

AGRIFIN ACCELERATE

WHAT IMPACTS ARE WE SEEING ON AGRO-DEALER BUSINESSES IN KENYA UNDER COVID-19?

Snapshot Report

JULY 2020



AGRIFIN

OUTLINE OF TOPICS

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- 03** Business Situation & Findings
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INTRODUCTION

ABOUT AGRIFIN

Mercy Corps' AgriFin programming (MCAF) represents USD 35 million in innovation funding from the Mastercard Foundation, Bill and Melinda Gates Foundation and the Swiss Development Corporation to support development, testing and scale of digitally-enabled services to more than 3 million smallholders by 2021.

- Our objective is to develop sustainable services that increase farmer income and productivity by 50%, with 50% outreach to women and youth
- MCAF works as an innovation partner with private sector scale partners and such as banks, mobile network operators, agribusinesses, as well as technology innovators and governments committed to serving smallholders at scale
- We help our partners develop, prototype and scale bundles of digitally-enabled financial and non-financial services supporting partnership development between market actors that leverage their strengths
- We combine MCAF team expertise with strategic subsidy to jointly implement iterative, fail-fast engagements with partners on a cost-share basis, sharing public learnings to drive market ecosystem growth
- Since 2012, we have completed more than 150 engagements with over 70 partners
- Currently, our work reaches more than 2.8 million smallholders



PROJECT CONTEXT



BACKGROUND

Mercy Corps, through its AgriFin Accelerate (AFA) and AgriFin Digital Farmer (ADF) programs, have always maintained a strong level of focus on supporting engagements that reach youth farmers, clearly identifying existing and potential opportunities for job creation in the agriculture and agri-finance sectors. This case study focuses on the following areas:

- General COVID-19 situation in Kenya
- General agro-business outlook amid the pandemic
- Effects of the pandemic on agro-business revenues, employees and business continuity plans
- Business continuity
- Solutions for agro-dealers

APPROACH

Supported by AgriFin, Ipsos-Kenya gathered insights from agro-dealers through surveys and interviews in June 2020.

- 334 surveys and interviews involving agro-dealers across Kenya were conducted
- Ipsos conducted a desk-analysis of the data gathered

It is, however, important to note that agro-dealers' insights keep changing depending on COVID-19 situation. The following are the limitations of the study:

- Information came from only 334 agro-dealers across the country and therefore not fully representative.

There are notable other studies showing complementary findings to the Ipsos report, specifically the 60 Decibels Dashboard and Precision Agriculture for Development (PAD) survey study.

EXECUTIVE SUMMARY



EXECUTIVE SUMMARY

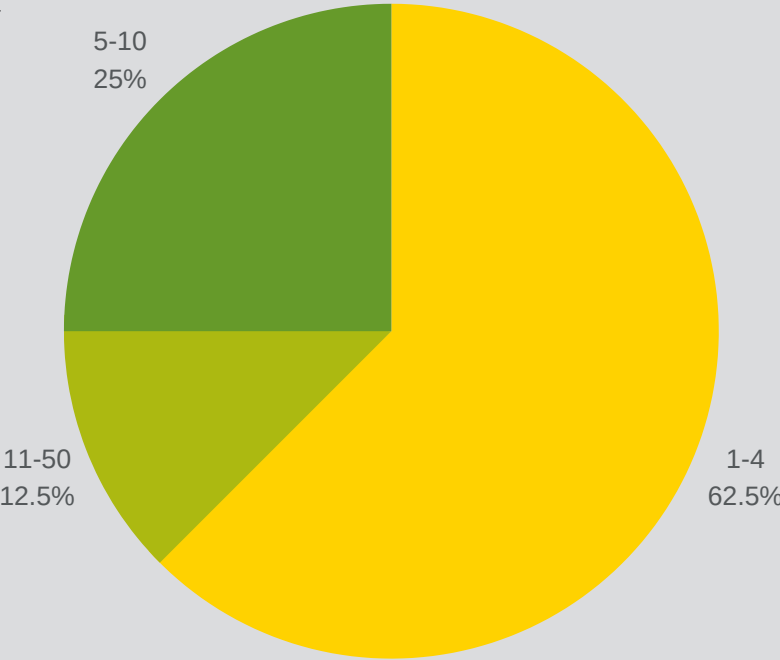
What impacts are we seeing on agro-dealer businesses in Kenya during COVID-19?

The COVID-19 pandemic has disrupted social-economic activities across the world. The business of growing food and moving them to markets has become increasingly difficult. Slowdowns in financial markets, curfews, and social distancing affecting mobility, and disrupting supply and decision-making across agricultural value chains, converge to challenge already strained systems. Supported by AgriFin, Ipsos-Kenya gathered insights from agro-dealers through surveys and interviews in June 2020. The research firm conducted a desk-analysis of the data gathered and came out with the following findings:

- Most of the businesses (93%) had a very positive outlook of the year ahead before the COVID-19 struck.
- 92% of them say COVID-19 has had a negative impact (high or low) on their businesses. Their revenue/cash flow has reduced immensely and the flow of customers has gone down.
- The agro-dealer businesses are distressed from the COVID-19 crisis, with a large portion experiencing a drop in business. There is a need to support these businesses to return back to normal business.
- The reduction in customer/farmer flow is mainly coming from a drop in incomes amongst farmers. There is a need to help farmers regain their financial standing.
- The agro-dealer case study is the first in a series of research projects on the effects of COVID-19 pandemic on businesses and the economy. Business outlook might change depending on the health situation in the country.

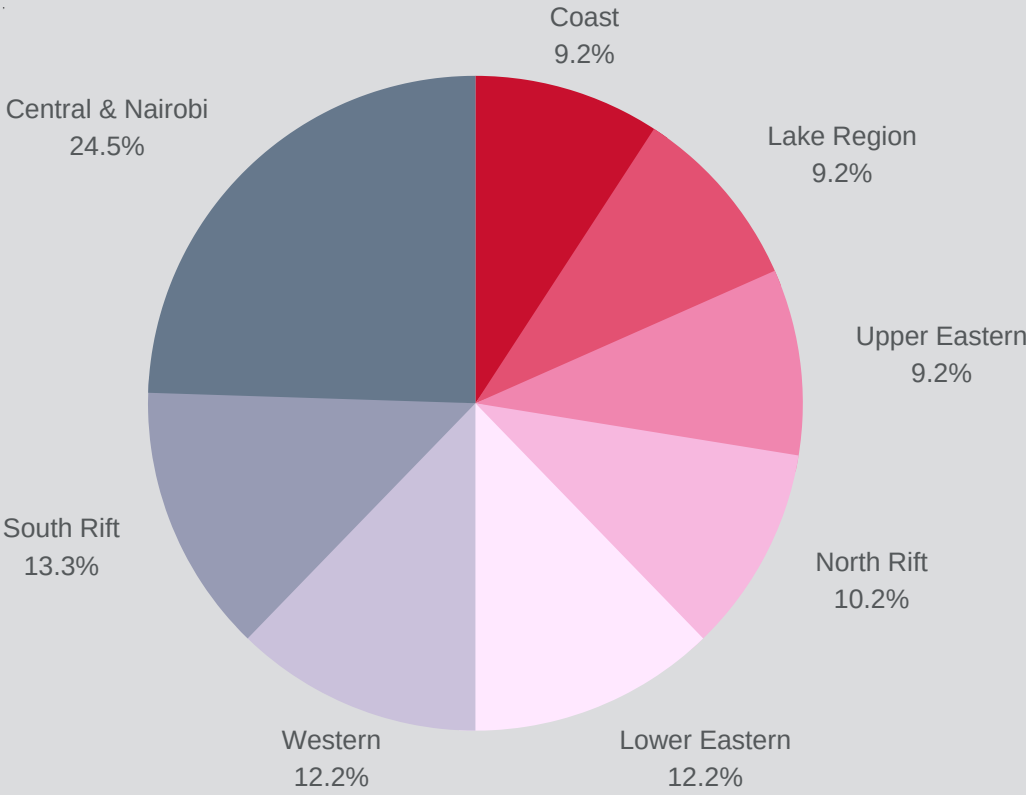
AGRO-DEALER INSIGHTS

AVERAGE # OF EMPLOYEES

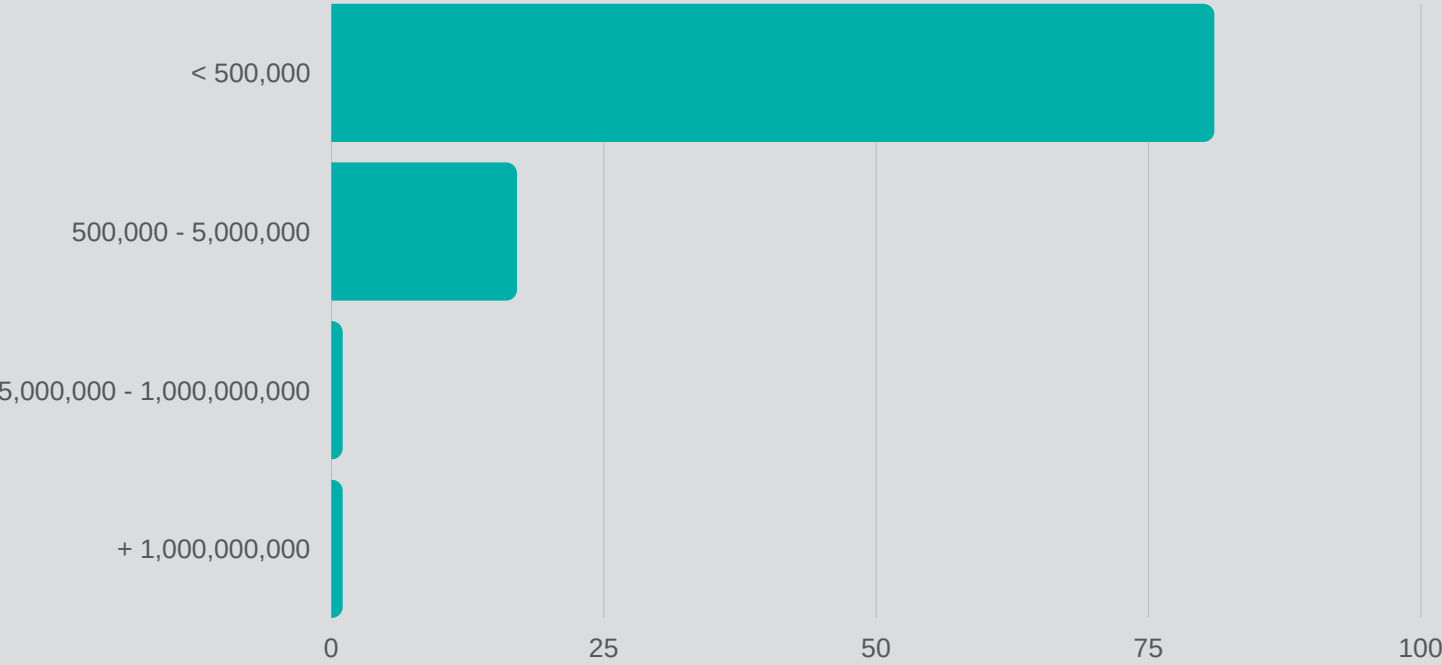


**93% OF ALL BUSINESSES
INTERVIEWED HAD
BETWEEN 1-4 EMPLOYEES**

REGION



ANNUAL TURNOVER (KES)



**81% OF AGRO-DEALER BUSINESSES
HAVE AN ANNUAL TURNOVER OF
LESS THAN KES500,000**

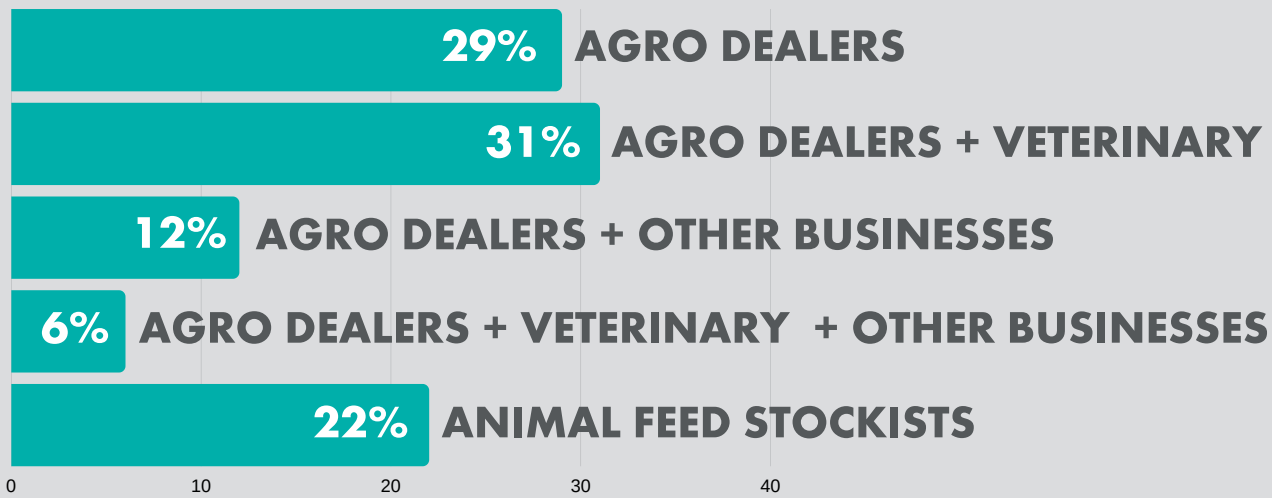
SOURCE: IPSOS

AGRO-DEALER INSIGHTS

Majority of the business outlets were agro dealer and veterinary (31%), western region leading in this categories. The coastal and central regions' main outlet types are agro dealer and animal feeds respectively.

OUTLET TYPE

N= 334



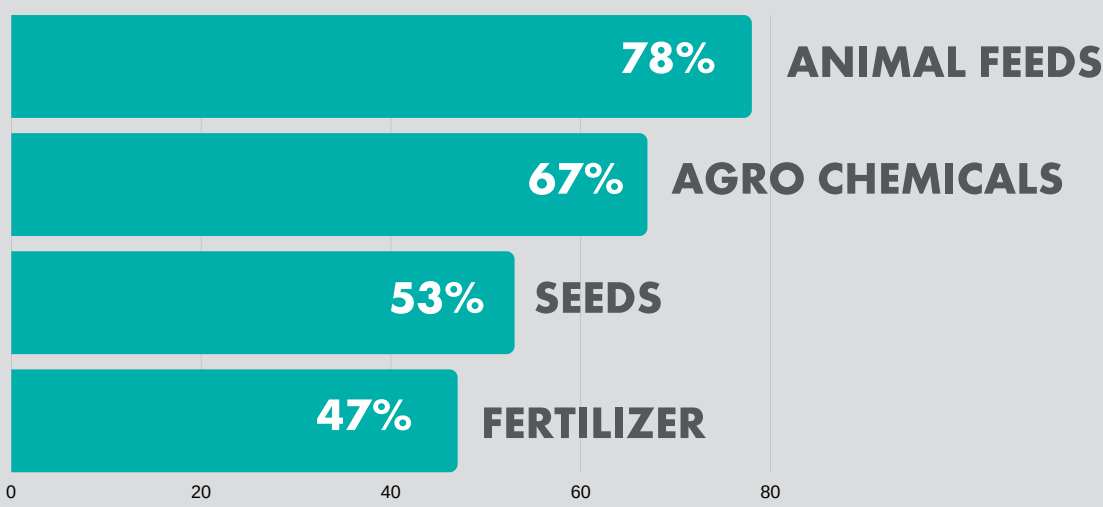
OUTLET BY REGION

	CENTRAL & NAIROBI	UPPER EASTERN	LOWER EASTERN	SOUTH RIFT	NORTH RIFT	WESTERN	LAKE REGION	COAST
BASE	81	31	40	45	35	40	31	31
AGRO DEALER + VET	22%	32%	35%	31%	26%	58%	32%	16%
AGRO DEALER	23%	26%	32%	31%	37%	28%	26%	39%
ANIMAL FEED STOCKISTS	40%	16%	8%	20%	17%	2%	26%	32%
AGRO DEALER + OTHER BUSINESSES	15%	23%	18%	7%	9%	5%	6%	10%
AGRO DEALER + VET + OTHER BUSINESSES	0%	3%	8%	11%	11%	8%	10%	3%

AGRO-DEALER INSIGHTS

Currently, animal feeds are the highest selling product especially in north rift region. Agro-chemicals sell mostly in Lower Eastern.

