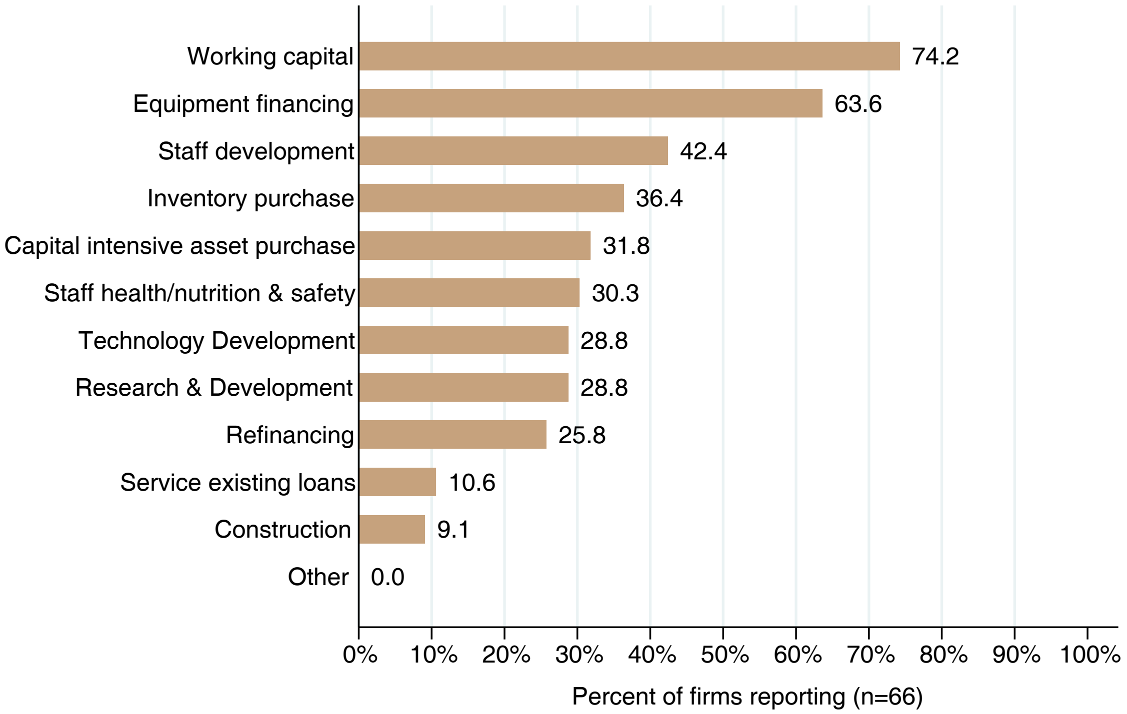
Public/private sector support received



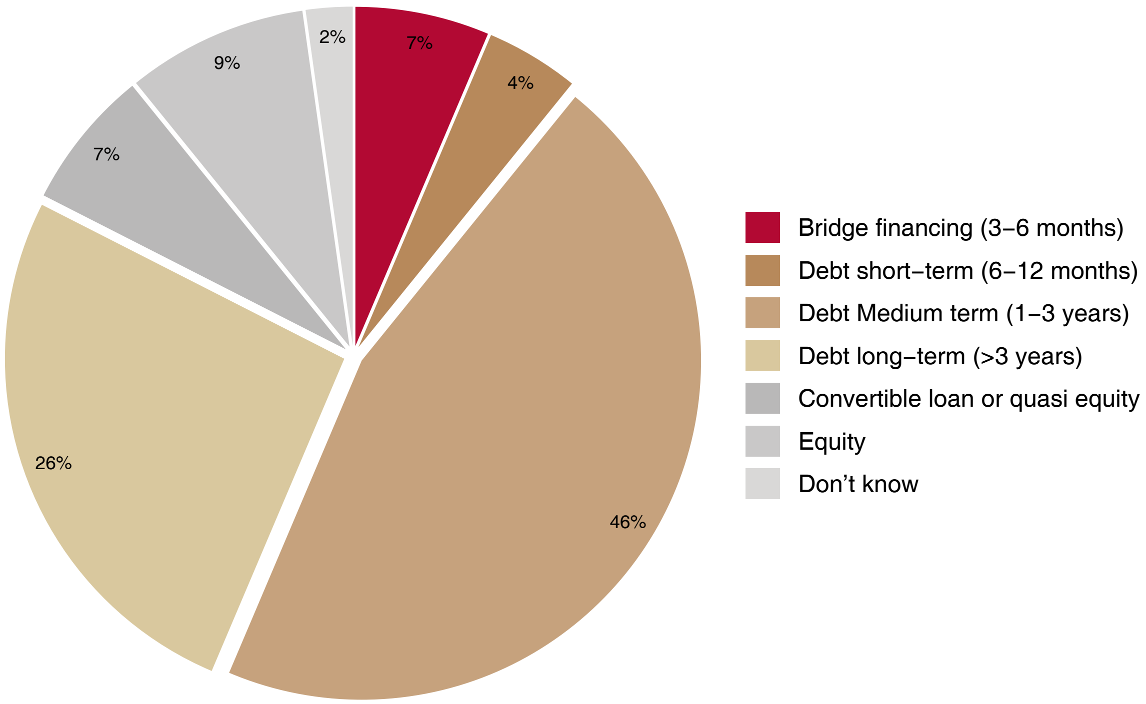
Only 14 respondents (20%) reported having received some type of support (government, private-sector, or NGO-provided) to cope with the pandemic's effects. The main types of support cited were grants from GAIN (79%; likely high due to the sample being drawn from GAIN networks), grants from other NGOs (14%), and training or technical assistance from the private sector (7%), government (7%), GAIN (7%), and NGOs (7%). Respondent firms did not receive any government financial or technical assistance.

