



Adjusting business models to sustain agri-food enterprises during COVID-19

Unlike foot and mouth disease, the avian flu, e-coli or listeria, the COVID-19 pandemic has not spread directly through livestock or agriculture commodities, and has therefore not directly disrupted on-farm production. However, the crisis is undermining the ability of farms and agri-enterprises to ensure consistent supplies of food to markets due to enforced closures, labour shortages resulting from illness, and slowdowns in operations caused by physical distancing and lockdowns. All of these circumstances are compromising the ability of agri-enterprises to continue business as usual and, in certain cases, are threatening the survival of some firms beyond the crisis, notably small businesses consisting of farm enterprises, traders, food manufacturers, distributors and retailers across food chains.

The recommendations below emphasize the critical role that these companies play in maintaining functioning food systems during the crisis, as well as the important entry points they provide for sustainable transformation over the long term. In addition to ensuring their continued role in adding value to food and providing off-farm employment to rural and urban people, the recommendations also acknowledge the part that small and large enterprises play in the communities where they operate, and their potential contribution to a community-based response to COVID-19.

The recommendations target a mix of ministries (agriculture, health, trade and infrastructure), public institutions (food marketing, enterprise development boards), food industry associations (farmer cooperatives, food manufactures associations), associations representing small and medium-sized enterprises (SMEs), local business service providers, non-governmental organizations (NGOs) and chambers of commerce. Depending on the country context and institutional capacity, roles and inputs will vary across countries. However, to ensure that measures make sense for the targeted enterprises, the aim overall is to work as cross-institutionally as possible and in close consultation with associations representing the food industry.

Recommendations are structured around the components that agri-enterprises need to manage on a day-to-day basis, namely: **strategic management and partnerships** to leverage collective support; **management of financial resources**, including liquidity/cash, assets and credit on a daily, weekly and monthly basis; **human resources**, which refer to the staff and people the company depends on to get the job done; and, **marketing and sales**, which addresses how a company targets and communicates with its customers during the crisis.

STRATEGIC MANAGEMENT AND PARTNERSHIPS WITH COMPETITORS

Given that the extent of the COVID-19 outbreak is uncertain, agri-businesses have already begun to modify their business models. They have identified an urgent need to implement deviations to their business-as-usual approach, for instance, through business scenario planning, alternative input sourcing channels, increased focus on inventory management, staggered investment plans, reviews of staff occupational health and safety practices, and human resource planning in the face of increased demand or absenteeism. Recommendations to consider include the following:

- **Develop scenario analysis based on epidemiological and macro-economic outlooks, which companies can use to communicate with staff on the various trajectories enterprises might take.** The dissemination of national and regional COVID-19 communication tools, such as the Africa Union COVID-19 dashboard (AU, 2020), helps businesses remain informed regarding the extent of the crisis, and cross-analyse data with macro-economic predictions for the agri-food sector. These inputs help enterprises develop scenario plans to facilitate communication with staff about the likely impact of the crisis on the company and human resources needs. Transparent communication will enhance understanding and trust among staff if, or when, hard decisions need to be made.
- **Support collaboration in the pre-competitive space.** Actions to reinforce bargaining power on collective orders are more important than ever. These include reaching out to firms facing the same challenges, such as with importing packaging or ingredients. In the absence of functioning associations, collaboration can be supported by connecting firms with the same needs for bulk services. This strategy assumes greater importance in countries where getting food to buyers and markets is a challenge due to weak infrastructure.
- **Use the crisis as an impetus to strengthen the institutional capacity of associations representing small agri-enterprises.** Farm enterprises can typically depend on the assistance of farmer cooperatives, both formal and informal. However, other firms in the sector are often less organized. In Kenya, for instance, where the dusk-to-dawn curfew has resulted in backlogs at ports, food transporters have relied on the CEO of the Kenya Transporters Association, Dennis Ombok, to call on the government to devise a fast-track system for essential food and agriculture inputs being held up at police checkpoints (Bloomberg, 2020).
- **Accelerate national digitalization plans for the agri-food sector based on cross-sectoral dialogues between institutions responsible for information and communication technology (ICT) infrastructure, trade and agriculture.** The proliferation of mobile money and contactless financial services has assumed increasing importance for sustaining various types of agribusinesses, while reducing face-to-face contact. E-food and e-agribusiness have experienced a boom since the onset of COVID-19. For example, the Hugo food delivery app, launched in 2016 in Central America and the Caribbean, has reported a multi-fold increase in business and job creation among young people (elsalvador.com, 2020). Since the lockdown, across the region restaurants and retailers have been turning to food delivery apps to keep supplying customers, including the elderly and vulnerable groups.