AGRO PRODUCT CURRENTLY SELLING



AGRO PRODUCT CURRENTLY SELLING BY REGION

	TOTAL	CENTRAL & NAIROBI	UPPER EASTERN	LOWER EASTERN	SOUTH RIFT	NORTH RIFT	WESTERN	LAKE REGION	COAST
BASE	334	81	31	40	45	35	40	31	31
ANIMAL FEEDS	78%	81%	74%	75%	71%	94%	78%	84%	68%
AGRO-CHEMICALS	67%	48%	65%	88%	78%	63%	82%	74%	52%
SEEDS	53%	27%	48%	75%	62%	51%	90%	65%	23%
FERTILIZER	47%	33%	61%	52%	56%	49%	70%	35%	26%

SOURCE: IPSOS

BUSINESS SITUATION & FINDINGS

GENERAL COVID-19 SITUATION OUTLOOK

- Most of the agro dealers are small businesses with a staff count of 1-5 employees with a turnover of less than KES500,000.
- Almost **half (49%) of these business owners think that COVID-19 is a negative situation**; this is most prominent in the South Rift region.
- **59% of the agro dealer think that the government is addressing the issue** in the best way however for those who do not think so (41%), they accuse the government of not giving them a stimulus package.
- Most of these business people **access COVID-19 information mainly from TV and radio**. Very close to these traditional channels is Facebook. Any agro player targeting these agro dealer businesses at this time can take advantage of using these communication channels to capture their attention.
- Almost **all these business people (99%) believe that COVID-19 has had a negative effect** on the economy because it has slowed down their businesses.

GENERAL BUSINESS OUTLOOK

- Most of the businesses (93%) had a very positive outlook of the year ahead before the COVID-19 struck.
- **92% of them say COVID-19 has had a negative impact (high or low) on their businesses.** Their revenue/cash flow has reduced immensely and the flow of customers has gone down.
- For those who say their businesses have had little or no impact **they have confidence that their businesses may not get affected in the near future.** They are monitoring the situation with plans.
- For those outlets that reported reduced flow of customers (66%) they say this is mainly being caused by reduced income amongst farmers.
- **33% of the outlets said they have a drop in demand** of agro products led by animal feeds and agro chemicals as per the businesses.
- 40% of the outlets say they have distribution products mainly for agro chemicals and animal feeds.

REVENUE EFFECTS

- There is a **drop of between 11-70% in cash flow/revenue for those whose reported dropped revenue (53%).** This drop is mainly caused by the reduced flow of customers and for those coming through there is a reduction in customer purchase per visit.

EMPLOYEE EFFECTS

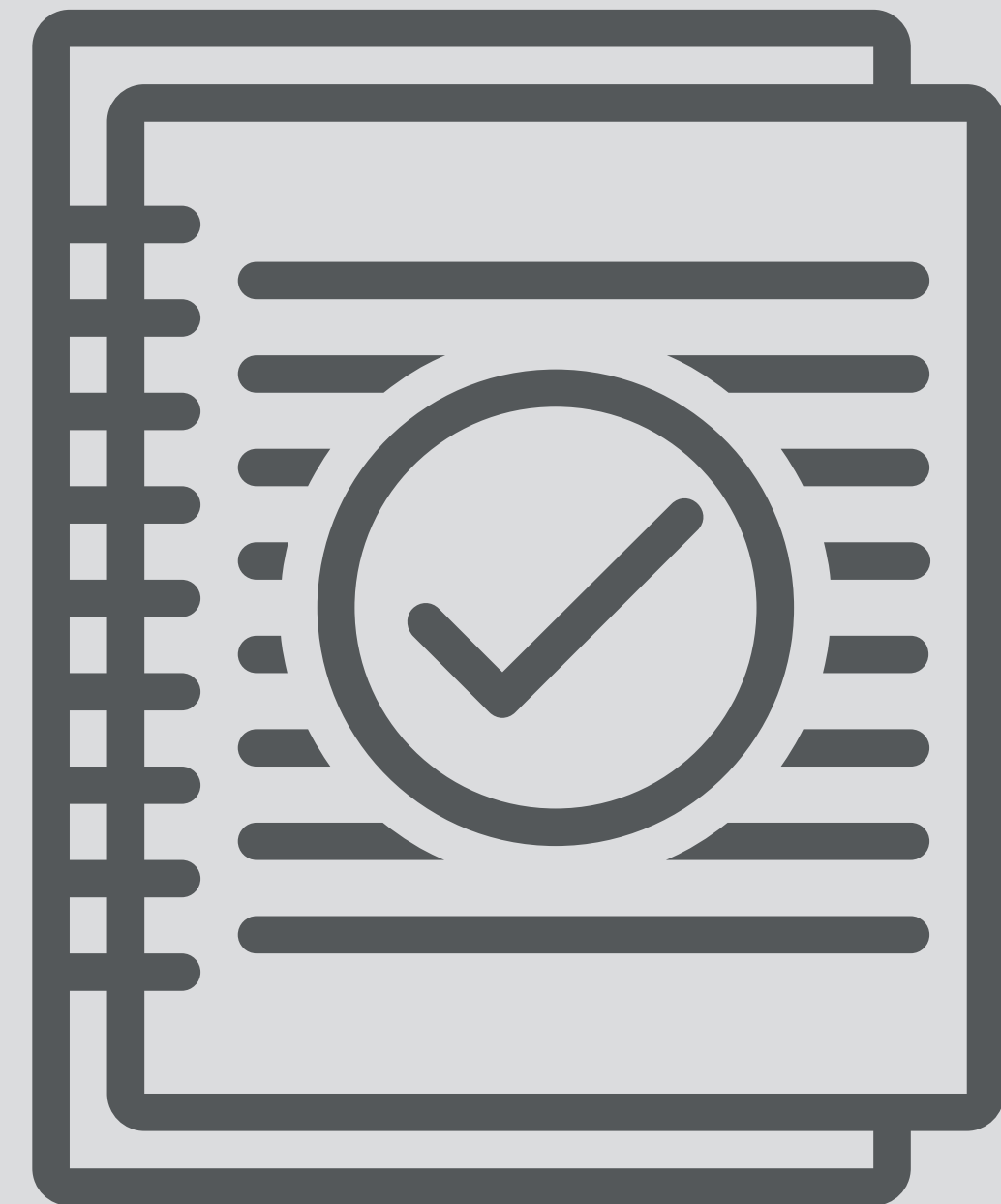
- **A quarter of the businesses (24%) have laid off their staff** from the COVID-19 effects, mainly in the Coast region. 42% of the businesses have not had any changes with their employees.
- **5% of the businesses believe that the future is going to be better.**

BUSINESS CONTINUITY

- **57% of the business say they have a continuity plan** during this crisis while 43% have no plan.
- **31% of the businesses have not put in place** any CV-19 preventive measures while 21% are looking for alternative supply sources of their products, and 19% have ensured the CV-19 measures of cleaning hands and wearing masks is being followed.
- **58% of the businesses interviewed have not seen any changes** in the business after the government's incentives on some agro products.
- Most organizations agree that access and cost of credit will help them reduce the pressure currently being experienced.
- **57% of the businesses state that access to cheaper credit** is what they need most to boost their businesses out of the crisis.

SUMMARY OF AGRO-DEALER FINDINGS

- The agro dealer businesses are distressed from the COVID-19 crisis, with a large portion experiencing drop in business. There is need to support these businesses return back to normal business.
- The reduction in customer/farmer flow is mainly coming from a drop in incomes amongst farmers. There is need to help farmers regain their financial standing.
- 43% of the businesses have no plan to face the crisis. Having no plan means that if the crisis progresses 43% of the agro dealers would risk total closure.
- Having no plan for pushing through the crisis is a great risk for the agricultural sector. There is need for the larger players to help these business' develop simple plans, and extend "friendly" credit facilities that would help these businesses sail through and post the business crisis.



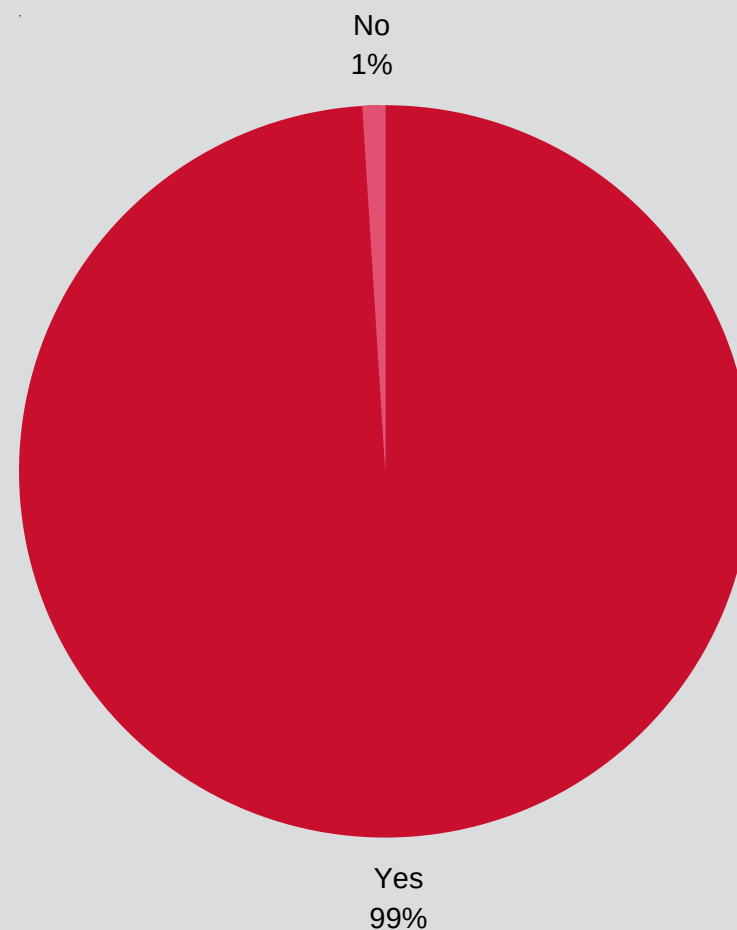
IMPACT OF COVID-19 ON AGRO-DEALERS

HAS COVID-19 AFFECTED THE KENYAN ECONOMY?

- 99% agree that Covid-19 has affected the Kenyan economy.
- Businesses have generally slowed down and many Kenyans have lost their jobs.
- Few businesses feel the low returns due low turnout of customers.

HAS COVID-19 AFFECTED THE KENYAN ECONOMY?

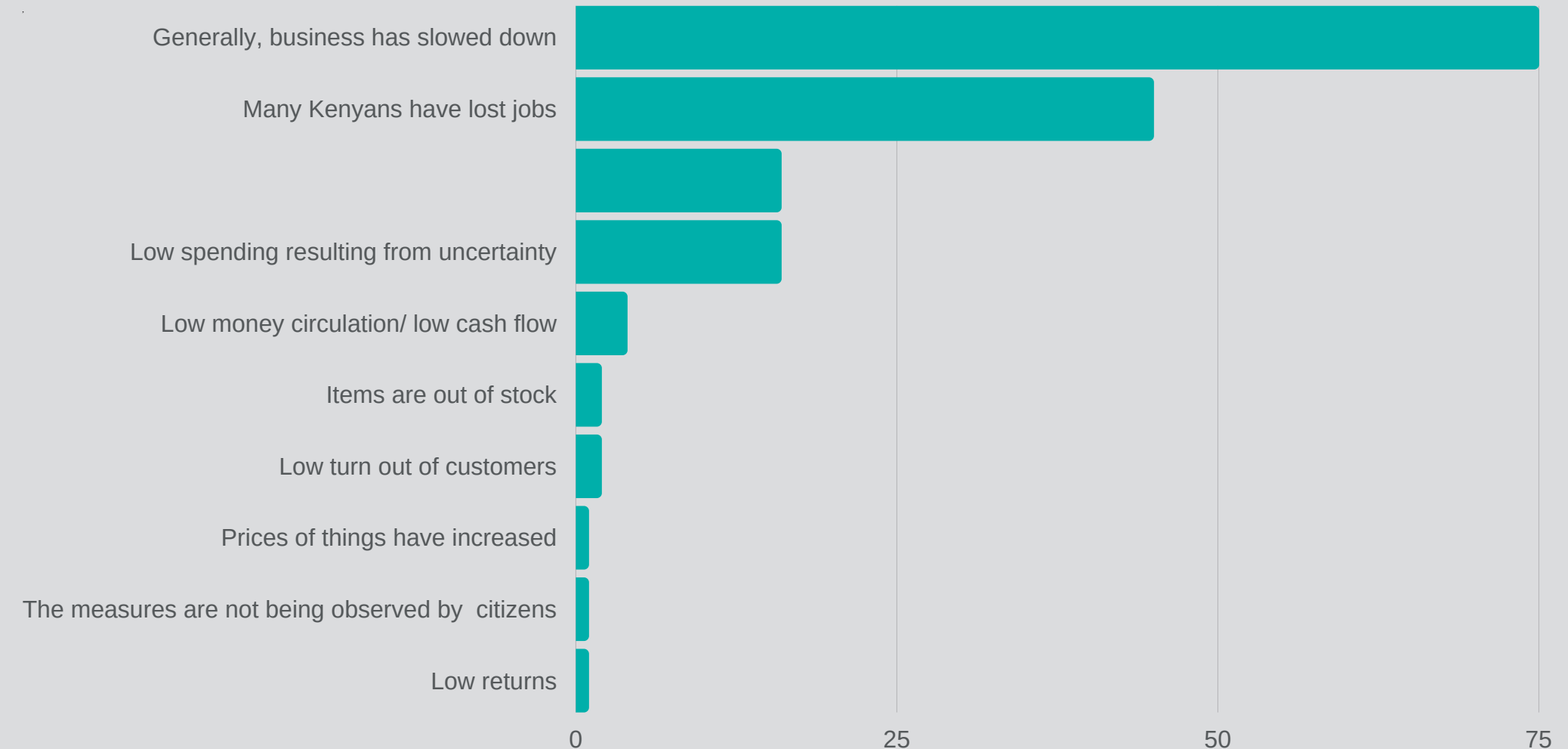
(N=334)



SOURCE: IPSOS

HOW HAS THE ECONOMY BEEN AFFECTED?

(N=332)



HAS COVID-19 AFFECTED THE KENYAN ECONOMY?

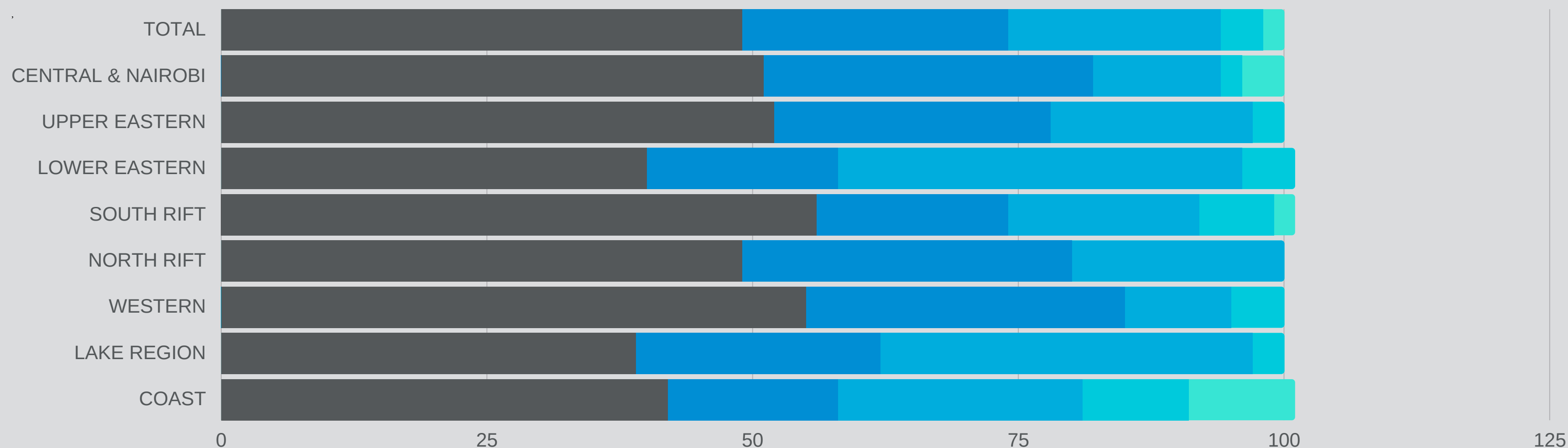
- *Central and Lake region experience the highest business slow down.*
- *South Rift and Western are affected by the public transport sector which in turn affects the businesses.*

