



# The Impact of Covid-19 on Agricultural Supply Chains in Africa

Findings from Supplier Needs Assessments

## I Introduction

**This learning paper has been developed by Partner Africa, in collaboration with the Ethical Trading Initiative (ETI), to present the key trends and emerging themes of the impact of Covid-19 on suppliers and smallholder groups taking part in the ‘Securing workers’ rights in a Covid-19 context in East African agriculture supply chains’ project. The findings in this paper are drawn from the needs assessments undertaken with the project’s 12 suppliers.**

This project is funded by the Vulnerable Supply Chains Facility (VSCF), a rapid COVID-19 response fund set up by the UK FCDO, and managed by Mott MacDonald Ltd. The Facility has partnered with 16 UK retailers supporting over 100 suppliers across Bangladesh, Ethiopia, Ghana, Kenya, Myanmar, Tanzania, and Zimbabwe, and will provide economic, social, and health benefits to around 1 million women and men direct and indirectly.



There are a number of identifiable key issues which have emerged during the course of the needs assessments. Issues with freight and cashflow have affected the majority of suppliers’ businesses, and had a significant impact on workers, whether through retrenchments or a reduction in take-home pay.



There have also been opportunities to identify best practices. Many suppliers have diversified their products and/or markets, maintained strong relationships with wholesalers and retailers or are using the impact of Covid-19 as an opportunity to build new relationships. Most have adapted quickly to new Covid-19 Health and Safety (H&S) measures and thus there has been a relatively small impact on the physical health of workers. However as Covid-19 continues to disrupt the communities in which the suppliers are based, many are looking to support workers and those most vulnerable in their local communities with both immediate and sustainable outreach measures.

This paper provides a summary of the methodology utilised, the key issues and practices identified, and a more detailed analysis of emerging trends at the country, sector and size levels.

## I Methodology

This paper presents the findings from the needs assessments undertaken by the project to understand the impact of Covid-19 and inform the development of technical interventions to alleviate and mitigate these impacts. There are 12 sites in scope of this exercise ranging from smallholder groups to cooperatives, cooperative unions, independent growers, large commercial growers and packhouses within the horticulture (7 sites), floriculture (3 sites) and coffee (2 sites) supply chains in Kenya (6 sites) Ethiopia (2 sites) Tanzania (2 sites) and Zimbabwe (2 sites).

Due to the project’s short time frame for start-up activities and limited budget, a rapid methodology was used. For smallholder groups and cooperatives (3 sites), in-person site visits were undertaken including interviews with committee members, farmers and the wider community as well as visits to individual farms, processing facilities and aggregation points. For larger farms and packhouses (9 sites), the suppliers completed an online survey which was followed by an in-depth interview between Partner Africa and one to two key member/s of management such as the owner, farm manager or HR manager.

The findings are limited as an extensive assessment was not completed for each site and the sample size is small both in terms of the number of suppliers interviewed per country and per sector. Therefore this study cannot be generalised at the sector and country level and the findings are limited to the 12 suppliers engaged with as part of this project. Nevertheless the results do provide some high level findings of the common impacts of Covid-19 on African suppliers in the agriculture sector. The vast majority of findings below have been extracted directly from interview transcripts with the 12 suppliers. Where third party information has been included it has been referenced appropriately.



# | Summary of the impact of Covid-19 on suppliers

## IDENTIFICATION OF ISSUES



### 1 INCREASED OPERATING COSTS



### 2 MOVEMENT OF WORKERS



### 3 VULNERABLE WORKERS



### 4 QUALITY CONTROL AND PRODUCT SPOILAGE

#### 1 Increased Operating Costs

Due to both a shortage of raw materials and investments in necessary Covid-19 H&S measures (e.g. Personal Protective Equipment (PPE), social distancing, amended shift schedules), suppliers have faced increases in operating costs. Government measures for Covid-19 have also affected the cost of transport for workers due to the necessity of social distancing, for example half of the suppliers have had to accommodate double the amount of transport as normal to get workers to their respective farms.

