



## **SUMMARY of VCB-N WEBINAR 1: “The impact of the Covid-19 pandemic on agricultural value chains - What we can do to mitigate the impact!”**

**Date: 22 April 2020**

**Moderated** by *Mr. Md. Rubaiyath Sarwar, Chairperson VCB-N and co-founder and Managing Director of Innovision Consulting Private LTD, Bangladesh*

**Speakers** *who shared their different Covid-19 perspectives:*

- *Mr. Barua Kaushik, Country Director IFAD Cambodia & Mr. Fabrizio Bresciani, Regional Economist IFAD Rome - IFAD perspectives*
- *Anirban Bhowmik, Country Director, Swisscontact, Bangladesh – the smallholder farmers and the informal sector perspectives in Bangladesh*
- *Mr. Andrew Wilson, Regional Coordinator Market Systems, HELVETAS – The market perspective*
- *Prof. Liu Yonggong, China Agricultural University (CAU)- The market perspective from China*

## LEARNINGS & INSIGHTS

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### **Mr. Barua Kaushik, Country Director IFAD Cambodia & Fabrizio Bresciani, Regional Economist IFAD Rome**

- IFAD has responded to the COVID pandemic immediately through country specific responses as well as through customized financing modalities. Such tailored financing is the Rural Poor Stimulus Facility – RPSF.
  - The RPSF has 4 main pillar: i) safeguarding access to inputs and basic access for production purposes ii) facilitating access to markets incl. support to logistics, storage etc. iii) targeted funds to assure access to services mainly through existing programmes and iv) funds to develop / disseminate digital services / tools to farmers. The RPSF does in principle cover all IFAD countries.
  - The decreased ability to invest in next season's crops is further deteriorated by the insecurity about next season's markets taking away farmers confidence.
  - COVID coping strategies have to balance carefully between addressing health and economic challenges. Besides direct health challenges through the pandemic the impact on the economy adds indirect challenges. Also in the agricultural sector the direct impact is amplified by the impact on the overall economic turn-down due to the pandemic.
  - Formulating longer-term responses to mitigate impact / contribute to recovery is extremely complicated as the situation is changing day-by-day and extremely volatile while the duration of the crisis is still uncertain. UN Agencies (IFAD, WFP, FAO) are bundling efforts to start monitoring the impact of the pandemic on the agricultural sector systematically.
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### **Anirban Bhowmik, Country Director, Swisscontact, Bangladesh**

- The COVID crisis does negatively impact households in three inter-connected areas i) food security ii) income and iii) investment ability.
  - In rural areas the down-fall of prices has diminished the investment ability thus working capital of smallholder farmers which will again affect the production thus income and broader food security in the mid-term.
  - Also upstream actors like traders and retailers saw their income flow diminishing and are short of liquidity which hampers their ability to pre-finance inputs for smallholders.
  - “Stress reveals the cracks” and access to finance along the chain (production and forward market linkages) is surely one of the vulnerabilities of the current food systems.
  - Traditional responses by the government like subsidizing fertilizers or offering additional financial support through the formal financial institutes are not sufficient or adequate in the current situation. Ensuring income through the purchase of smallholder products for food aid / emergency relief efforts, would on the contrary contribute in a targeted and efficient manner to farmers / rural coping strategies.
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### **Mr. Andrew Wilson, Regional Coordinator Market Systems, HELVETAS**

- The scope and pace of responses to the COVID crisis varied per country with Vietnam being more proactive while Myanmar was more reactive.
  - Responses at company level should typically include software (adapted procedures, regulations) as well as hard-ware (protective gear etc.).
  - International value chains for non-perishables like the trade in food ingredients are less affected by the
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current COVID crisis than value chain dealing with perishables.

- Small and medium enterprises with close links to producers have been instrumental as anchor points and learning hubs in raising awareness and building knowledge about the crises among farmers using ToT approaches.
- As there exists a 6 weeks lag between shipment and retail at destination markets the real impact on trade volumes is still unclear.
- Convergence of health sector and agricultural sector interventions at company and chain level is necessary to effectively mitigate the impact of the current COVID pandemic and avoid recurrence of new outbreaks.