	CENTRAL & NAIROBI	UPPER EASTERN	LOWER EASTERN	SOUTH RIFT	NORTH RIFT	WESTERN	LAKE REGION	COAST
BASE	81	31	39	44	35	40	31	31
GENERALLY, BUSINESS HAS SLOWED DOWN	80%	74%	79%	70%	69%	72%	81%	71%
MANY KENYANS HAVE LOST JOBS	40%	55%	56%	39%	46%	55%	48%	32%
THE PUBLIC TRANSPORT SECTOR HAS BEEN AFFECTED SLOWING DOWN BUSINESS	10%	13%	8%	27%	17%	25%	13%	16%
LOW SPENDING RESULTING FROM UNCERTAINTY	9%	19%	28%	18%	6%	28%	10%	13%
LOW MONEY CIRCULATION/ LOW CASH FLOW	7%	3%	3%	2%	3%	2%	6%	3%
ITEMS ARE OUT OF STOCK	0%	3%	3%	2%	0%	2%	0%	3%
LOW TURN OUT OF CUSTOMERS	2%	0%	3%	0%	0%	2%	0%	3%
PRICES OF THINGS HAVE INCREASED	1%	3%	0%	0%	0%	0%	0%	3%
THE MEASURES ARE NOT BEING OBSERVED BY CITIZENS	0%	0%	0%	0%	0%	0%	3%	3%
LOW RETURNS	0%	0%	0%	0%	3%	0%	0%	3%

SOURCE: IPSOS

49% OF BUSINESSES FEEL COVID-19 SITUATION IS NEGATIVE WITH SOUTH RIFT AND WESTERN EXPERIENCING THE MOST NEGATIVITY REGIONALLY

1 2 3 4 5 **Rated on a scale of 1-5 where 1 is considered very negative and 5 as very positive*

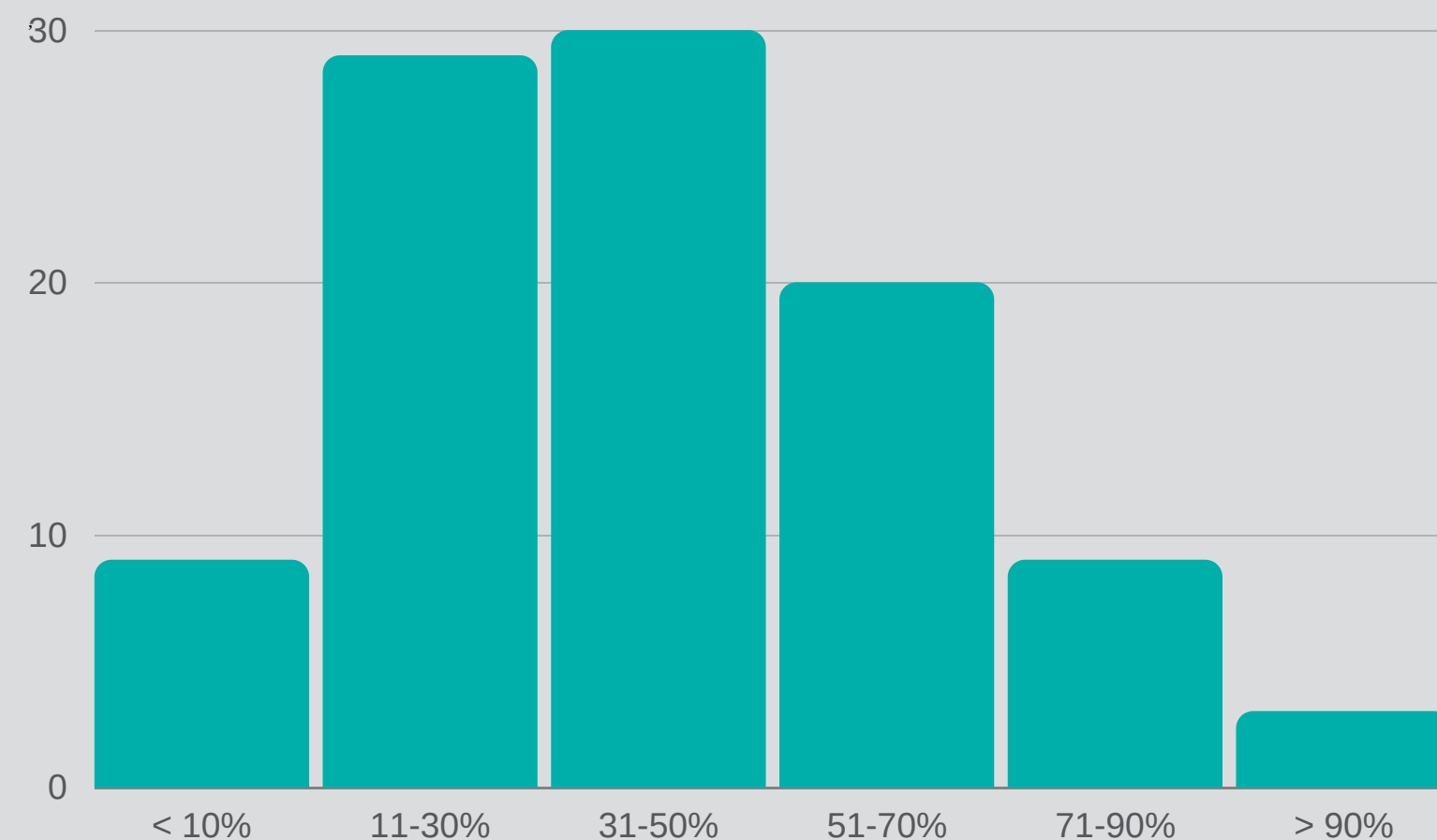


SOURCE: IPSOS

HOW HAVE REVENUES BEEN AFFECTED?

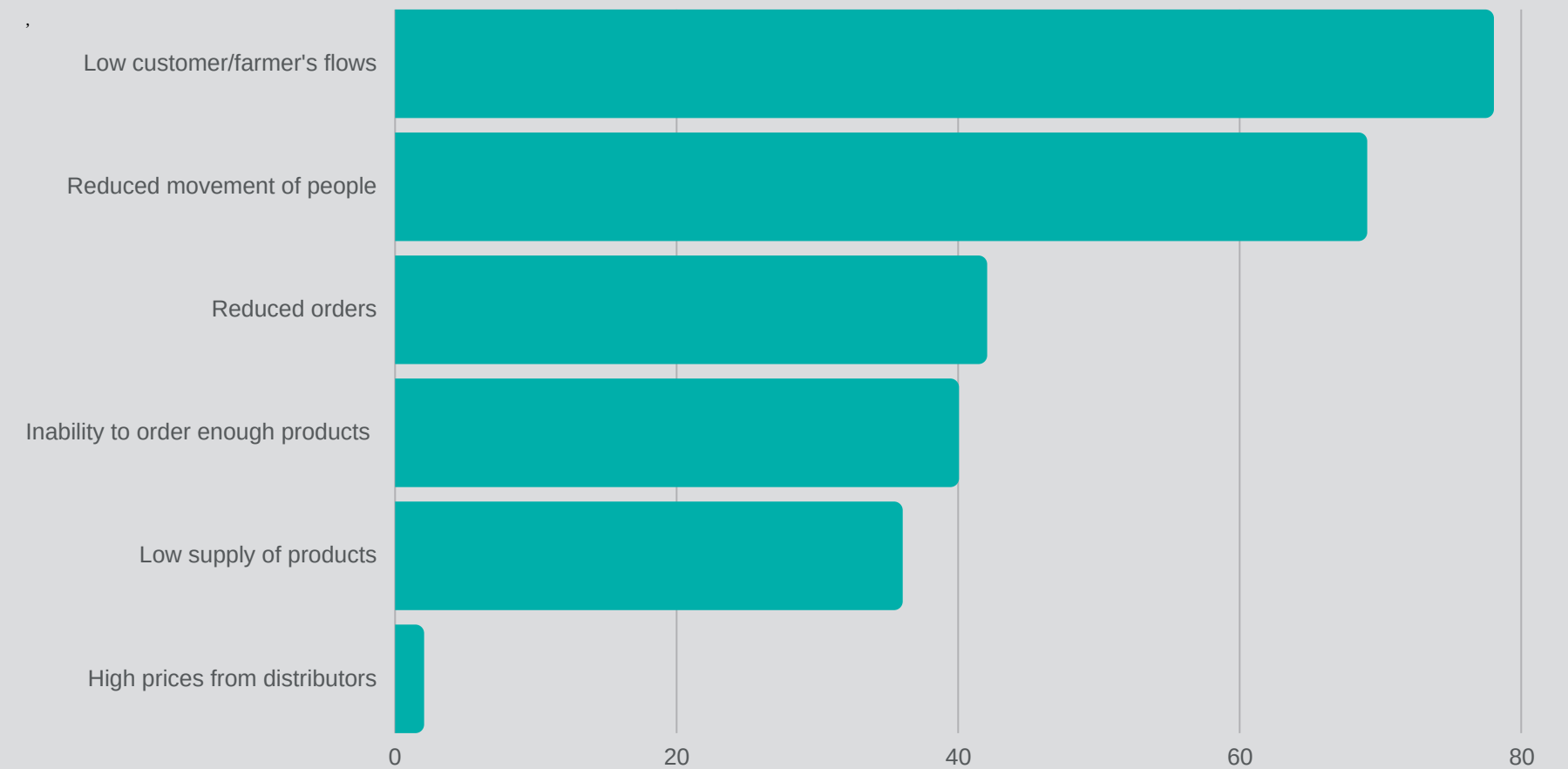
Businesses are feeling the pinch on revenue reductions following the pandemic, most businesses registering a dip of between 11-70%. Factors causing this dip are majorly reduced movement of people hence low customer flow. 53% of participants stated reduced revenue and cashflow.

REVENUE DECREASE (N=97)



SOURCE: IPSOS

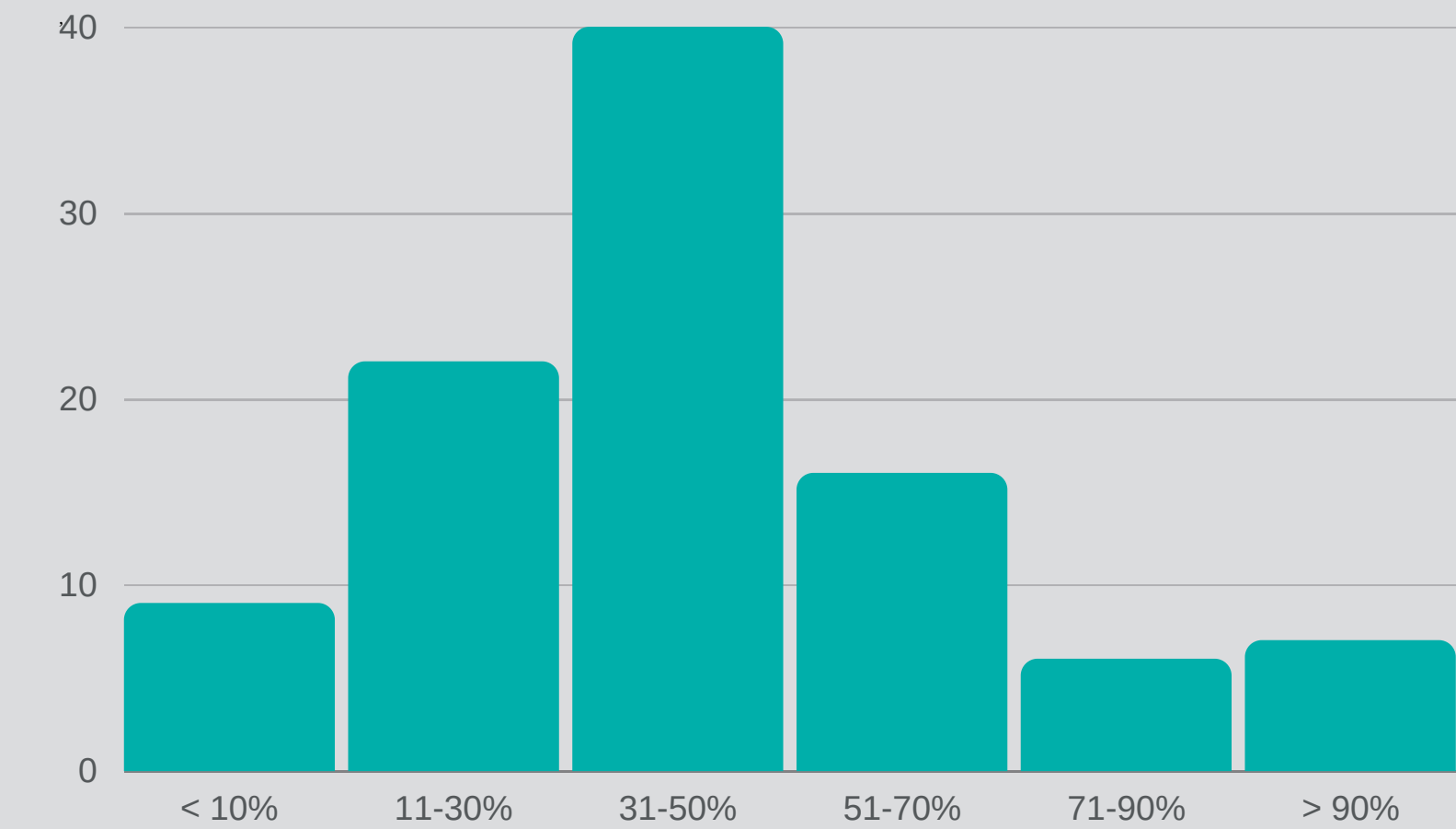
FACTORS THAT CAUSED REDUCTION IN REVENUE (N=97)



PURCHASE REDUCTION PER CUSTOMER VISIT BY TOTAL AND REGION

Most businesses are experiencing 31-50% reduction in customer spends per visit compared to the period before COVID-19. Central region being the most affected.

PURCHASE REDUCTION PER VISIT (N=134)



SOURCE: IPSOS

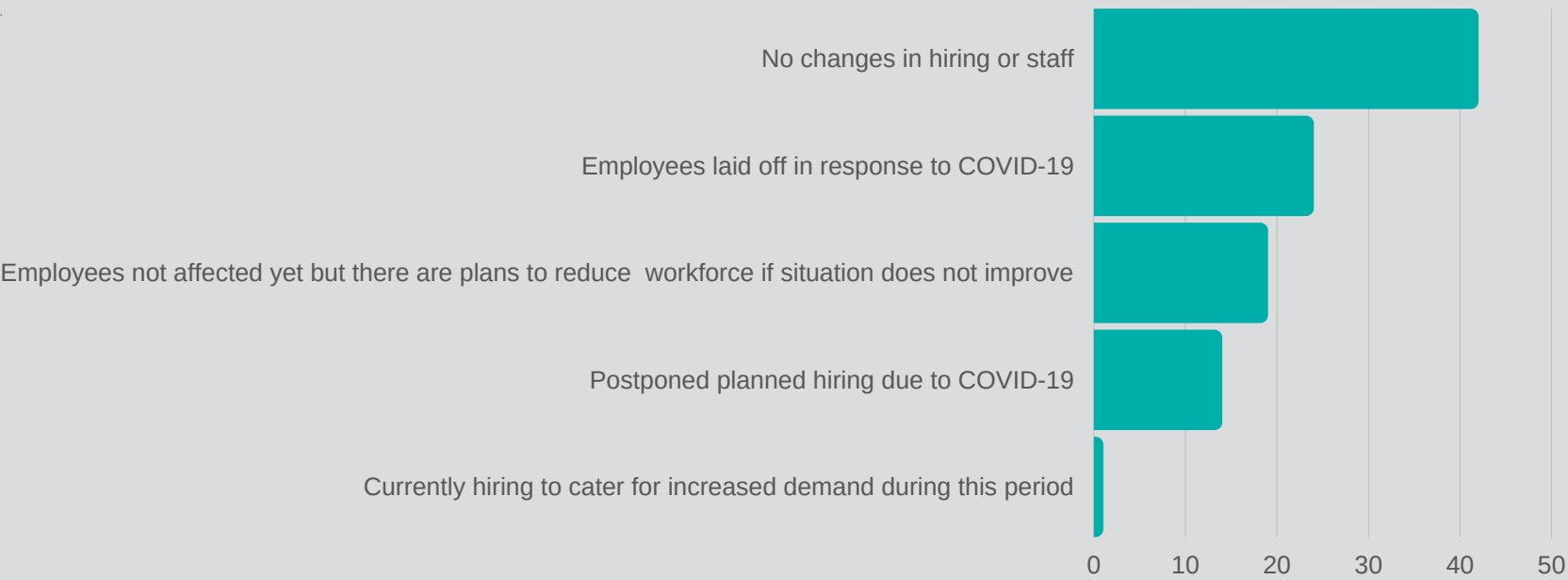
PURCHASE REDUCTION PER VISIT BY REGION

	CENTRAL & NAIROBI	UPPER EASTERN	LOWER EASTERN	SOUTH RIFT	NORTH RIFT	WESTERN	LAKE REGION	COAST
BASE	35	11	10	17	20	19	10	12
PURCHASE DECREASE OF LESS THAN 10%	17%	0%	10%	6%	5%	5%	0%	17%
PURCHASE DECREASE OF 11 – 30%	17%	18%	20%	24%	45%	5%	50%	8%
PURCHASE DECREASE OF 31 – 50%	34%	45%	30%	53%	25%	58%	40%	42%
PURCHASE DECREASE OF 51 – 70%	14%	18%	30%	12%	5%	26%	10%	17%
PURCHASE DECREASE OF 71 – 90%	6%	9%	10%	0%	10%	5%	0%	8%
PURCHASE DECREASE OF > 90%	11%	9%	0%	6%	10%	0%	0%	8%

HAVE PEOPLE LOST JOBS DURING THE PANDEMIC?

