



AFRICAN AGRICULTURAL SUPPLY CHAINS IN TIMES OF CRISES

Emerging Impacts of COVID-19 & Desert Locust

Partner Insights from Mercy Corps AgriFin and FtMA Webinar: 22 April 2020

Context

Africa has an estimated 33 million smallholder farmers who play a significant role in ensuring food security in the region; they provide food for over 70% of the population. In Sub-Saharan Africa, smallholder agriculture provides employment for over 60% of the population and contributes significantly to the GDP (~23%)¹. However, agricultural supply chains in Africa are fragmented and performing below their potential to provide a social and economic upside.

The disruptions from the COVID-19 pandemic and the anticipated second wave of Desert Locusts will put significant pressure on an already weak agriculture and food system, potentially resulting in not only a health crisis in the region, but also a food security crisis driven by both issues of food access and food availability. With COVID-19 spreading quickly, food supply chains are predicted to experience the consequences of this crisis widely but also unevenly. The impact of the ongoing desert locust infestations will affect East Africa to an unprecedented degree over the coming weeks, further straining food systems and exacerbating the daily challenges faced by all actors in the agricultural space.

In light of these crises, Mercy Corps AgriFin and the Farm to Market Alliance (FtMA) hosted a webinar with their key partners to understand the specific issues faced within food supply chains whilst also understanding potential partnership opportunities and synergies that can emerge.

Objectives

This document captures key insights from the webinar sources from a broad range of panelists around the following thematic areas:

- (1) Impact of the COVID-19 Pandemic;
- (2) Impact of the Desert Locust Emergency;
- (3) Opportunities presented by COVID-19 and Desert Locust Emergencies;
- (4) Where do we go from here?

¹ <https://www.mckinsey.com/industries/agriculture/our-insights/winning-in-africas-agricultural-market>

(1) Impact of COVID-19 Pandemic

The outbreak of COVID-19 has destabilized global health systems as well as social, political, financial, and economic systems. The pandemic is disrupting agricultural value chains, food systems, and posing a threat to household food security. Amongst our partners in Sub-Saharan Africa, we are seeing the following key challenges:

Challenge (1): Disrupted logistics has impacted movements of goods and people, and limited access to markets

- The biggest challenges affecting all stakeholders across the entire agriculture value chain are the restrictions placed on movement between cities, time curfews, and border closures. As a result, access to inputs, equipment, and other supplies is becoming increasingly impacted.

“There are delays of deliveries because it’s taking longer to get port clearance and because of the curfew. For example, we had a shortage of DAP fertilizer in Mombasa. Goods that took 1 day to transport now take 3 days!”

- Input supplier, Kenya

“There is an increased demand for irrigation equipment because farmers want to be independent and not rely on government subsidies. However, we can’t meet this demand because our shipment is stuck at the port because priority is given to medical supplies.”

- Solar-powered irrigation provider, Kenya

- Travel restrictions have limited access to both domestic and export markets. In domestic markets, there is reduced foot traffic either due to fear of contagion by being in crowded spaces or reduced purchasing power as a result of disruption to income-earning activities. Locally, we are seeing reduced visits to open air markets and reluctance to purchase produce that is believed to be contaminated. Consequently, significant food waste is being generated.

“To control inventory level, sourcing cycles moved from 1 month to 2 weeks because they might end up holding more stock than they can sell...”

- Input supplier, Kenya

“We are seeing increased demand through our Farmer Service Centres to manage product aggregation as access to markets becomes more challenging with the restrictions on movement”

- FtMA, Kenya

- Social distancing has resulted in a rapid deterioration in rural labor markets and is putting a strain on farmers who primarily rely on seasonal labourers to plant. We expect that this could impact food production, and subsequently market prices.

Challenge (2): Reduced liquidity and working capital for businesses that can no longer access trade financing from suppliers or settle their accounts receivables

- Decreased lending through formal and informal channels has resulted in a liquidity crunch / limited working capital for businesses. Suppliers who typically provide alternative financing for businesses are no longer extending the same credit terms.