FINANCIAL SUPPORT REQUESTED

Uses of financing preferred



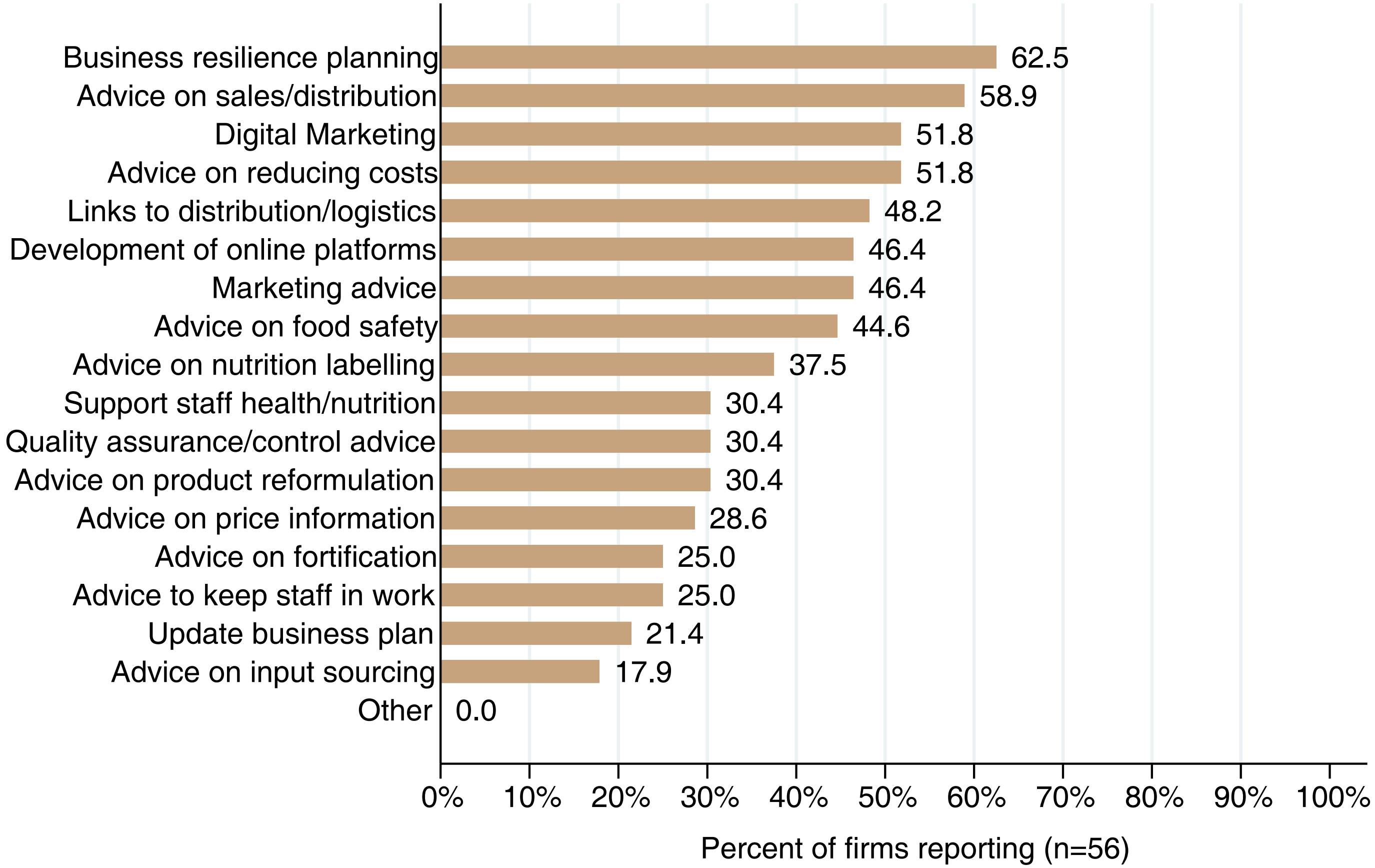
Type of financing preferred (n=33)