- 42% of organizations have no changes in personnel.
- 24% of the total have laid off employees in response to COVID-19.
- Coast and North Rift have the highest percentage of lay offs.
- 19% who are not yet affected are planning to layoff if the situation is not managed.

HOW COVID-19 HAS AFFECTED ORGANIZATION PERSONNEL (N=3)



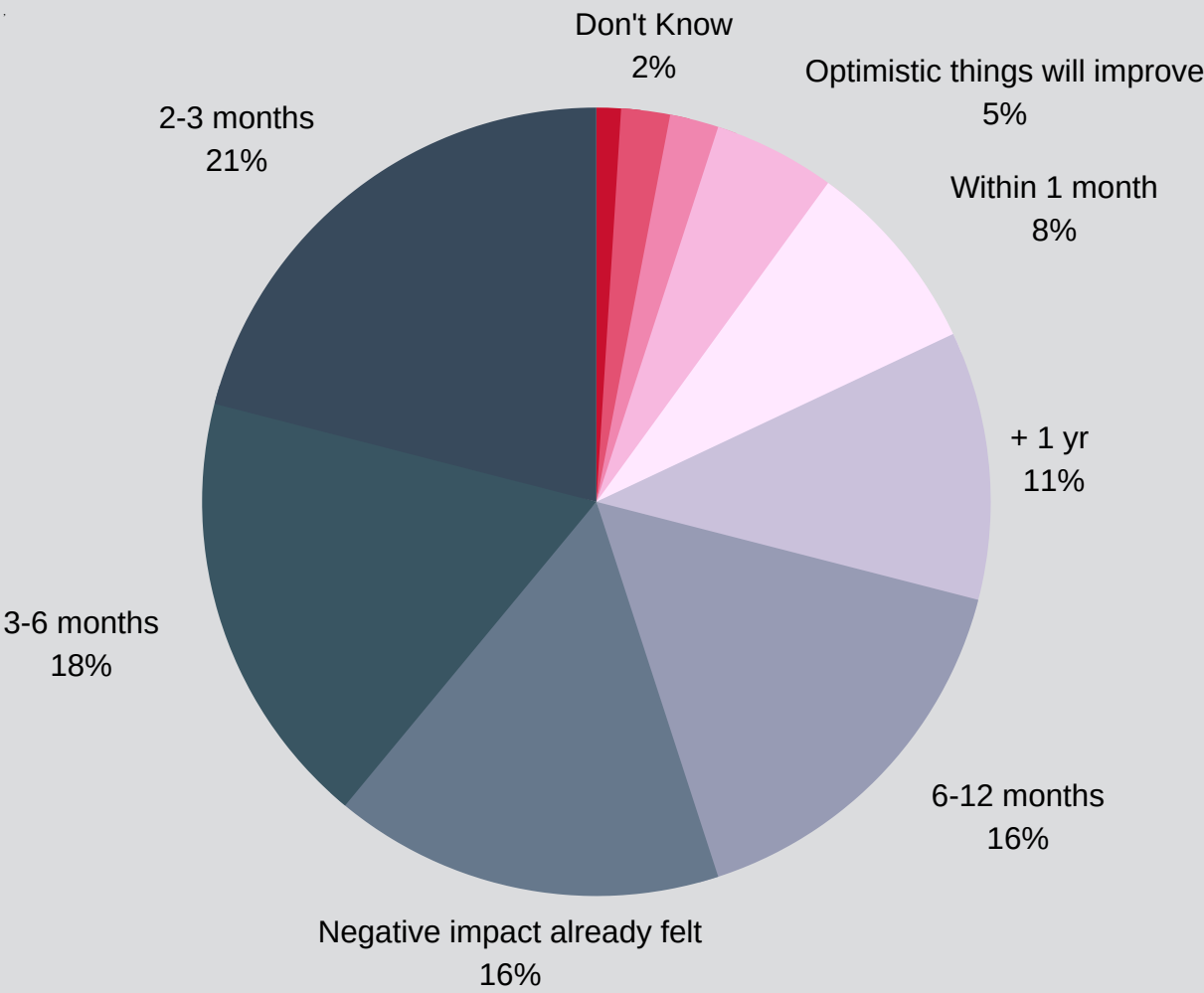
	CENTRAL & NAIROBI	UPPER EASTERN	LOWER EASTERN	SOUTH RIFT	NORTH RIFT	WESTERN	LAKE REGION	COAST
BASE	35	11	10	17	20	19	10	12
PURCHASE DECREASE OF LESS THAN 10%	17%	0%	10%	6%	5%	5%	0%	17%
PURCHASE DECREASE OF 11 – 30%	17%	18%	20%	24%	45%	5%	50%	8%
PURCHASE DECREASE OF 31 – 50%	34%	45%	30%	53%	25%	58%	40%	42%
PURCHASE DECREASE OF 51 – 70%	14%	18%	30%	12%	5%	26%	10%	17%
PURCHASE DECREASE OF 71 – 90%	6%	9%	10%	0%	10%	5%	0%	8%
PURCHASE DECREASE OF > 90%	11%	9%	0%	6%	10%	0%	0%	8%

SOURCE: IPSOS

FOR THOSE WITHOUT EMPLOYEE EFFECTS HOW LONG DO THEY EXPECT IT WOULD TAKE TO HAVE EFFECTS IF THE CRISIS CONTINUES

- 21% of the business believe if the crisis continue for the next 2-3 months there will be adverse effects on their staff.
- A large number of the businesses see this crisis as a risk for their staff.

TIME TAKEN TO EXPERIENCE SIGNIFICANT NEGATIVE IMPACT (N=253)



	CENTRAL & NAIROBI	UPPER EASTERN	LOWER EASTERN	SOUTH RIFT	NORTH RIFT	WESTERN	LAKE REGION	COAST
BASE	63	23	32	37	25	29	23	21
BETWEEN 2-3 MONTHS	25%	13%	19%	16%	36%	21%	26%	5%
BETWEEN 3-6 MONTHS	17%	17%	3%	32%	24%	17%	9%	19%
WE HAVE ALREADY EXPERIENCED SIGNIFICANT NEGATIVE IMPACT	19%	17%	16%	16%	12%	10%	22%	14%
BETWEEN 6 MONTHS TO 1 YEAR	5%	26%	25%	19%	0%	24%	22%	24%
MORE THAN ONE YEAR	16%	9%	9%	8%	4%	17%	9%	10%
WITHIN THE NEXT ONE MONTH	10%	9%	16%	3%	4%	3%	9%	5%
AM OPTIMISTIC THINGS WILL GET BETTER	5%	9%	6%	3%	8%	3%	4%	5%
DON'T KNOW	0%	0%	0%	0%	0%	0%	0%	19%
NONE	2%	0%	3%	3%	12%	0%	0%	0%
NEVER	2%	0%	3%	0%	0%	3%	0%	0%

SOURCE: IPSOS

Q21. If the current business environment were to continue, how long do you anticipate it would take for your business to see significant negative impacts such as laying off employees or temporary / permanent closure?

IS THE SITUATION BEING ADDRESSED IN THE RIGHT WAY AND WHY?

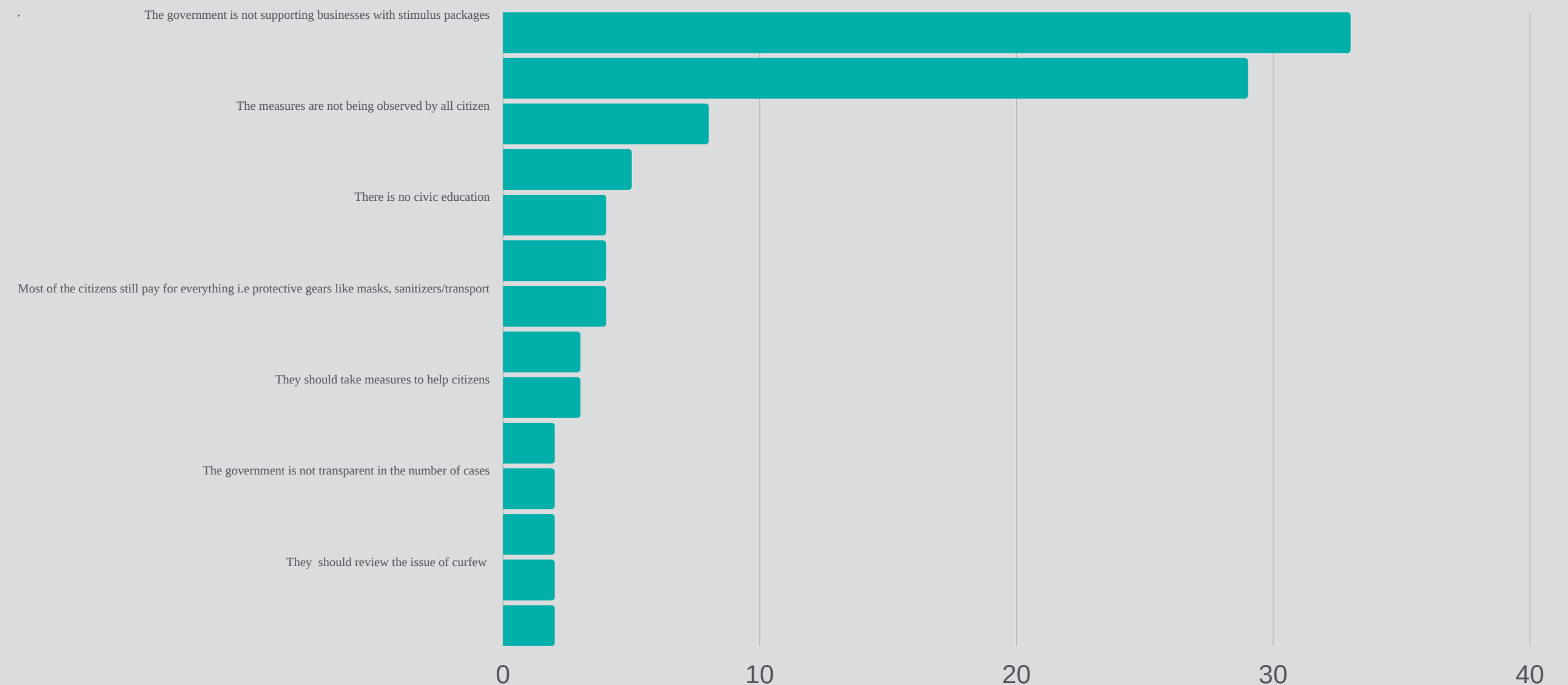
- 59% of the businesses interviewed feel the COVID-19 situation is being addressed in the right way.
- 33% think the government is not supporting the business with stimulus packages, and partial lockdown has slowed down their business.

**IS THE SITUATION
BEING ADDRESSED IN
THE RIGHT WAY AND
WHY? (N=334).**

59%
SAY YES

41%
SAY NO

REASONS WHY IT IS NOT BEING ADDRESSED (N=136).

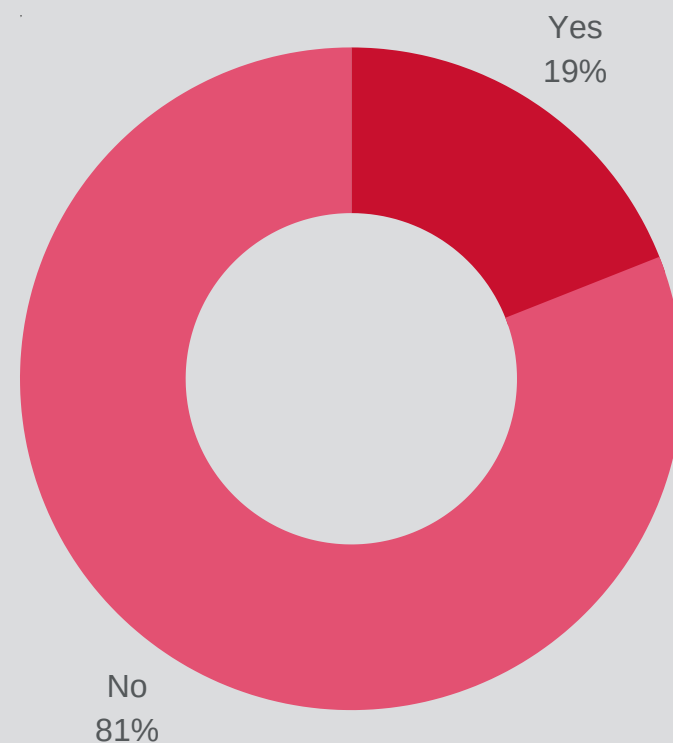


SOURCE: IPSOS
Q2 Do you feel the situation is being addressed in the right way?

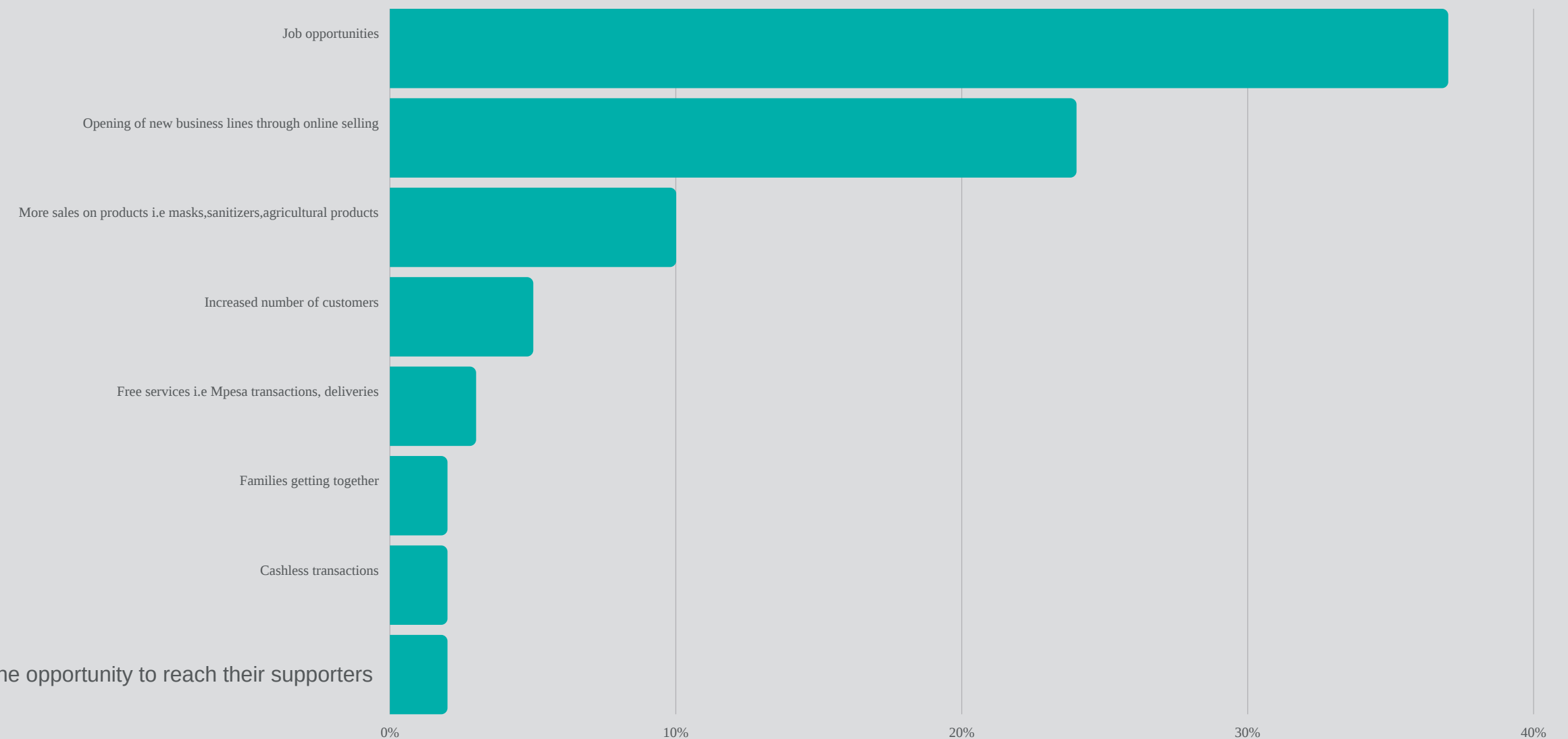
AVAILABLE OPPORTUNITIES AS A RESULT OF COVID-19

- Only 19% agree that COVID-19 has created opportunities like jobs, online business opportunities and has also renewed businesses across country.