“We used to provide inventory to our agro-dealers on credit because we had favorable terms from our suppliers. Our suppliers have now reduced credit terms and we also cannot

extend credit to our agro-dealer network ”

- Input supplier, Kenya

“Collections [on outstanding loans] are low, hence we’ve stopped our pay-as-you-go options right now which means we are also selling less [irrigation kits] than before”

- Solar-powered irrigation provider, Kenya

Challenge (3): Limited access to extension services due to restrictions in movement and gatherings

- Misinformation or lack of widely available information about COVID-19, its prevention and management, is creating anxiety amongst communities.

“Families are extremely worried: will their children get sick? Can they trust the information they receive? Where are they going to get their livelihoods?”

- Arifu, Kenya

- Social distancing rules and wider restrictions on movement make it almost impossible to deliver and administer extension services to farmer groups in person, all partners discussed the benefit of, where possible, adapting operations to become digital and putting in place tighter communication channels, to ensure minimal disruption.

Challenge (4): Significant reduction in household incomes, especially in the informal sector

- The partial lockdown, curfew, and social distancing requirements have resulted in a reduction in household income, coupled with a hike in costs of essentials like food and transport. The price of staple foods, for example, are higher than normal due to disruptions in supply especially in urban areas².

“[In Northern Kenya], livestock markets are shut down; this has severely impacted household incomes ”

- iNGO, Kenya

Challenge (5): Decline in financial health due to use of savings and insurance will impact farmers’ ability to cope with shocks

- Reduced purchasing power has resulted in farmers deprioritizing financial products such as savings and insurance in order to meet immediate family needs, especially as the flow of remittances from urban areas and overseas slows down.
- As farmers often rely on savings to finance their agriculture activities, we expect their productivity to also decline as their ability to continue saving has been impacted.
- Several factors affect the ability to provide insurance for farmers: (i) farmers have deprioritized insurance as they are faced with other more immediate household demands; (ii) service providers have put a cap on some insurance like locust covers given the current high risk climate; (iii) the restriction of movement has limited the ability of field officers to register farmers for insurance or carry out claim adjustment activities such as crop cuts.

“We are seeing a contracted demand for finance and the supply side for finance is also become risk averse”

- Financial Think Tank, Kenya

² <https://reliefweb.int/report/kenya/kenya-key-message-update-impacts-covid-19-pose-significant-risk-household-health-and>

(2) Impact of the Desert Locust Emergency

According to the FAO, the Desert Locust is considered the most dangerous migratory pest species in the world and threatens livelihoods and food security. Locust damage contributes significantly to crop production losses affecting immediate food availability and long term food security. Depletion of pasture will also affect the livelihood of communities that are dependent on livestock. Although the outbreak affects production, the effects are felt both upstream and downstream in the agricultural chain. The compounded effects of desert locust and COVID-19 are particularly devastating for farmers and traps them in a cycle of risk and uncertainty.

Food security

- News media predict insurmountable losses of food and vegetation by swarms of locusts, diminishing the food available to both humans and animals in the immediate future as a result of the failure to control locust at their source.
- The severity and unexpected nature of the present locust attack has exacerbated the daily challenges farmers face in an already unstable climate. Access to information to locust-management interventions such as applying slow-releasing granules to combat the locusts is largely unavailable to farmers. They also don't readily have access to equipment such as boom sprayers, and have to wait for government intervention which can sometimes be delayed.

Reduced ability of farmers to cope with shocks

- COVID-19 and the locust invasion in tandem increase the vulnerability of smallholders to future shocks.
- Infiltration of Desert Locusts has increased the level of risk in farming insurance. Insurers require farmers to demonstrate best practice in locust control to be eligible for insurance and movement restrictions are making this difficult; leaving farmers vulnerable to losses on the already limited financing for crop production.

(3) Opportunities presented by COVID-19 and Desert Locust Emergencies

COVID-19 and the Desert Locust emergencies present a significant challenge on African agricultural supply chains, and consequently a threat to future food security. However, there are opportunities that can be leveraged to mitigate some of these challenges and develop innovative mechanisms for coping:

Opportunity (1): Growing need of omni-channel digital platforms to communicate with farmers

- The unprecedented COVID-19 and Desert Locust emergencies acting in parallel present unique challenges and losses to farmers as they try to make a living. These challenges bring about newfound appreciation for extension services from partner organizations. There is a need to explore omni-channel digital platforms (SMS, WhatsApp, other applications) to disseminate accurate information in a timely and accessible manner. Members of the agricultural community which were previously SMS-averse will have to embrace SMS communication for information sharing, as it evolves to become the main mode for fast, detailed and far reaching communication amongst target groups.