MAINTAINING LIQUIDITY AND CASH FLOW TO SURVIVE

For small enterprises facing closure, or the loss of clients in the food services sector, the most pressing need is ensuring short-term cash flow and liquidity. A small enterprise's ability to manage cash outflow and inflows from procurement to sales is critical to its survival, above all during a crisis. The consequences of disruption in international food chains will also provoke

cash-flow problems for large domestic companies, with implications for downstream liquidity. Recommendations to consider include the following:

- **Customize financial stimulus packages to the needs of agri-enterprises, encompassing joined-up cross-sectoral thinking and a communication strategy to support accurate targeting.** Many countries are designing creative packages with measures customized to the agri-food sector, as well as small enterprises. In Singapore, for instance, food and beverage firms will receive a 50 percent wage offset for employees and exemptions from property tax for the remainder of the year (*The Straits Times*, 2020). The inclusion of inputs from an array of partners, such as commercial and development banks, ministries of finance, trade, agriculture, chambers of commerce, development partners, large domestic food companies and representatives of SME associations, is key to ensuring that tools are customized to the needs of recipients. Recommended tools in the literature include private-sector liquidity funds, grants, guarantee funds, credit holidays, loans and debt for equity swaps (*Financial Times*, 2020a). It is also crucial that small businesses know quickly where to turn and what to do. A McKinsey brief recommends that civil service staff be recommissioned to manage fiscal hotlines that provide small enterprises with quick access to information (McKinsey & Company, 2020).
- **Consider conditionality criteria for financial support to businesses to promote the achievement of the Sustainable Development Goals (SDGs).** Germany's Environment Minister, Svenja Schulze, remarked that any COVID-19 recovery package should be based on the goal of "creating an economy that completely rests on renewable energy sources" (*Climate Home News*, 2020). For example, financial measures aimed at enabling companies to pay unemployment benefits in the short term could be linked to commitments for the adoption of energy efficient technology and/or staff training on practices that reduce agri-enterprises' carbon footprints.
- **Ensure that large food companies accelerate payments back to small companies.** In normal circumstances, small firms might wait up to three months or more for payments, delays which during the current period can threaten a company's survival. A number of international food companies, such as Unilever, have recognized and worked to address the needs of small companies in their supply chains. Such examples show how actors can collaborate to maintain liquidity along food chains (Unilever, 2020).

RETAINING TALENT AND EXPERIENCE BEYOND THE CRISIS

The prerogative of any enterprise is to ensure that its staff and employees contribute to the best of their abilities to the firm's mandate and vision. Many small companies in developing countries will, if formally registered, have a mix of staff under contract who are able to access public health insurance, and informal employees who cannot avail themselves of paid sick leave or health services. In this regard, employees' health and safety is paramount. Recommendations to consider include the following:

- **Ensure that firms apply decent employment conditions that place the protection of workers' health and safety over company pressures to satisfy immediate market demand.** Increasing risk of contagion within the firm will place the long-term business model at risk by depleting in-house knowledge and expertise, while also creating a further burden on the health system. Government decrees can compel firms to apply good health and safety practices to keep staff as safe as possible. A lack of protective masks and gloves may require improvisation and the recycling of materials to stay safe. Physical distancing could be facilitated with the introduction of shifts and staggering different activities to reduce the need for contact between workers.

- **Encourage creativity to reduce face-to-face business, by reallocating staff to different functions.** Staff usually allocated to sales at the factory gate may now be reassigned to cope with an increase in orders over the phone or to work as drivers to enable door-to-door deliveries or collections for agricultural inputs or commodities. Food delivery apps have become an important survival tool for food services enterprises, especially in countries that allow take-away and delivery food services to operate. For instance, in Malaysia the definition of “key workers” has been extended to include food delivery workers, allowing consumers to continue to order food online during the crisis (This Week in Asia, 2020).

DEMONSTRATING THE SOCIAL ROLE OF AGRI-FOOD ENTERPRISES IN THE COMMUNITY

Businesses, large and small, across the agri-food sector need to demonstrate to the communities in which they operate, as well as to governments, that they are effective partners in efforts to combat the COVID-19 pandemic and its critical humanitarian repercussions. Recommendations to consider, which can be supported by public institutions or directly initiated by businesses, include the following:

- **Communicate to food enterprises the importance of retaining near-to-normal prices, in order to protect food markets over the long term.** During these unpredictable times, it is tempting for food traders, processors and retailers to capitalize on people’s fear by increasing prices for essential food. However, interviews with Australian farm enterprises, for example, have revealed that while farmers are currently benefiting from panic buying, it is understood that the impending economic downturn will result in leaner times in the near future (*Financial Times*, 2020b).
- **Request food retailers to use their premises to remind customers about good hygiene practices recommended by the World Health Organization (WHO).** Staggering entry times and numbers of customers per square metre, and providing hand-sanitizer at shop entries and exits, and measured metric distances, are common practices in food retailers across the world that can be emulated.
- **Encourage popular food brands to use their marketing campaigns to remind people that food production is continuing, and ask them to refrain from stockpiling, which leads to unnecessary food waste.** For example, the CEO of the Tuskys supermarket chain in Kenya, Dan Githua, was reported as saying that “we wish to assure the public that the panic is unnecessary ... we shall continue receiving the necessary supplies at the standard prices” (*The EastAfrican*, 2020).
- **Support the dissemination of creative messages of solidarity with farmers and small food processors via billboard, radio and TV advertisement campaigns to raise morale.** One such example is that of ShopRite, Africa’s largest food retailer, with shops across 15 countries in the sub-Saharan Africa, which in addition to launching a “Stop the Virus” campaign is offering a range of services to the most vulnerable (Shoprite Holdings Ltd., 2020).
- **Highlight the goodwill gestures of companies to demonstrate the role of business during the crisis.** Many companies are prioritizing and/or donating food products which are in high demand among vulnerable groups, hospitals and social programmes, in collaboration with local NGOs and authorities. The #FoodHeroes campaign in Europe is an example of how food companies, with the help of marketing boards and chambers of commerce, can demonstrate their crucial role in combating the pandemic (FoodDrinkEurope, 2020).

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