OPPORTUNITIES AS A RESULT OF COVID-19 (N=334)



OPPORTUNITIES FROM COVID-19 (N=63)



SOURCE: IPSOS

Q7. In your opinion, are there any opportunities as a result of COVID-19?

Q8. What opportunities do you see from the COVID-19 crisis?



ARE GOVERNMENT INTERVENTIONS WORKING?

- Only 19% agree that COVID-19 has created opportunities like jobs, online business opportunities and has also renewed businesses across country.

IS GOVERNMENT DOING ENOUGH?

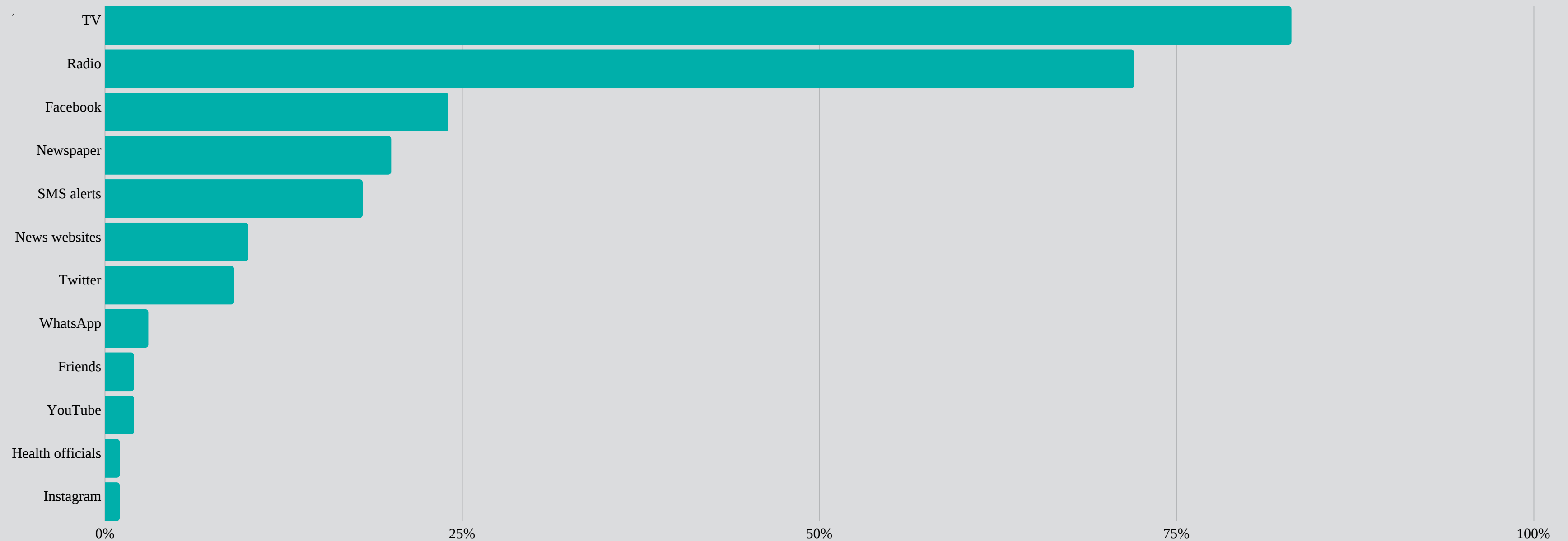
- 59% of agro dealers think that the government is addressing the issue in the best way
- 41% accuse the government of not giving them a stimulus package and partial lockdown has slowed down their business.

WHERE AGRO-DEALERS GET NEWS FROM

- Most agro-dealers access COVID-19 information mainly from TV and Radio.
- Very close to these traditional channels is Facebook.
- Any agro-player targeting these agro dealer businesses at this time can take advantage of using these communication channels to capture their attention.

SOURCES OF COVID-19 INFORMATION

- **Television** is the main source of COVID-19 information followed closely by radio as a result of the government daily national updates.



SOURCE: IPSOS

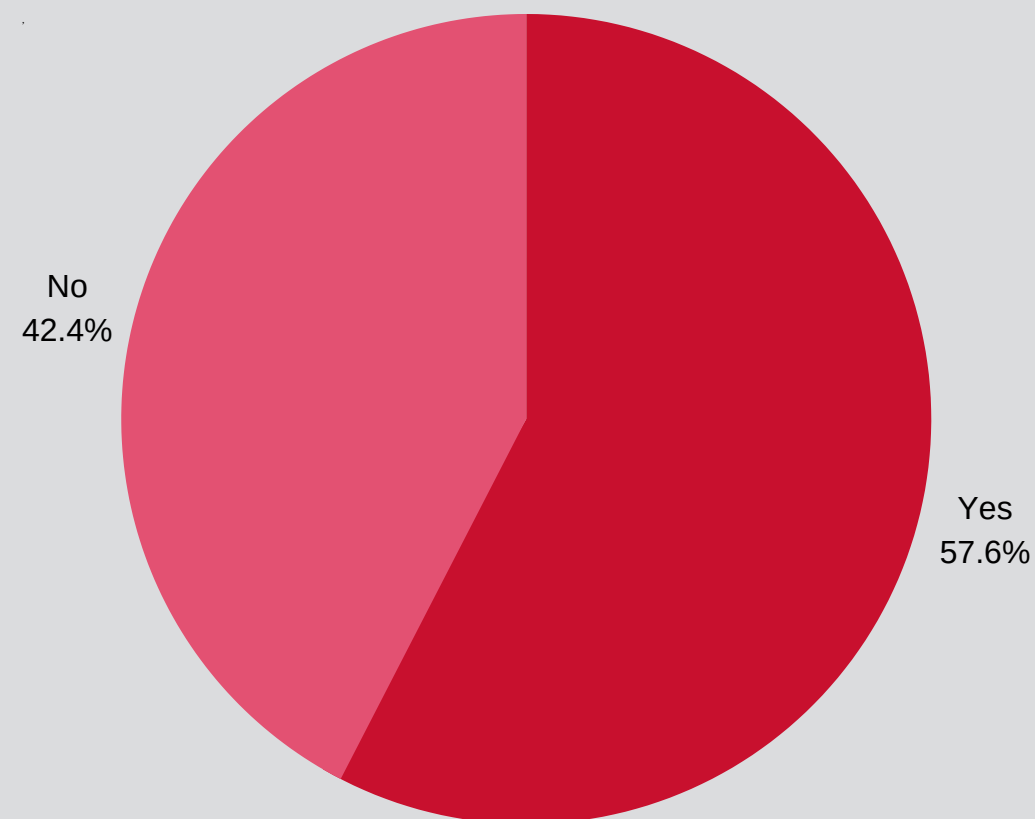
Q4 Where are you getting information on COVID-19?

BUSINESS CONTINUITY

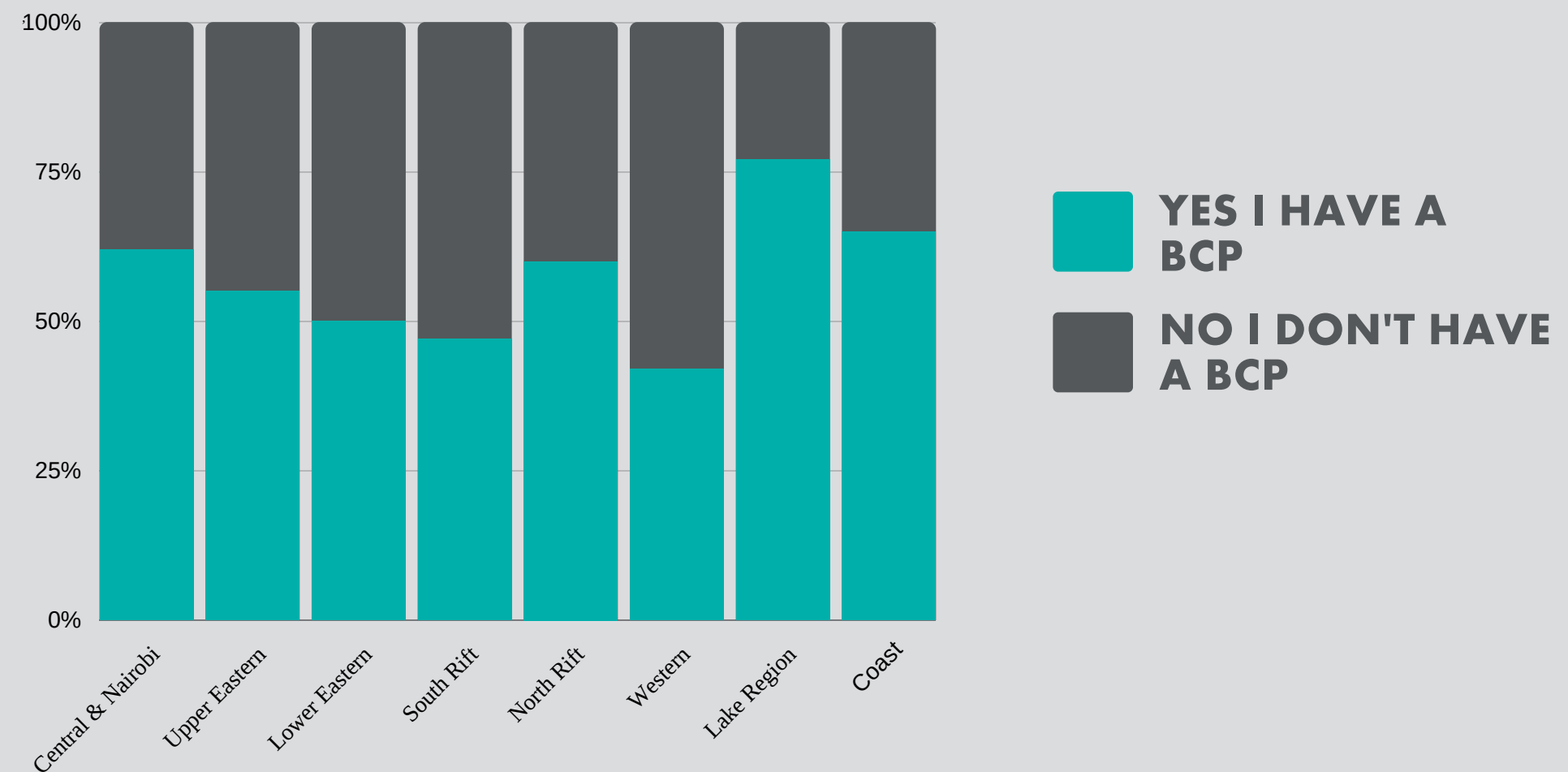
BUSINESS CONTINUITY PLAN BY REGION

- 57% of businesses have put in place a business continuity plan to support the entity during the crisis.
- In lower Eastern half the businesses interviewed have no BCP.
- 435 of businesses having no plan for the crisis is a big risk for the agricultural sector.

DOES YOUR BUSINESS HAVE A BUSINESS CONTINUITY PLAN (BCP) IN PLACE FOR ACTIVATION DURING THIS CRISIS PERIOD?



BUSINESS CONTINUITY PLAN



SOURCE: IPSOS

Q22. Does your business have a Business Continuity Plan (BCP) in place for activation during this crisis period?

CONTINGENCY MEASURES BY BUSINESSES

- 31% of organizations interviewed do not have any contingency measure to mitigate the impacts of COVID-19.
- Others are looking for alternative supply chain.
- Coast region is offering unpaid leaves more than any other.



SOURCE: IPSOS

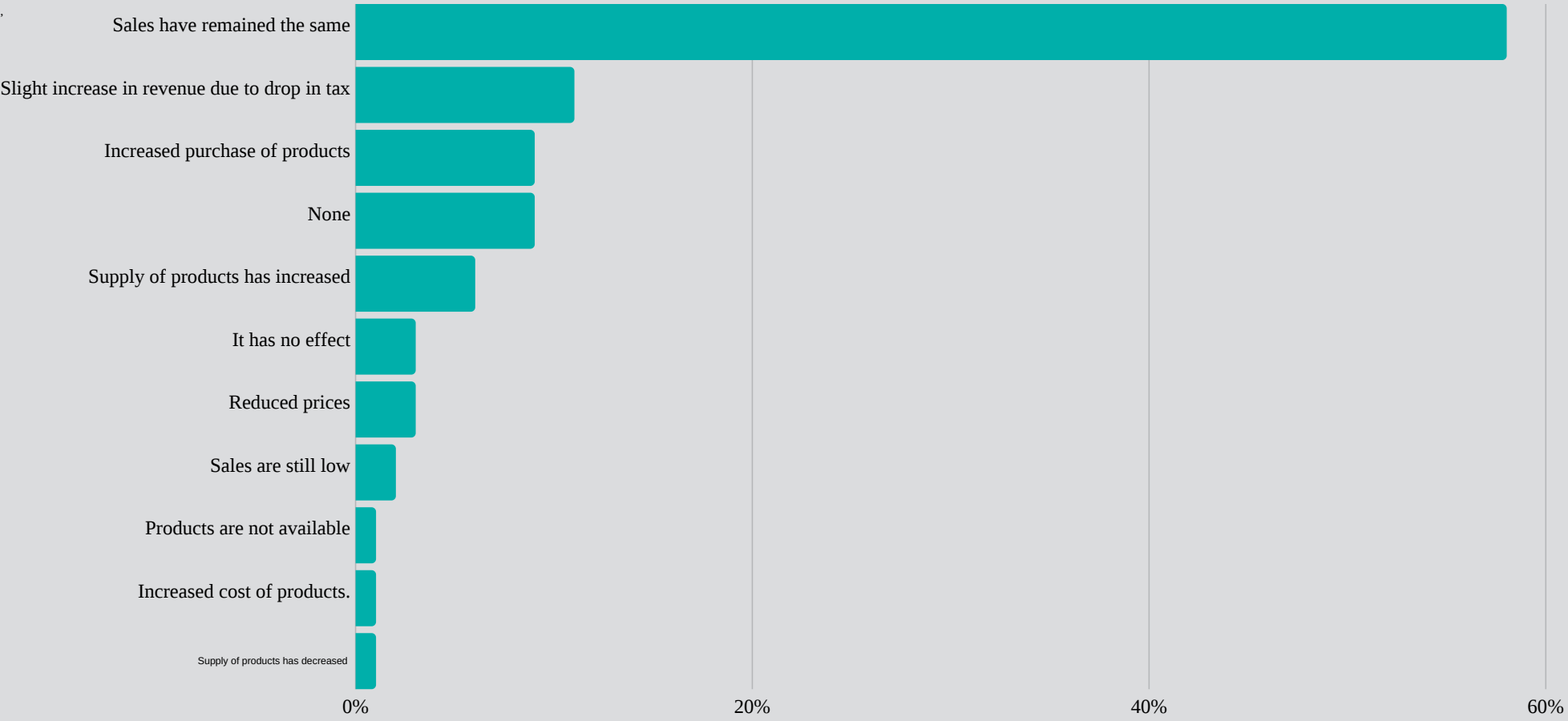
Q23. What contingency measures is your business taking to mitigate the impact of COVID-19 on your business?

CENTRAL & NAIROBI	UPPER EASTERN	LOWER EASTERN	SOUTH RIFT	NORTH RIFT	WESTERN	LAKE REGION	COAST
81	31	40	45	35	40	31	31
36%	26%	22%	31%	37%	30%	26%	32%
25%	13%	25%	24%	14%	18%	26%	16%
10%	39%	20%	27%	17%	15%	19%	16%
14%	13%	20%	11%	9%	10%	16%	10%
7%	6%	2%	2%	11%	10%	6%	16%
4%	3%	2%	4%	6%	2%	6%	3%
0%	6%	10%	0%	6%	8%	3%	3%
5%	0%	0%	4%	9%	2%	0%	6%
5%	0%	0%	4%	0%	2%	3%	3%
4%	3%	0%	4%	6%	2%	3%	3%
1%	3%	0%	4%	3%	8%	0%	3%

EFFECTS ON AGRO PRODUCTS AFTER TAX REDUCTION

- 58% of all the organizations have not experienced any difference in sale since the government reduced tax in some agro products.
- 11% are having slight increase in revenue due mainly in Coast region.
- Upper Eastern enjoys reduced price on the agro products.