66 respondents (93%) reported urgently needing financial assistance to cope with the effects of the pandemic on their business; most required **less than USD 50,000 (35%) or USD 50,000-100,000 (32%)**. Main uses of such financing included working capital (74%), equipment financing (64%) and staff development (42%). Preferred financing types were medium- and long-term debt.

TECHNICAL SUPPORT REQUESTED

Technical assistance needs



56 respondents (79%) reported urgently needing technical assistance to cope with the effects of the pandemic on their business. Of these businesses, 63% sought advice on business resilience planning, 59% on sales/ distribution, and 52% on digital marketing and reducing costs. On changing the nutritional value of products, 25% of firms needed advice on fortification and 30% on product reformulation.

SUPPORT: GENDER DIFFERENCES

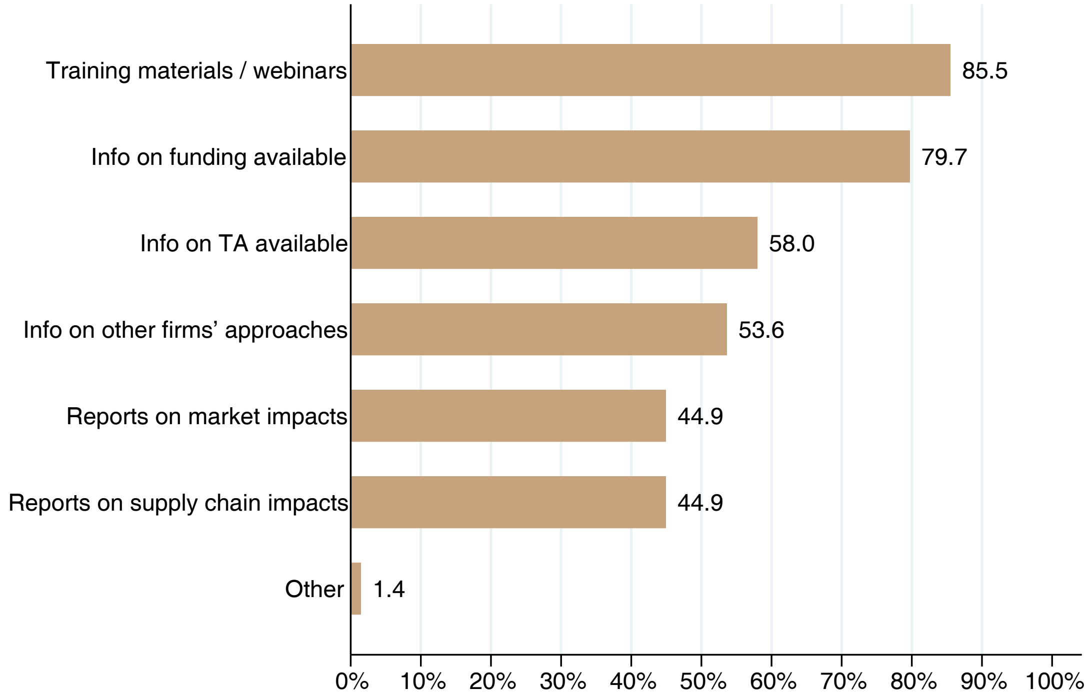
Women-owned firms offered similar reports to men-owned/co-owned firms on actions taken by government, which actions they found to be helpful and additional **support still needed**.

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 and were also similar in terms of the type and modality of this support.

RESOURCE CENTRE

Resource centre preferences



About 97% 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 (86%), information on available funding (80%), information on available technical assistance (58%), and information on other firms' approaches to adapting to COVID-19 (54%).

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

3

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

Acknowledgements

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