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**Prof. Liu Yonggong, China Agricultural University (CAU)**

- It is impossible to separate the overall economic impact of the COVID crisis from the impact on the agricultural sector as both are very much inter-connected.
  - The COVID 19 crisis did hit the Chinese economy hard but for now, not too long. Direct and rigid measures by particularly the government, have reduced damage in both ways, health-wise as well in terms of economic damage.
  - For above reasons, the damage to for example winter crops is expected to be limited. Also the damage to non-perishable market segments is limited and caused only by logistical complications. Demand as well as production and supply are expected to normalize.
  - The leading role of the government has been crucial in the response to the COVID crisis in China.
  - The support is rendered largely through existing programmes like the Poverty Reduction Fund which is efficient.
  - Yet, responses as applied in China might be difficult to duplicate in other countries that lack the mechanisms for direct support to producers or financial reserves to apply similar support measures.
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## POLICY CONSIDERATIONS

The first VCB-N Webinar on the impact of the COVID 19 pandemic on the agricultural sector revealed some important strategic insights that are potentially important in policy development;

- i) The restrictions ordered to contain the COVID pandemic are not only having an impact on the primary producers but on all actors along the value chain, as down-stream actors and processes like input supply (chemicals, fertilizers but also labour) as well as up-stream actors and processes from transportation, processing and even the delivery of agricultural extension services are severely disrupted.
- ii) Responses to the current crisis should be differentiated in terms of time horizons. Immediate responses to mitigate acute problems or address acute needs like lack of markets for perishables or liquidity problems should be complemented by mid-term responses focussing on restoring trade relations and flows and even long-term responses that entail more systematic changes in chain functioning and the governance of markets.
- iii) Agricultural value chains and agricultural markets have an additional complexity as compared to markets of regular goods because of the fact that the primary production process is

seasonal thus restrictions (like current lock-downs) during a certain period can disrupt an entire year of production plus II) agricultural produce is often perishable thus delays or complications in supply are extremely damaging and can potentially destroy the entire value.

- iv) The Achilles tendon of the commercial or market oriented smallholder agricultural production is the investment capability, which is severely affected due to the crises. This results in particularly beginning commercial farmers with limited experience, social capital (established trade relations) and/or financial reserves falling back into subsistence farming. For example, in Bangladesh 45% of the smallholder farmers are at risk to fall back into subsistence farming due to the COVID19 crises. The poverty trap due to the cycle of; *lack of markets - reduced income – decrease in investment capacity- lack of working capital- lower production thus income*; is the current reality for many smallholder farmers.
- v) In terms of price setting, the mid-term impact on pricing of staples and non-perishables will be moderate as caused by logistical challenges only. Yet, panic purchases could potentially heavily disrupt market dynamics (as happened in the past). Also a structural recession thus systematic decrease in purchasing power thus demand could hit markets seriously.
- vi) Formulating longer and even mid-term policies and measures is extremely complex due to the unprecedented uncertainties and a reality that changes day-by-day. Particularly the fact that nobody knows how long restrictions and the disruption of markets will still prolong complicates the formulation of responsive policies.
- vii) In doing assessments and formulating adequate responses to the current crisis we have to seriously consider that a second and even third wave of the pandemic is possible. Moreover, a deep economic recession in the aftermath of the crisis is very likely to strike the world with equally serious consequences for the agricultural sector.
- viii) As the impact of the crisis is multi-faceted and multi-dimensional, the response to mitigate the impact should be multi-faceted too. This requires a multi-stakeholder response that involves the public, private and civil society sectors. The role of the different sectors will vary per country; while for example in China the government plays a dominant role, in Bangladesh Development Partners and civil society are very visible in mitigation efforts.
- ix) A particular multi-sectoral dimension is the crucial importance of the well and efficient functioning health sector also for the agricultural sector. Convergence of health sector and agricultural sector interventions at company and chain level is necessary to effectively mitigate the impact of the current COVID pandemic and avoid recurrence of new outbreaks. Without a health sector that is able to respond to the outbreak of the pandemic and contain the outbreak also in rural areas, any other efforts will be in vain.
- x) The current crisis and its impact requires unprecedented measures. Traditional responses or support mechanisms like subsidizing of inputs is no longer sufficient. A comprehensive, overarching and market-system based approach is required to respond to the crisis and contribute to economic recovery.

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- xi) Development efforts from all sides are hampered by the limitations to physically reach out to beneficiaries. Digital means and tools are replacing physical knowledge development and knowledge transfer. Also data collection and assessments are largely done remotely. This new way of working requires new tools and new skills from practitioners.
  - xii) Sufficient liquidity is key to all actors and processes. In order to mitigate impact of the crisis and contribute to economic recovery after the crisis inclusive access to financial service providers is thus crucial. Also in building up a more resilient agricultural sector, future access to financial services to all chain actors is key. Financial institutes of all sorts (commercial, savings & credit associations etc.) have an important role to play during and after the crises.
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**THANK YOU**

**NEXT WEBINAR**

**VCB-N WEBINAR 2: “The impact of the Covid-19 pandemic on agricultural value chains - What we can do to mitigate the impact! – *From a finance and corporate perspective*”**

**DATE: 5<sup>th</sup> of May 2020 (tentatively)**

**Don't miss it!**