EFFECTS ON AGRO PRODUCTS AFTER TAX REDUCTION (N=334)



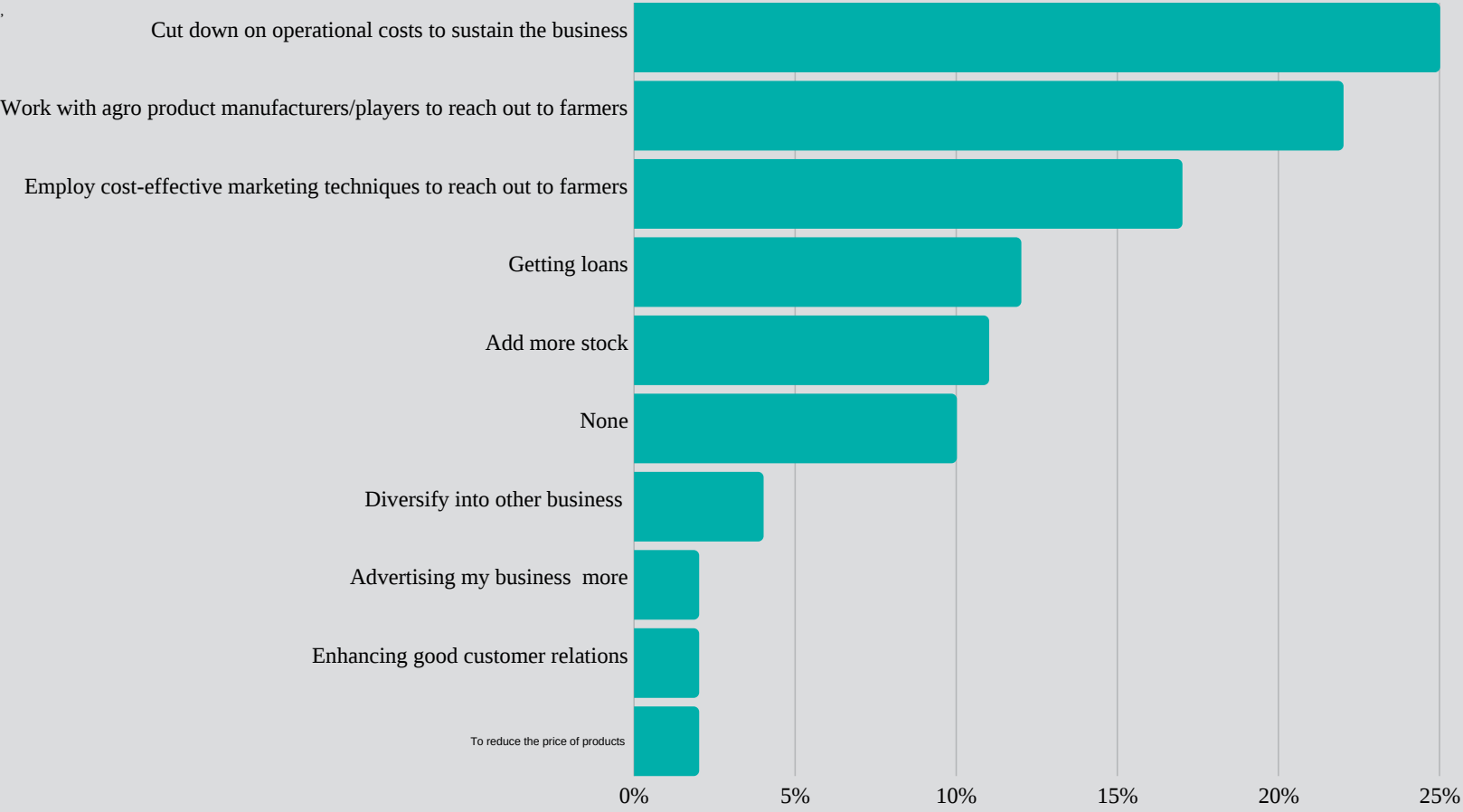
	CENTRAL & NAIROBI	UPPER EASTERN	LOWER EASTERN	SOUTH RIFT	NORTH RIFT	WESTERN	LAKE REGION	COAST
BASE	81	31	40	45	35	40	31	31
SALES HAVE REMAINED THE SAME	57%	55%	65%	58%	54%	62%	65%	48%
SLIGHT INCREASE IN REVENUE DUE TO DROP IN TAX	6%	13%	10%	13%	3%	15%	3%	29%
INCREASED PURCHASE OF PRODUCTS	14%	6%	10%	11%	9%	2%	6%	6%
NONE	9%	3%	5%	4%	17%	5%	10%	26%
SUPPLY OF PRODUCTS HAS INCREASED	9%	6%	5%	4%	9%	2%	6%	0%
IT HAS NO EFFECT	1%	3%	0%	4%	9%	5%	0%	0%
REDUCED PRICES	4%	10%	0%	2%	3%	5%	0%	3%
SALES ARE STILL LOW	0%	3%	5%	4%	0%	0%	3%	0%
PRODUCTS ARE NOT AVAILABLE	0%	6%	0%	0%	0%	0%	0%	0%
INCREASED COST OF PRODUCTS.	4%	0%	0%	0%	0%	0%	3%	0%
SUPPLY OF PRODUCTS HAS DECREASED	0%	0%	0%	0%	0%	2%	3%	0%

SOURCE: IPSOS
Q24 What effects have you experienced after the government’s tax reductions on some agro products?

INTENDED ACTIVITIES TO CONTINUE GROWING BUSINESS

- Every 25 out of 100 businesses intend to cut down operations to sustain business.
- 22% intend to work with agro product manufacturers to reach out to farmers.
- Lower Eastern region intends to have the highest cut down
- South Rift, apart from cut down, are looking to employ cost-effective marketing techniques to reach out to famers.

INTENDED ACTIVITIES TO CONTINUE GROWING BUSINESS (N=334)



	CENTRAL & NAIROBI	UPPER EASTERN	LOWER EASTERN	SOUTH RIFT	NORTH RIFT	WESTERN	LAKE REGION	COAST
BASE	81	31	40	45	35	40	31	31
CUT DOWN ON OPERATIONAL COSTS TO SUSTAIN THE BUSINESS	28%	29%	32%	24%	17%	12%	29%	19%
WORK WITH AGRO PRODUCT MANUFACTURERS/PLAYERS TO REACH OUT TO FARMERS	23%	13%	38%	18%	11%	22%	29%	23%
EMPLOY COST-EFFECTIVE MARKETING TECHNIQUES TO REACH OUT TO FARMERS	20%	13%	22%	24%	14%	12%	19%	6%
GETTING LOANS	6%	3%	5%	18%	20%	20%	10%	19%
ADD MORE STOCK	10%	16%	10%	16%	9%	12%	10%	3%
NONE	7%	16%	5%	22%	11%	5%	10%	6%
DIVERSIFY INTO OTHER BUSINESS	7%	13%	0%	2%	0%	2%	3%	6%
ADVERTISING MY BUSINESS MORE	0%	6%	5%	0%	3%	0%	0%	3%
ENHANCING GOOD CUSTOMER RELATIONS	0%	10%	5%	0%	3%	2%	0%	0%
TO REDUCE THE PRICE OF PRODUCTS	4%	0%	2%	2%	6%	0%	0%	3%

SOURCE: IPSOS
Q28 What do you intend to continue doing to keep growing your business?

WHAT SHOULD BE DONE TO REDUCE BUSINESS PRESSURE

- Most organizations agree that access and cost of credit will manage to reduce the pressure currently being experienced.
- Longer credit periods from distributors, working with tenants to waiver rent payments during the pandemic and lower taxes are can also lower the pressure.

	TOTAL	CENTRAL & NAIROBI	UPPER EASTERN	LOWER EASTERN	SOUTH RIFT	NORTH RIFT	WESTERN	LAKE REGION	COAST
BASE	334	81	31	40	45	35	40	31	31
ACCESS AND COST OF CREDIT	29%	25%	19%	38%	44%	34%	35%	13%	23%
LONGER CREDIT PERIODS FROM DISTRIBUTORS/PRODUCERS OF AGRO PRODUCTS	19%	22%	16%	18%	27%	20%	12%	26%	6%
WORK WITH LANDLORDS AND TENANTS' ASSOCIATION TO WAIVER RENT PAYMENTS FOR BUSINESS PREMISES DURING THE PERIOD	18%	23%	16%	25%	13%	14%	2%	29%	16%
EXTENSION OF LOAN FACILITIES TO OUR CUSTOMERS/FARMERS	16%	16%	6%	18%	13%	9%	25%	16%	19%
LOWER TAXES	16%	19%	23%	10%	22%	9%	12%	10%	19%
CURFEW AND LOCKDOWN SHOULD END	11%	7%	19%	15%	7%	6%	8%	16%	19%
NONE	7%	6%	6%	5%	9%	14%	10%	3%	6%
COMPANIES SUPPLYING PRODUCTS SHOULD SUBSIDISE PRICES	6%	11%	10%	0%	4%	6%	5%	6%	3%
ANNUAL LICENCE SHOULD BE WAIVED	2%	2%	0%	0%	2%	0%	0%	6%	3%

SOURCE: IPSOS

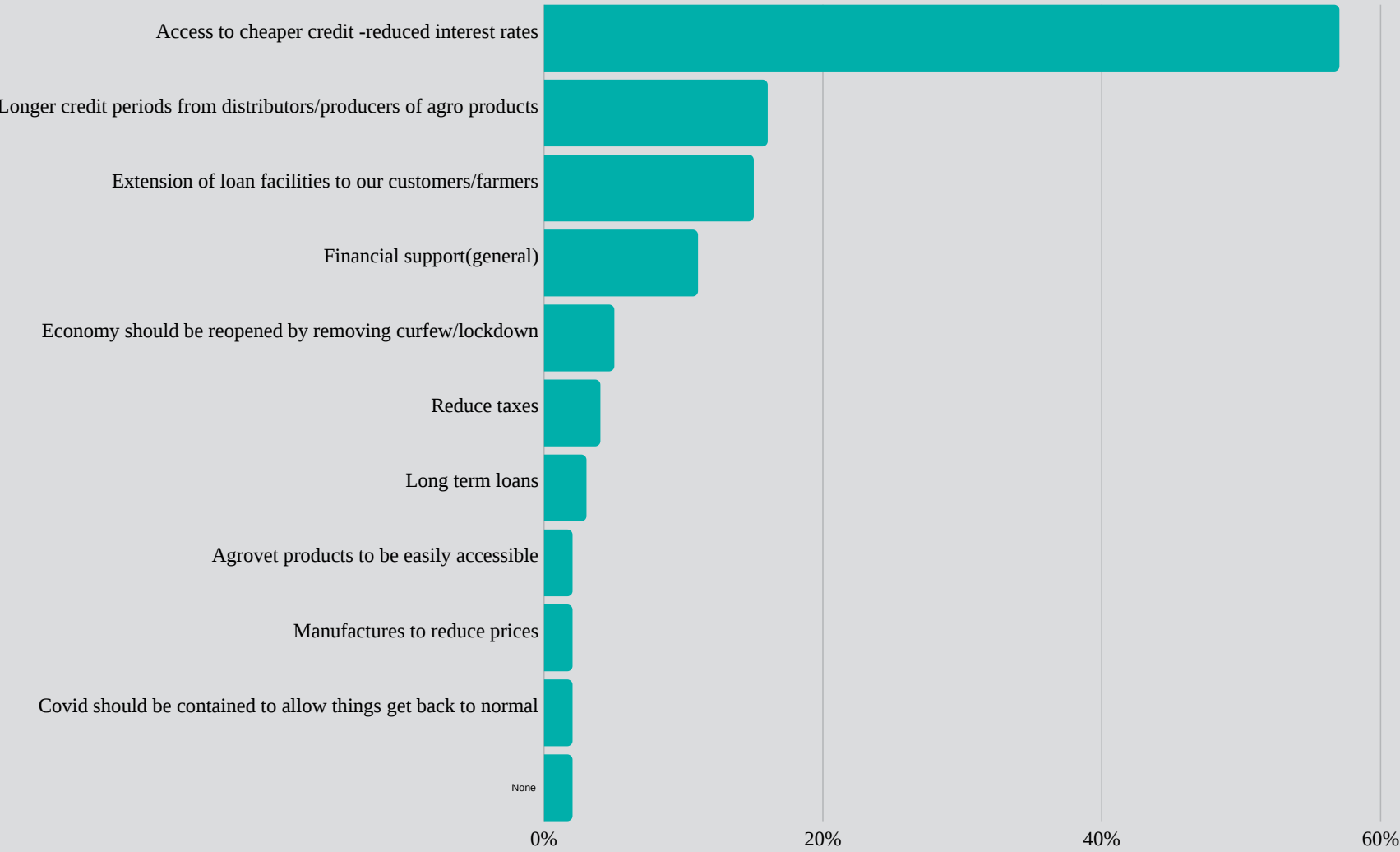
Q29 What more do you think should be done to reduce any business pressure you may be experiencing?



CONTINGENCY MEASURES BY BUSINESSES

- To help businesses get back on their feet, there should be easy access to loans with reduced interest rates, long credit periods from distributors, financial support among others.

HELP NEEDED TO GET BACK BUSINESS TO ITS INITIAL LEVEL (N=334)



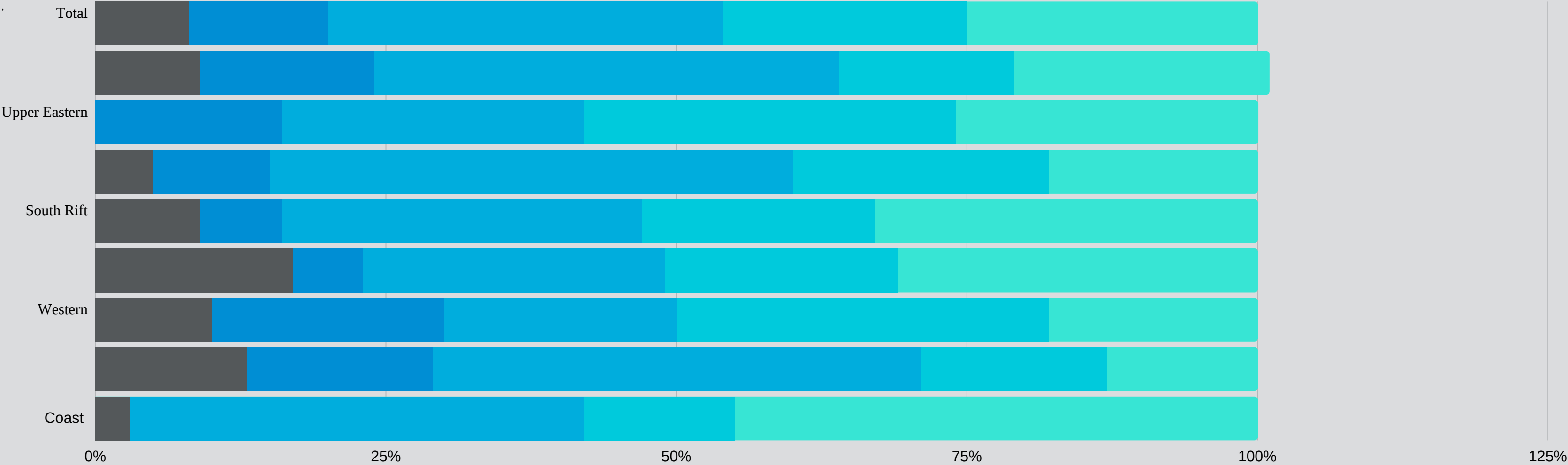
CENTRAL & NAIROBI	UPPER EASTERN	LOWER EASTERN	SOUTH RIFT	NORTH RIFT	WESTERN	LAKE REGION	COAST
81	31	40	45	35	40	31	31
44%	52%	60%	71%	69%	60%	52%	65%
12%	19%	18%	18%	11%	15%	19%	23%
21%	13%	22%	13%	11%	12%	6%	6%
11%	3%	18%	9%	6%	5%	26%	10%
4%	10%	5%	2%	6%	5%	6%	10%
7%	6%	2%	4%	3%	5%	0%	3%
7%	3%	0%	0%	3%	2%	0%	0%
0%	3%	0%	2%	0%	10%	0%	3%
4%	3%	2%	0%	0%	0%	6%	0%
1%	10%	2%	0%	0%	2%	6%	0%
2%	3%	2%	4%	0%	2%	0%	3%

SOURCE: IPSOS
Q30. What kind of help do you think you need to get back your business to the level it was before?