#### 2 Movement of Workers

Although government lockdowns haven't had a significant impact on farms in terms of forced closure (agriculture was deemed an essential industry in the countries of focus), they have affected the movement of workers. Some suppliers have also reduced the number of temporary workers they employ, as casual migrant workers have been unable to travel to the farms. A proportion of those who were on-site at farms made the decision to travel home when they could, for fear of their family's health and wellbeing during the pandemic.<sup>1</sup>

#### 3 Vulnerable Workers

It is clear from the interviews that casual/ temporary, elderly and female workers have been most negatively affected. Casual and temporary workers have either been the first to be retrenched, or farms have chosen not to hire them in the first place to try to keep the labour pool local due to Covid-19 fears. One site asked elderly workers to take paid or unpaid leave in an effort to shield them from the risk of contracting Covid-19. Another site mentioned that retrenched elderly workers have struggled to find work as they are unable to undertake more physically demanding labour. Suppliers also commented that female workers were the most affected during the pandemic. As well as the fear and insecurity surrounding Covid-19, adjustments/ retrenchments made in the workplace, they also had to look for food for their children and settle other household requirements. As more vulnerable members of society, women were also less likely to travel on their own to work, and female-owned smallholder farms were unable to employ workers to assist with their harvest.<sup>2</sup>

#### 4 Quality Control and Product Spoilage

Government curfews have affected the length of workers' shifts and created a delay in picking and delivery of the sites' produce which ultimately led to the deterioration of produce quality hence many farms reporting high post-harvest losses. Issues with logistics/ freight and a decrease or cancellation of purchase orders have meant that for many sites producing fresh produce such as flowers and vegetables, excess finished product has spoiled and gone to waste. Freight costs have increased significantly and flight schedules have been erratic, with cold storage availability at airports limited. In some cases, farms have experimented with shipping instead of air freight, but this has only proven a viable option for certain types of product.



## EFFORTS TO ADDRESS THE ISSUES



### 1 PRODUCT DIVERSIFICATION



### 3 HEALTH AND SAFETY INITIATIVES



### 2 SUPPORTING WORKERS



### 4 COMMUNICATION AND WORKER REPRESENTATION

#### 1 Product Diversification

A number of farms have taken measures to reduce wastage of excess finished product and diversify markets. Two sites have sold excess product through new wholesaler relationships and have diversified into producing goods to serve the local market. Although this hasn't amounted to anywhere near the profit margins they would usually see, it has kept cashflow coming in and businesses afloat, as well as making useful contacts for the future if export is affected again. It should be noted, however, that this may cause an oversupply of product, reducing prices and affecting the incomes of smallholder farmers who usually grow traditional crops and serve the local market.

#### 2 Supporting Workers

Suppliers' approach to projects supporting their workers and local community are mixed, as difficult decisions about strains on cashflow and prioritisation of business over individuals had to be considered. Some farms have continued to provide workers with free lunches, donated (or heavily discounted) surplus food packages, assisted with kitchen gardens, as well as providing the local community with clean water, transportation or school supplies (for example). Whereas two suppliers noted they have had to put revenues first and have seen a reduction in the projects to assist workers and the local community for the long-term continuity of their business.

#### 3 Health and Safety Initiatives

The majority of suppliers (9 sites) have been very good at putting Covid-19 H&S measures in place. This includes the distribution of PPE, social distancing, increased hygiene facilities, and encouraging workers to stay at home if they feel unwell. The exception to this is at the smallholder level, where safety measures have not been as apparent. Despite this, there is clear communication from many suppliers that they still require additional training for workers, where the limited understanding and access to resources of the required measures have been the main barriers to successful implementation. As well as this, there is still fear, stigma and lack of understanding around Covid-19. Workers are scared of falling sick, and have expressed fear and anxiety about their families becoming unsupported. One manager had witnessed 'unprofessional and unethical' stigmatisation of workers who had either contracted Covid-19 or had been in contact with those that had.