"We are seeing an increase in SMS communications across our platform. We are also using social media platforms to get our partners to empower their own staff to deliver

messaging to their communities regarding coronavirus".

- Aggregator, Kenya

"We have set up a WhatsApp for Business hotline for our partners to help us collect data on the ground which be processed and used for monitoring and detection of the Desert Locust in order to inform more targeted interventions, such as cash transfers"

- Mercy Corps AgriFin & Mediae, Kenya

Opportunity (2): Increase in aggregation of produce due to limited access to markets can lead to formalization of value chains which have traditionally been unstructured

- Aggregation and Farmer Service Centres now support larger farmer numbers given the restrictions in movement, especially to market places.
- Leveraging local transport infrastructure is a valuable means of ensuring aggregated produce reaches markets whilst also providing employment opportunities for boda bodas that would likely otherwise be out of work.

"For the farmers we are working with, there is no gap in terms of market access since our Farmer Service Centers are playing a bigger role in market aggregation and we are seeing more appreciation from farmers. We have partnered with a local network of transport providers like boda bodas and tuk tuk owners which gives continuity of activity on the ground"

- FtMA, Kenya

Opportunity (3): Increase in digital transactions presents an opportunity to expand the suite of digital products and services that farmers can access

- As all players in the agricultural supply chain are bound to COVID-19 directives surrounding social distancing and restrictions in movement, digital transactions should be utilized to allow for the continuation of transactions amongst industry players. An increase in digital transactions also prompts further innovations in the digital space.

Opportunity (4): Agri-business will require friendlier financing to support their businesses

- Agri-businesses, especially SMEs, will increasingly require funding (such as concessionary financing and/or emergency first loss facilities) to meet their working capital requirements in order to continue providing products and services for smallholder farmers. The extension of financial support to SMEs by FinTechs would help reduce liquidity risks and therefore help ensure the sustained functioning of crop value chains.

(4) Where do we go from here?

As agri-businesses and farmers struggle to adapt and manage the challenges brought about by the COVID-19 pandemic and Desert Locust invasion, the AgriFin program and FtMA are keen to work with partners to (i) identify ways in which organizations can use technology to continue providing the necessary products and services to farmers; (ii) design and launch innovative product offerings that are responsive to current needs; (iii) form flexible new partnerships that lead to systemic changes that address the needs of farmers holistically whilst creating value for service providers (iv) improve supply chain practices to reduce food loss and scale new business models for producer-market connections.

Mercy Corps AgriFin Program

[Mercy Corps' AgriFin Program](#) is leveraging the power, convenience, and prevalence of mobile phones to help smallholder farmers boost their harvests and incomes. The program employs a market facilitation model to drive scalable, commercial product innovation for smallholder farmers with agricultural ecosystem partners; these partners include mobile network operators, financial institutions, farmer networks, technology innovators, agriculture value chain players, government and other key market stakeholders.

To-date, AgriFin has worked with over 100 partners to reach more than 5.5 million smallholder farmers with a range of bundled digital products and services across eight countries: Ethiopia, Kenya, Indonesia, Nigeria, Tanzania, Uganda, Zambia, and Zimbabwe.

Farm to Market Alliance

[The Farm to Market Alliance](#) works through partnerships with a range of value chain actors to overcome existing bottlenecks in smallholder value chains and enable sustainable food systems through a holistic, demand-led approach which aims to empower smallholders to increase their yields, incomes and resilience. FtMA Kenya identifies and develops inclusive Farmer Service Centres (FSCs) in the farming communities which work to bridge the last mile gaps between smallholders and private sector players whilst acting as hubs of agricultural-know-how and gaining commissions in doing so. FtMA as an 'end-to-end' market solution works with private sector businesses across a range of sectors such as finance, markets, productivity and mechanisation as well as governments and farmers. To-date, FtMA Kenya has reached 45,500 smallholders across 12 counties of operation and 4 key value chains, partnering with 60+ local players.