EXPECTATIONS OF BUSINESS PERFORMANCE POST COVID-19 BY REGION

- Businesses have between very high and average expectations of performance after COVID-19

1 2 3 4 5 **Rated on a scale of 1-5 where 1 is considered very negative and 5 as very positive*



SOURCE: IPSOS

Q25 On a scale of 1 to 5 where 1 is very negative and 5 is very positive, what are your expectations on your business performance post COVID-19?

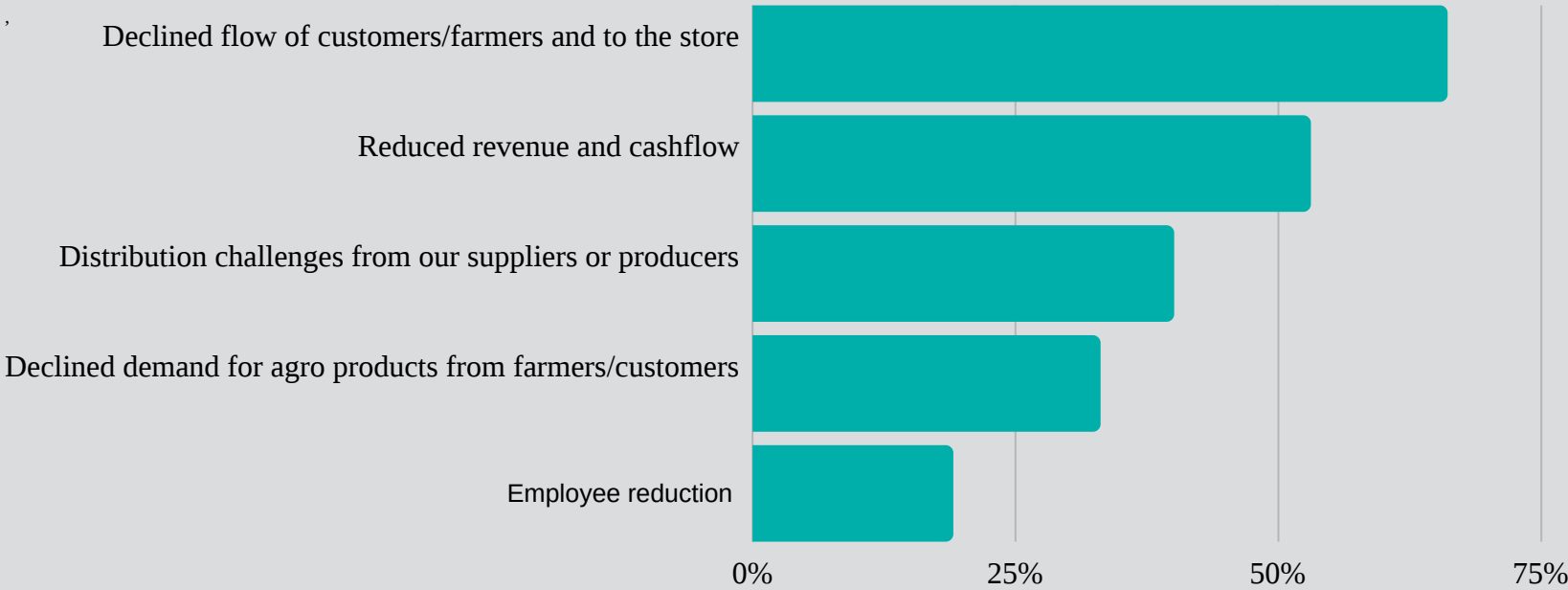
CURRENT IMPACT OF COVID-19 TO BUSINESS BY REGION

- Declined flow of customer to the store, reduced revenue and cash flow are the main affected elements of the 55% of organizations who claimed they are having significant negative impact on their business.

55% OF BUSINESSES HAVE SEEN SIGNIFICANTLY NEGATIVE IMPACTS ON THEIR OPERATIONS DUE TO COVID-19

	CENTRAL & NAIROBI	UPPER EASTERN	LOWER EASTERN	SOUTH RIFT	NORTH RIFT	WESTE RN	LAKE REGION	COAST
BASE	40	15	23	24	22	27	17	15
DECLINED FLOW OF CUSTOMERS/FARMERS AND TO THE STORE	78%	73%	35%	62%	77%	67%	53%	73%
REDUCED REVENUE AND CASHFLOW	42%	60%	74%	50%	45%	44%	76%	47%
DISTRIBUTION CHALLENGES FROM OUR SUPPLIERS OR PRODUCERS	18%	73%	26%	42%	36%	67%	41%	47%
DECLINED DEMAND FOR AGRO PRODUCTS FROM FARMERS/CUSTOMERS	18%	73%	26%	33%	41%	41%	29%	20%
EMPLOYEE REDUCTION	18%	33%	13%	17%	27%	19%	12%	20%

CURRENT IMPACT OF COVID-19 TO BUSINESS BY REGION (N=183)



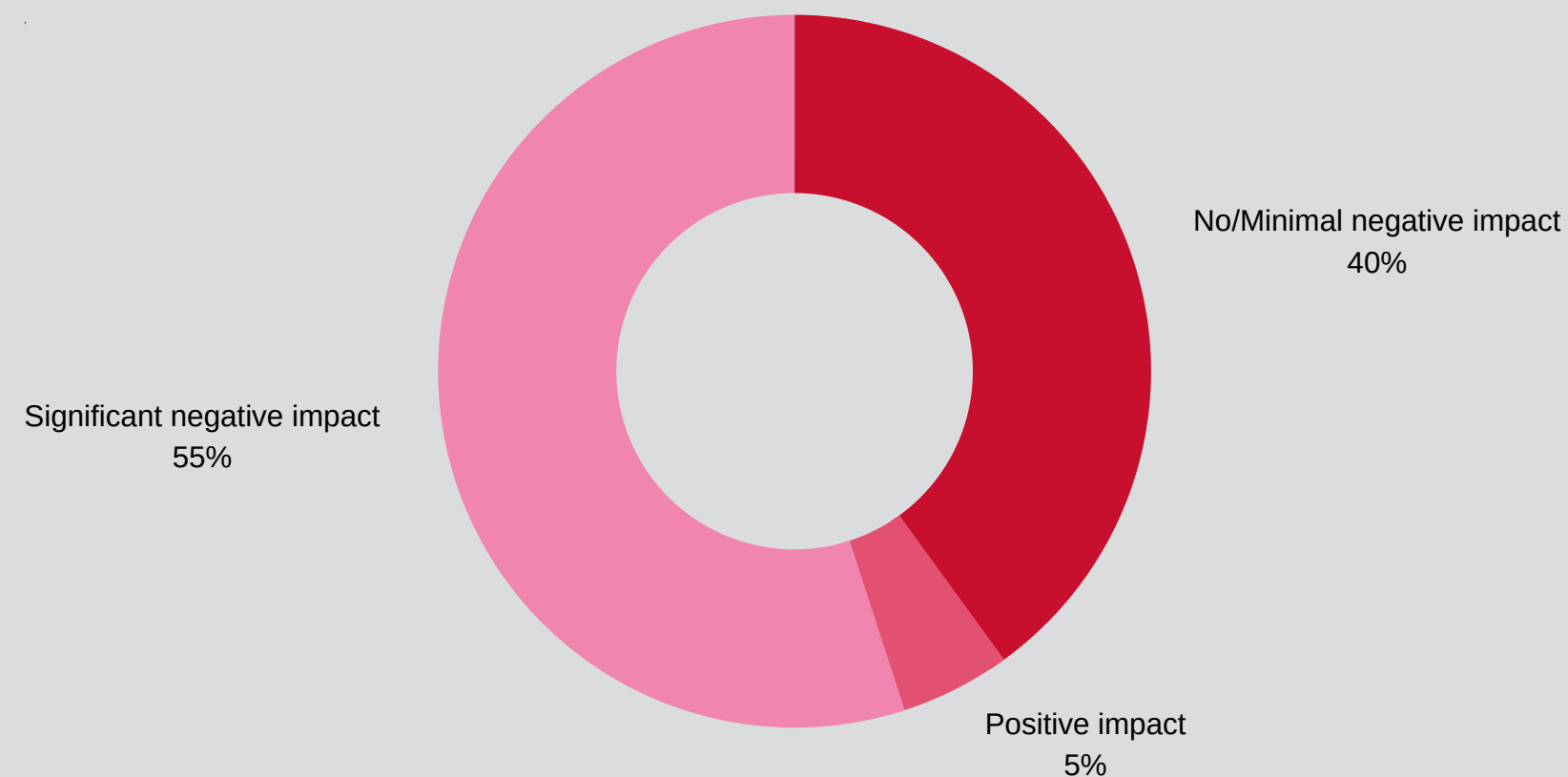
SOURCE: IPSOS

Q25 On a scale of 1 to 5 where 1 is very negative and 5 is very positive, what are your expectations on your business performance post COVID-19?

CURRENT IMPACT OF COVID-19

- Organizations that claim to encounter no/minimal impact from the pandemic expect minimal impact on certain elements in the near future.

COVID-19 IMPACT (N=334)



OF THE **40% THAT EXPECT NO/MINIMAL IMPACT...**

- **50% EXPECT MINIMAL IMPACT LIMITED TO SOME ELEMENTS OF THE BUSINESS**
- **37% LIKELY TO EXPERIENCE SIGNIFICANT DISRUPTIONS ACROSS OUR OPERATIONS**
- **13% NOT LIKELY TO AFFECT OUR BUSINESS IN THE NEAR FUTURE BUT WE ARE MONITORING IN CASE OF ANY CHANGES**

SOURCE: IPSOS

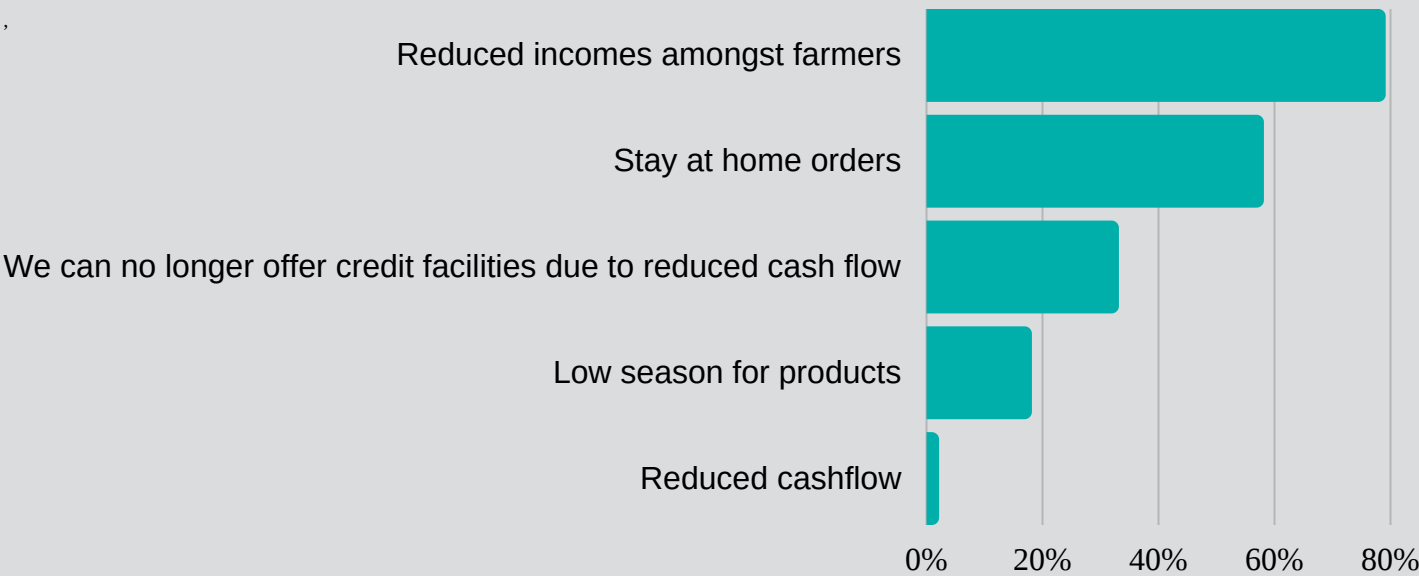
Q11. Which of the following best explains your views regarding impact of COVID-19 to your business operations in the future?

CURRENT IMPACT OF COVID-19 TO BUSINESS BY REGION

- Results of reduced farmer’s income, stay at home orders and lack of credit offers hence low cash flow.

66% DECLINE IN FLOW OF CUSTOMERS/FARMERS AND TO THE STORE (N=120)

REASONS FOR DECLINE



	CENTRAL & NAIROBI	UPPER EASTERN	LOWER EASTERN	SOUTH RIFT	NORTH RIFT	WESTERN	LAKE REGION	COAST
BASE	31	11	8	15	17	18	9	11
REDUCED INCOMES AMONGST FARMERS	68%	91%	75%	80%	82%	100%	67%	73%
STAY AT HOME ORDERS	45%	73%	88%	47%	59%	50%	78%	64%
WE CAN NO LONGER OFFER CREDIT FACILITIES DUE TO REDUCED CASH FLOW	35%	45%	50%	20%	47%	6%	56%	27%
LOW SEASON FOR PRODUCTS	19%	18%	38%	7%	12%	22%	22%	18%
REDUCED CASHFLOW	0%	9%	0%	7%	0%	0%	0%	0%

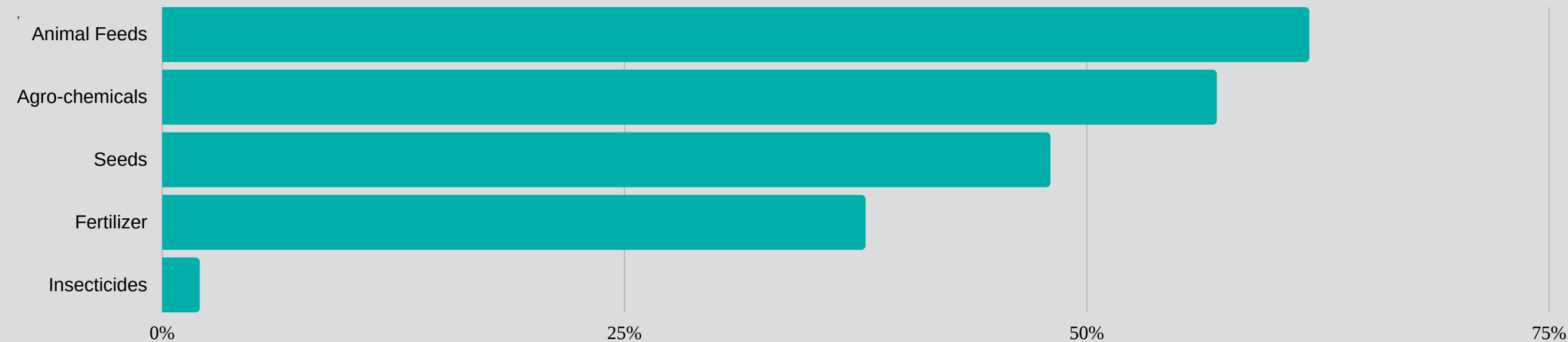
SOURCE: IPSOS

Q13. In your view why is there a reduced flow of customers/farmers and orders to the store?

CURRENT IMPACT OF COVID-19 TO BUSINESS

- Animal feeds and agro chemicals are the main products whose demand went down due to COVID-19.

33% DECLINE IN DEMAND FOR AGRO PRODUCTS FROM FARMERS/CUSTOMERS



SOURCE: IPSOS

Q14. Of the agro products/categories that you sell, which ones have declined in demand from COVID-19 effects.

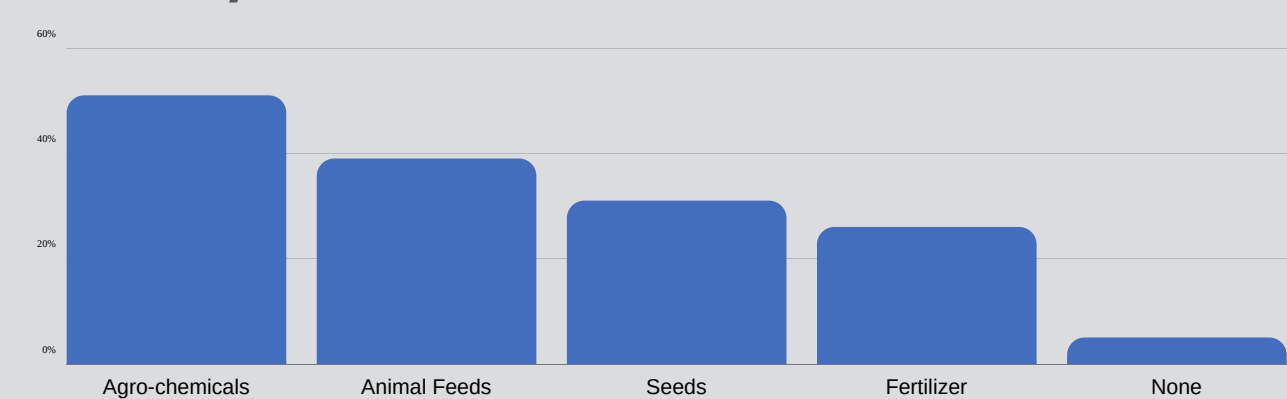
CURRENT IMPACT OF COVID-19 TO BUSINESS

- 40% (of those who are experiencing COVID-19 effects) are facing distribution challenges in agro chemicals, animal feed, seeds and fertilizer from suppliers.