#### 4 Communication and Worker Representation

Methods for worker representation have been mixed. Where unions are present at sites, their effectiveness is called into question by suppliers and generally farm-level workers' committees are preferred. Although the larger sites generally have good processes in place for communication with the workforce, this is a requested area for assistance, and it is clear that smallholder cooperatives require assistance with their communication channels as they previously relied upon assembling in-person.

Nuances between the effect of Covid-19 on businesses and their workers, as well as the trends in difficulties and responses can be further understood through analysis within the country, sector and size of each supplier.



## COUNTRY LEVEL ANALYSIS



### KENYA

The transportation of goods and export has been a major issue for five out of the six Kenyan suppliers interviewed.<sup>3</sup> Erratic flight schedules and cancellations have caused a significant increase in the cost of air freight (in worst reported cases costs had increased by 450%). In many cases suppliers have had to cover the additional cost with no assistance, massively affecting revenues. Although flights have now stabilized, they are still only departing every three days so there is competition for space. Within Kenya there are talks going on between vegetable producers and FPEAK (Fresh Produce Exporters Association of Kenya) to try to advocate for buyers and retailers to pay for a proportion of increased freight costs. However it was noted that a number of wholesalers have already been very supportive, either covering the entire additional cost of air freight, or a proportion of it. Interviews with wholesalers indicate that this support did also come from retailers and was passed down the chain to the end grower.

The cost of living in Kenya has increased as the country is a net importer of food and essential products.<sup>4</sup> For workers, the reduced income, as well as increasing cost of living has had a huge impact on workers' livelihoods. Household income has also been affected by government-enforced Covid-19 restrictions as households' outputs are higher due to schools having to close and children being at home (increasing money needed within the house); as well as side hustles like petty trading unable to operate in closed markets, which has decreased household income. This has led to workers having to take loans, increasing the households' debt burden which will have a significant long-term impact on their resilience.



### TANZANIA

In Tanzania, both suppliers interviewed reported minor issues with freight, but mainly by land as produce is generally trucked to Kenya where it is consolidated before being exported. The mistrust from Kenyan authorities toward Tanzanian truck drivers (in regard to Covid-19 safety) has delayed produce getting over the border which has impacted quality of produce. Sea freight has been generally unaffected.

In comparison to Kenya, the cost of living is stable in Tanzania and one supplier reported the cost of many essential items has actually reduced. This is because the rainy season last year was strong leading to a good harvest and Tanzania is a net exporter of product. Unlike in Kenya, workers are therefore not having to deal with the double burden of reduced income and increasing costs.

The Tanzanian government stopped counting Covid-19 cases in early May, so although suppliers reported little fear and stigma around Covid-19, it is fair to assume that information provided from the government is inaccurate.<sup>5</sup> Although further information and training surrounding Covid-19 has been requested across the board, it will be very important to pay particular attention to how this is communicated and responded to by suppliers in Tanzania.



### ZIMBABWE

Both of the Zimbabwean suppliers have experienced moderate issues with logistics/ export. The cost of air freight has increased, affecting profit margins and there have also been delays on the Zimbabwean – South African border, increasing the risk of produce spoilage. Due to the issues with air freight, one supplier has trialled using sea freight and will continue to do so for some crops, but other crops spoil in cargo meaning wastage of finished product.

Inflation in Zimbabwe is extremely high at 600-700% and both sites are struggling to keep up with the rising costs when paying workers' wages. The workforce has experienced increased financial burden due to the rising cost of living (food prices, medicine prices, transport etc). This has been exacerbated by Covid-19 with informal and cheap transport being banned by government as well as local clinics being shut down.



Within this incredibly difficult operating environment, suppliers are working hard to support workers. One supplier reverts to a workers' committee who meet on a monthly basis before wages are paid, to adjust rates based on the increase for inflation. This issue has also been brought to the government by unions. One farm assessed also provides either free or heavily subsidised (depending on the wage that month) food packs as well as a free lunch every day. Another has provided seeds and inputs to workers for their household kitchen gardens.

Fears around security risks for suppliers' materials and workers has been a concern. There is a high unemployment rate and atmosphere of unrest which is fuelling robberies and attacks. Security at the farms is helpful in ensuring workers feel safe while at work, but this is an additional cost to the farms.



## ETHIOPIA

The cost of air freight continues to be an issue for one of the two suppliers interviewed, with increased costs of approximately 20-30%. Again there is opportunity here for buyers to assist and support suppliers by sharing the additional cost encountered by firms. The Ethiopian economy has been hit hard and costs of processing product, storage, market costs, and labour are all increasing. Cost of living has also increased and that combined with loss of income has created concerns around food insecurity.

The Ethiopian government declared a State of Emergency in an attempt to curb transmission of Covid-19,<sup>6</sup> which seems to have affected the small cooperative farms disproportionately. The limiting of free movement meant that one supplier's export manager was unable to network and facilitate marketing of their company/product. This also limited their capacity to deliver samples and conduct other in-person activities such as training and meetings. This has also been a particular issue in rural communities where smallholder farms have historically relied on grassroots community groups to mobilise labour resource and overcome seasonal labour peaks.

## SECTOR LEVEL ANALYSIS



## COFFEE

In the two coffee cooperative sites assessed, cooperatives have faced a reduction on average of 40% in the buying price of coffee. This reduction has meant that smallholder farmers are having difficulty in covering their increased operating costs through reduced revenues, leading to reduced income at the cooperative and household level.

In the case of one of the cooperatives, the instability in the market and concern about international buyers' commitment is causing fear and anxiety within the cooperative. The cooperative fear that buyers may not be as active as before Covid-19, or that they will search for sources from different international markets. This would lead to a significant decrease in orders, despite the farms having already started the growing process in expectation of a normal year of sales next year.

The Covid-19 pandemic has exacerbated ongoing vulnerabilities within the coffee supply chain. Coffee quality is not a new issue, but as Covid-19 regulations and increasing costs have limited the amount of labour that farmers can hire to work their land, both quantity and quality of the coffee harvested by cooperatives will be lower than usual. Where coffee quality has been too low for the international market, cooperatives have diversified and sold coffee in the local market instead, however at a significantly lower price, which affects revenues for the cooperatives and cooperative members.

Increased costs, decreased revenues and inability to diversify has led to food insecurity for farmers: coffee farming can only be intercropped with Macadamia crop. Therefore, crops like legumes cannot be planted on the same plot. This has meant that the families have limited choice when it comes to diversifying to grow their own food to compensate for their loss of income.





## FLORICULTURE

As is well documented, flower farms have been very badly affected during the Covid-19 pandemic.<sup>7</sup> Even the large suppliers who grow vegetables, fruit and flowers have remarked that although the horticultural side of their businesses are starting to recover, the flower side is returning at a much slower rate.

Two of the three flower farms assessed closed in the initial outbreak, meaning that finished crops or those being prepared for the busy time of Easter and Mother's Day were left to spoil, causing crop neglect and workers' having to be laid off or sent on either paid or unpaid leave. These few weeks of abandonment has had a knock on effect on the quality of the flowers they are now able to grow and export, which may lead to reduced sales and prices.

Critical issues with cashflow have become apparent as farms have experienced a reduction in revenues, orders, supply of inputs (fertilizer, chemicals) and raw materials; in conjunction with increased operating expenses, cancellation, non-payment and late payment of purchase orders. All flower suppliers had to make significant cuts to their workforce with between 20% - 50% of workers laid off at every site assessed. Pay increases, bonuses and overtime have been extremely limited and in two thirds of the sites assessed, both management and workers have taken pay cuts.

Orders from buyers are starting to return and a number of flower farms in Kenya have ceased operations, so remaining farms now need to focus on getting crops back on track, and monitoring input costs closely in order to produce supply to meet the growing demand, which suggests that we can be tentatively positive about recovery for the farms that have managed to make it through the last six months.

Diversification in both product and markets will be an important step in sustainable recovery for flower farms. One supplier is also looking to develop relationships with new clients in the local market (restaurants, fast-food and café chains). Although this cuts profit margins, it would keep cashflow coming in and means that the business will be more sustainable if ever hit with significant export problems again in the future.