40% DISTRIBUTION CHALLENGES FROM OUR SUPPLIERS OR PRODUCERS

SPECIFIC MANUFACTURERS HAVING PROBLEM IN SUPPLY (ABSOLUTES)

PRODUCTS WITH SUPPLY/DISTRIBUTION PROBLEMS



SEED

BASE	23
KENYA SEED COMPANY	12
EAST AFRICA SEEDS COMPANY	4
DK	4
SYNGENTA	2
MIFUNGO SEEDS	1

ANIMAL FEEDS

BASE	29
UNGA FARMCARE	14
BIDCO LAND O'LAKES	8
PEMBE	5

AGRO CHEMICALS

BASE	38
NORBROOK	9
OSHO CHEMICALS	9
GREENLIFE	7
COOPER K BRANDS	6
TWIGA CHEMICALS	4

FERTILIZER

BASE	19
YARA	5
MEA	3
BARAKA	2
FALCON	2
THABITI	2

SOURCE: IPSOS

Q.15. Which among the below products do you have a problem of supply from your distributor or Producer?

Q16. For products/categories named in Q15 above, which specific manufacturer products do you have a problem in supply?



WHAT SHOULD BE DONE TO ENSURE BUSINESS CONTINUITY DURING THE PANDEMIC?

- Most organizations agree that access and cost of credit will help them reduce the pressure currently being experienced.
- 57% of the businesses state that access to cheaper credit is what they need most to boost their businesses out of the crisis.
- 21% are looking for alternative supply sources of their products, and 19% have ensured the COVID-19 measures of cleaning hands and wearing masks is being followed.
- Every 25 out of 100 businesses intend to cut down operations to sustain business.
- 22% intend to work with agro product manufacturers to reach out to farmers.
- Regionally, lower Eastern intends to have the highest cut down
- South Rift, apart from cut down, are looking to employ cost-effective marketing techniques to reach out to famers.

RELATED STUDIES



PRECISION AGRICULTURE FOR DEVELOPMENT (PAD) SURVEY STUDY

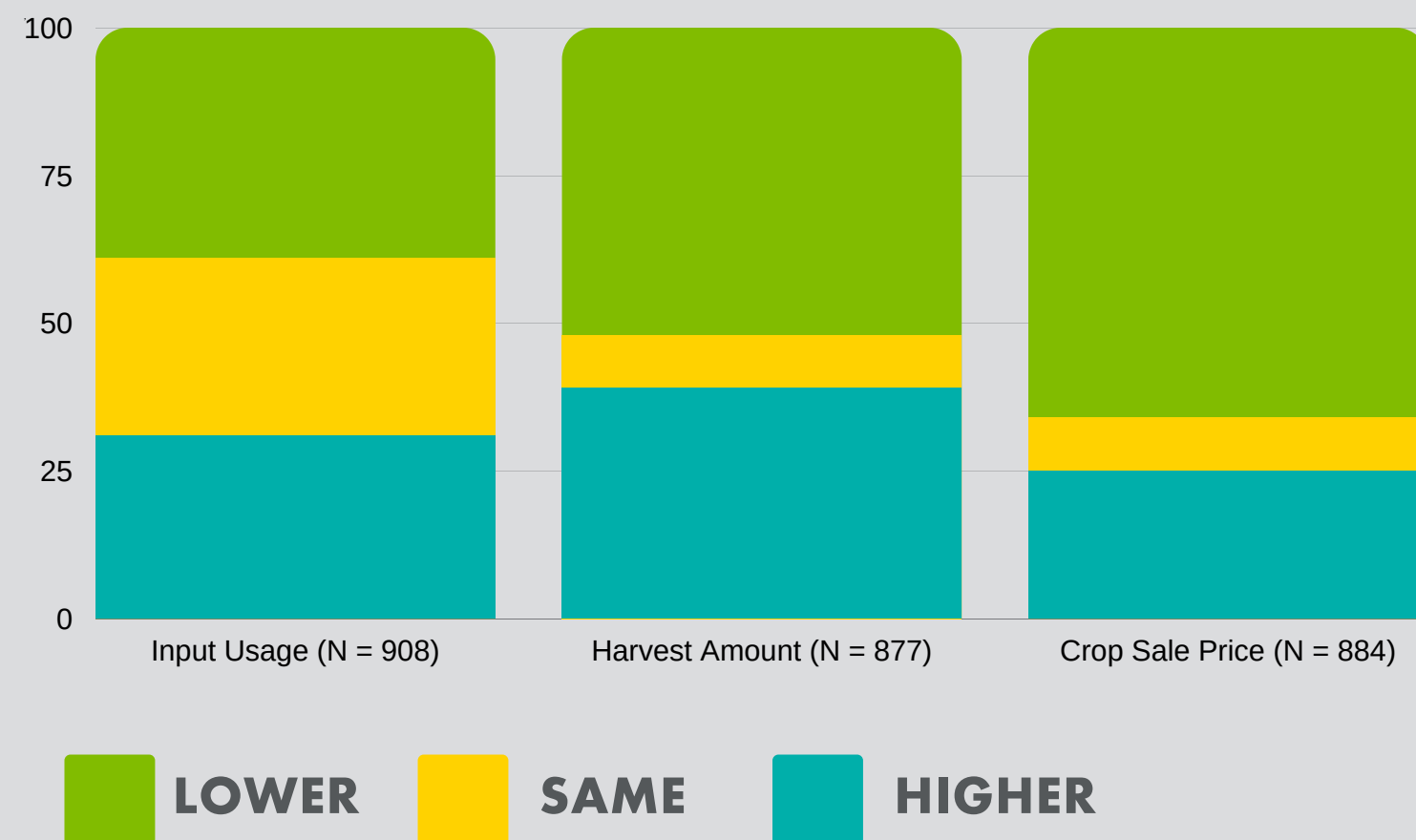
Between late April and early June 2020, Precision Agriculture for Development (PAD) interviewed 973 crop farmers, 99 dairy farmers and 483 agro-dealers in Kenya on the effects of COVID-19 on farmers and agro-dealers.

KEY FINDINGS

- Majority of farmers are facing financial distress & food shortages
- Farmers are optimistic about production, but disruptions observed in agricultural labour markets
- Kenya agro-dealers are closing shops earlier, lower foot traffic & revenues
- Strong knowledge of COVID-19 symptoms & prevention, and interest in digital updates

PAD FARMERS OPTIMISTIC ABOUT PRODUCTION, BUT DISRUPTIONS OBSERVED IN AGRICULTURAL LABOUR MARKETS

EXPECTATIONS: INPUTS, HARVEST & PRICES



KEY FINDINGS

- 52% of farmers expected a more bountiful harvest than they did in the previous year
- 66% expected to sell their produce in the market at a higher price
- 14% reported that they expect not to be able to sell part of their harvest
- 34% of dairy and crop farmers reported hiring workers for fewer days to do work on their farm versus the same time last year
- 30% of all farmers reported working fewer days on others' farms

RECOMMENDATIONS FROM PAD STUDY ON IMPACT OF COVID-19 ON AGRO-DEALER BUSINESS

- Combine targeted financial support with direct provision of agricultural subsidies
- Utilize widespread mobile phone access to provide farmers with timely and accurate information regarding COVID-19
- Establish a digital channel to enable efficient communication across the supply chain, in order to overcome potential obstacles faced by agro-dealers in meeting farmer demand





60_DECIBELS STUDY

In June 2020, 60_Decibels spoke to 500 Kenyan crop and livestock farmers to bring their voices to the conversations on how best to support global food systems amid the pandemic.

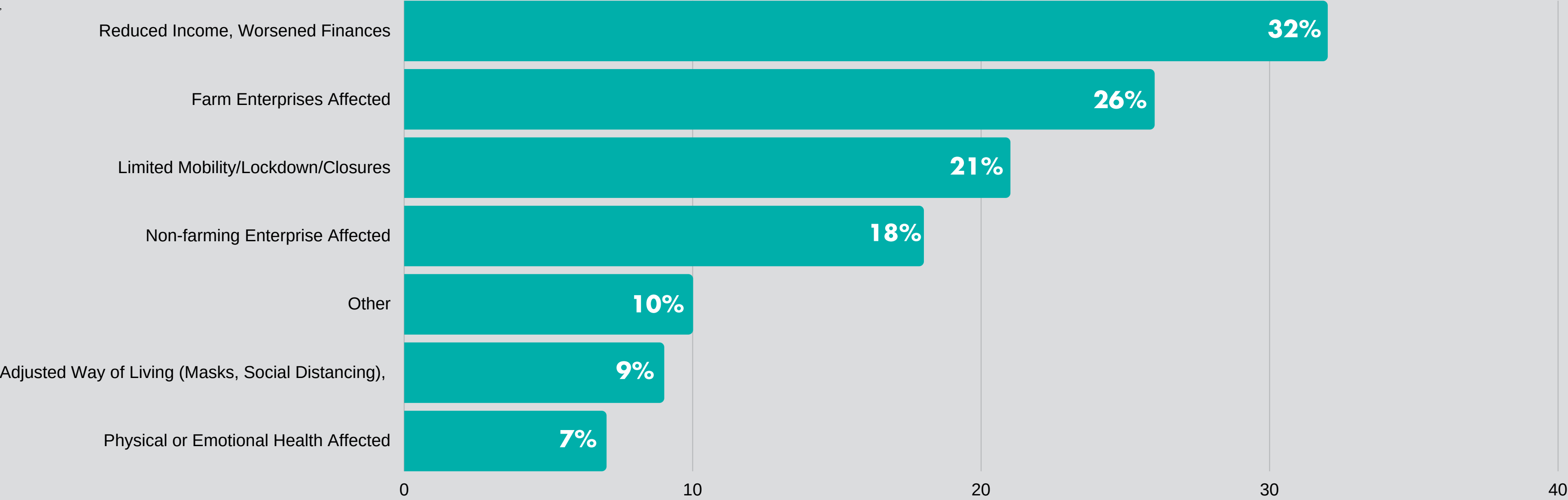
KEY FINDINGS

- Almost all households surveyed are in a worse financial position than before the pandemic
- Almost all households have had to take some sort of financial coping mechanism
- Over half of households have taken a major coping mechanism such as selling off an asset or borrowing money
- 72% report price increases for food while another 72% report having to sell their produce at lower prices
- Expenses have increased (due mainly to supply shortages, labor scarcity, and lower food sale prices) while incomes have decreased almost across the board
- 83% have reported an increase in prices for agricultural inputs
- 98% have had to adjust their farming practices to cope with the pandemic - hiring fewer labourers was the most common change
- 52% report that their farming income has become more important than before, due mainly to a decline in the availability of alternative sources of income via the informal economy.
- 61% say that farming has become a more important source of food for their families.
- 95% of respondents have reduced the number of hired labourers on their farm
- Over 60% of respondents have seen a reduction in amounts harvested, amounts sold, and amounts of supplies bought for their farms
- Direct food and cash relief are the most preferred relief methods
- 45% expressed a desire for cash-based relief
- 25% expressed a desire for direct food donations

SOURCE: 60_DECIBELS: [HTTPS://APP.60DECIBELS.COM/COVID-19](https://app.60decibels.com/covid-19)

THE MOST SIGNIFICANT EFFECT OF COVID-19 ON HOUSEHOLDS

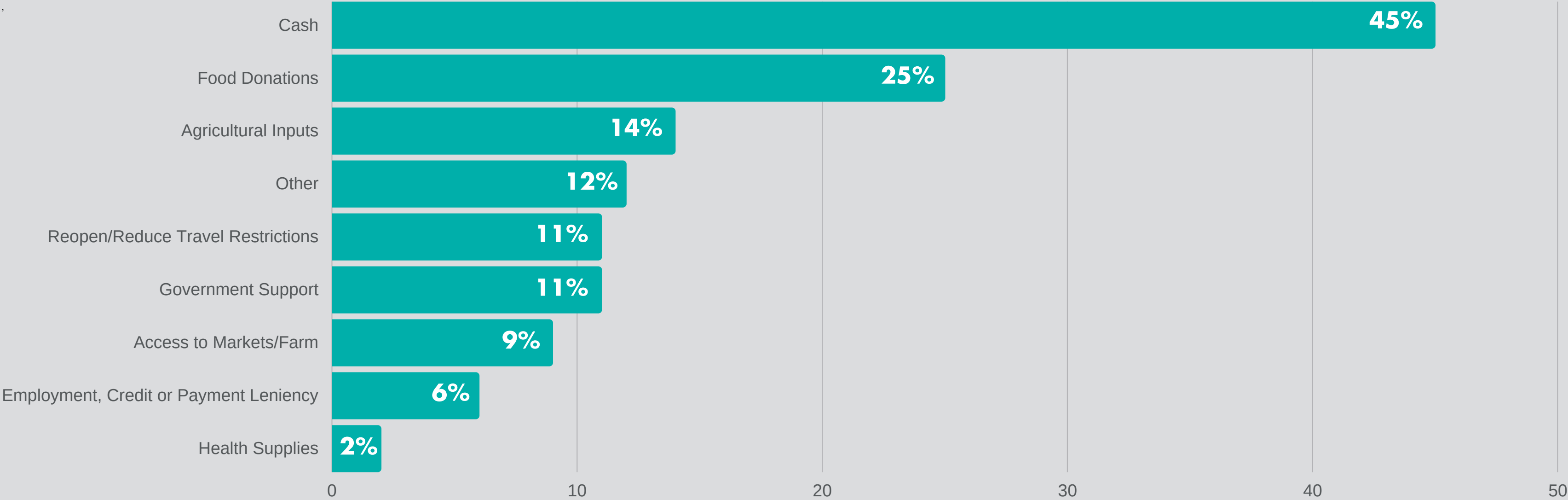
Q: What has been the most significant effect of COVID-19 on your household? (n=444)



SOURCE: IPSOS
**Note: Respondents were allowed to check more than one answer or none at all.*

THE MOST APPROPRIATE SUPPORT AGRO-DEALERS NEED NOW

Q: What kind of support would be most helpful to you at this time?



SOURCE: IPSOS

COPING MECHANISMS DURING COVID-19

Farmers are adopting various coping strategies during the pandemic:

- 59% of households are **digging into their savings** to cope with the effects of the pandemic on business
- 51% have had to **apply a significant coping mechanism** like selling an asset or borrowing money



CONCLUSION



AGRO-DEALER BUSINESSES ARE DISTRESSED FROM THE COVID-19 CRISIS, WITH A LARGE PORTION EXPERIENCING DROP IN BUSINESS.

- There is a need to support these businesses return back to normal business.
- Some agro-dealers are optimistic about production, but disruptions observed in agricultural labour markets
- The reduction in customer/farmer flow is mainly coming from a drop in incomes amongst farmers. There is a need to help farmers regain their financial standing.
- 43% of the businesses have no plan to face the crisis. Having no plan means that if the crisis progresses 43% of the agro dealers would risk total closure.
- Bigger players should help small agro-dealers develop simple plans and extend “friendly” credit facilities that would help these businesses sail through and post the business crisis.



NOTES ON THIS STUDY

- This case study is the first in a series of research projects on the effects of COVID-19 pandemic on businesses and the economy. Business outlook might change depending on the health situation in the country.
- AgriFin will continue to research the effects of the COVID-19 pandemic on smallholders and agri-businesses, sharing findings and research highlights with the larger ecosystem.

THANK YOU!

SUPPORTED BY MASTERCARD FOUNDATION IN PARTNERSHIP WITH IPSOS

LEESA SHRADER
AGRIFIN PROGRAMS DIRECTOR
LSHRADER@MERCYCORPS.ORG

COLLINS MARITA
DIRECTOR OF RESEARCH AND IMPACT
CMARITA@MERCYCORPS.ORG

ELENA HOLTKOTTE
STRATEGIC LEARNING AND COMMUNICATIONS LEAD
EHOLTKOTTE@MERCYCORPS.ORG



AGRIFIN