Two of the suppliers are also looking to diversify their product offering, and are calling on existing relationships with wholesalers and retailers to support them in this process. One farm is diversifying by growing chillis and another supplier started producing food crops for the local market which has been successful in terms of cashflow (if not profit).



## HORTICULTURE

It would be fair to state that the seven horticultural farms assessed have generally experienced a smaller impact than the flower and coffee producers. In some cases demand has grown and suppliers are anticipating a steady increase of orders. This is potentially due to consumers in Europe cooking more at home and looking for healthier options. Just as agriculture was deemed an essential industry, vegetable and fruit production and export was designated as an essential service, so air space has been prioritised for horticultural exports over flowers, for example. However, vegetable and fruit producers have still expressed their own set of challenges.

Vegetables mainly need to be transported via air freight, and we have seen the difficulties that air freight has presented during Covid-19. Increased cost and competition for space has led to surplus finished product and spoilage/wastage for all of the sites interviewed.

In an interesting example on the interconnectivity of global supply chains, one supplier remarked on disruption in the avocado market. Avocado suppliers in Peru had postponed their harvest due to the initial outbreak of Covid-19, which coincided with African suppliers' harvest. The late release of Peruvian avocados flooded the global market, causing oversupply and avocado prices to fall, thus reducing revenues. In anticipation of this challenge, the supplier in question attempted to delay their harvest as much as possible, but doing so stresses the trees, which will have a knock-on effect and likely produce a lower yield next year, again affecting potential revenues.

Horticulture-specific constraints on attempts to protect workers and limiting the spread of the virus were identified by four of the sites, as the nature of production activities limits the ability to introduce distancing, and the short timeframe to harvest produce due to seasonality makes it difficult to implement certain measures. One packhouse has doubled the number of shifts and therefore almost doubled the number of workers hired for this busy season (this is to maintain social distancing within the packhouse). Although they are employing more people, doubling up has meant that workers are unable to make as much in bonuses as they usually would.



## SUPPLIER SIZE ANALYSIS

### SMALL SITES (SMALLHOLDER FARMER GROUPS AND COOPERATIVES)

Freight issues caused a significant decrease in orders from smallholders by cooperatives and exporters (in some cases by about 60%), as well as delayed payments. Due to the significant cancellation of orders for export, purchasing committees have also been afraid to procure inputs and materials, for fear that they will not recoup the costs. This has had an effect on cashflow and working capital for the smallholder farmers, to the extent that some have been forced to stop farming.

Many smallholder farmers' households have become increasingly food insecure due to reduced income. One cooperative noted that most farmers could not afford three meals a day during this period, and many have reverted to selling household assets such as chairs, spraying pumps and mobile phones.

Assistance provided for the farmers by cooperatives has been mixed, with one site receiving no support at all (even PPE being purchased by individuals), while others have attempted to support workers by donating food, raw materials and PPE equipment, or selling essential goods and food to farmers at a stabilised price.

The poor capacity of cooperative committees on management practices has been exacerbated by Covid-19. Smallholder farmers have largely been unsupported, both in terms of business advice or assistance, and in providing information and support surrounding Covid-19 H&S measures. One cooperative admitted that they have no H&S committee in place, and no plan for the control of the COVID-19 but rely on the government guidelines for preventive measures.

Unsurprisingly, the smallholder farms also showed the least understanding and adherence to necessary H&S measures for prevention of Covid-19. In two of the three sites, farmer cooperative leaders have also been afraid to facilitate meetings with members, enhancing the lack of understanding and reducing key opportunities for information sharing and assistance.

In one cooperative, the inability of cooperative leadership and committees to navigate managing the crises, most notably felt in the lack of shared knowledge and business/ financial assistance, has led to mistrust not only between smallholders and cooperative committees, but between the committee members themselves. Although this is unfortunate, and may initially be difficult to overcome, it does highlight that there are good opportunities for sustainable interventions at the smaller cooperative level; training in financial literacy, business practices, market training and accreditations; as well as Covid-19 health & safety and preventative measures.

### MEDIUM (INDEPENDENT FARMS / GROWERS)

The two medium-sized suppliers have demonstrated dependency issues. Direct engagement with retailers and forming lasting relationships with buyers has proved essential for this sized site, with buyers providing short term cashflow assistance in some cases. However despite this, medium-sized growers have struggled to access markets in an increasingly competitive market where larger farms and farms that are part of specific networks have been more successful.

### LARGE (SUPPLIERS WITH MULTIPLE FARMS / PACKHOUSES)

Large businesses generally seem to have been buffered from the more intense strain on the business side, though workers have still clearly been affected. It is worth noting that only managers were interviewed; interviews conducted with workers may provide additional insight on the extent to which the stresses of Covid-19 have affected their working and home lives.

All seven of the large suppliers assessed have generally been able to leverage their size to aid in essential business processes and support workers: accreditation (e.g. Fairtrade), relationships with wholesalers and retailers, government support (exemption from closures due to Covid-19, provision of PPE equipment), flexibility with banking loans and supplier payment terms have all been instrumental in keeping businesses afloat and operational during this time.





All large suppliers also demonstrated excellent adherence to Covid-19 safety measures. All sites are doing the following: informing workers on Covid-19 transmission and prevention, encouraging workers to stay home when they feel sick, physical distancing between workers, temperature checks, providing personal protective equipment (PPE) like masks, and providing increased hygiene facilities and measures. More than half are also offering staggered shift work. However, an outbreak on one large site demonstrated the impact that this could have on the site, with the stigmatisation of workers by their colleagues a key concern that sites need to manage. Sites mentioned that workers are not abiding by rules and regulations outside of the workplace, with fears of Covid-19 being introduced to the site because of this. With the virus continuing to spread across Africa, outbreaks at large sites feel almost inevitable and sensitisation of workers will reduce the risk of stigmatisation issues.

Larger sites are also able to introduce more proportional wage cuts, one farm reduced management wages by 30% which enabled them to sustain workers' pay. However, Covid-19 measures have affected workers' ability to earn, so household income has still fallen. One supplier was very transparent and stated that workers have had no bonuses, no overtime and they had to stop providing the free meal they provide their workers due to fears of transmission (though this has now been reinstated). Another large packhouse was requiring workers to wash their hands every 15 minutes with queues forming at the hand-washing stations. This process affected workers' productivity and ability to earn bonuses.

## I Conclusion

**This paper has outlined some of the emerging themes for suppliers in Africa as a result of Covid-19. An analysis of the issues identified at the country, sector and size level of the 12 suppliers involved in the project has enabled a better understanding of the layering effect of impacts and highlighted those most vulnerable within the supply chain. The 'Securing workers' rights in a Covid-19 context in East African agriculture supply chains' project seeks to support suppliers to mitigate and alleviate the impacts of Covid-19 and safeguard workers' livelihoods.**

This will be achieved through a combination of short, medium and long term interventions aimed at providing immediate assistance and building the long term resilience of supplier sites to shocks and stresses. Technical assistance will consist of: Covid-19 awareness and mitigation training for workers and frontline supervisory staff to include anti-stigma messaging; business continuity training for management and mentorship and support to develop business continuity plans; support in developing H&S systems and improving management of operations; diversification support for farms to invest in new product lines, enter new markets and attract new clients and packages to support workers through fruit tree and vegetable nurseries and kitchen gardens.



## References

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<sup>3</sup>EPA Monitoring, 'Freight Pressures Remain on Kenyan Horticultural Exporters with Covid Clouds Still Loom Over the Sector' October 2020,

<sup>4</sup>TradingEconomics.com Consumer Price Index

<sup>5</sup>BBC, Tanzania President John Magufuli: The man who declared victory over coronavirus, November 2020

<sup>6</sup>Embassy of Ethiopia, London – Press Release 'Ethiopia declares State of Emergency to curb transmission of Coronavirus' 14 April 2020

<sup>7</sup>Mary-Ann Russon, BBC News, 'Coronavirus: How Africa's supply chains are evolving', 25 June 2020



