



POLICY BRIEF

COVID 19 & AGRICULTURAL VALUE CHAINS: IMPACT, COPING MECHANISMS, LESSONS LEARNED AND THOUGHTS ABOUT THE WAY FORWARD

“INSIGHTS FROM THE FIELD”

PREFACE

This Policy Brief is developed by the Value Chain Capacity Building Network (VCB-N) and captures the results of presentations and discussions shared through a round of 4 Webinars organized by the VCB-N from end of April to early June 2020. Resource persons from various sectors and backgrounds together with around 600 participants from over 50 countries engaged in lively dialogues around the impact of the crisis caused by the COVID19 pandemic on agricultural value chains.

IMPACT

- Major impacts on the functioning of agricultural value chains connected to the COVID19 pandemic are less a result of health issues, but rather caused by restrictions in the movement of people and goods that were sanctioned to retain the pandemic. These restrictions are not only having an impact on the movement of products along the chain but also on the movement of services and the flow of knowledge and information along the chain. Likewise, not only the primary producers are affected but 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 are severely disrupted. Access to other supporting services like financing services, certification services or the delivery of agricultural extension services is seriously hampered too. However, not all value chains are affected

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- equally; some value chains face mild disruptions, while other value chains, dealing with perishable products, are suffering enormous damages.
- 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 agricultural produce is often perishable and delays or complications in supply are therefore extremely damaging potentially destroying the entire value of the produce.
 - The COVID19 crisis and the impact, has evolved in different phases;
 - From the fear for infection in the early days, causing traders not to pick up produce, agricultural workers not to appear and consumers to avoid markets.
 - To the impact from restrictions due to established lock-downs, curfews or road-blocks disrupting the entire chain, and
 - Last but not least, the reduced trade volumes and thus incomes, affected the investing capacity of particularly farmers (but also other chain actors), hampering investments in the next cropping cycle.
 - The current crisis is still evolving and responses need to adapt to the new realities continuously, making any clear-cut or blue print restoration approaches fiction and the outcome of the crisis still largely open-ended. This on-going uncertainty about market developments continues to increase the hesitation to invest in future cropping cycles.
 - The mid-term impact on pricing of staples and non-perishables, at present, will be moderate because it was mainly caused by logistical challenges. Panic buying, as happened in the past, could potentially heavily have disrupted market dynamics more than it did. But also a structural recession, thus systematic decrease in purchasing power and hence the demand could hit markets seriously.
 - The Achilles tendon of the commercial or market oriented agricultural smallholder is the investment capacity, which is severely affected due to the crisis. Particularly beginning commercial farmers with limited experience, social capital (established trade relations) and/or financial reserves are falling back into subsistence farming. In Bangladesh for example, that is 45% of the smallholder farmers that are at risk. The poverty trap due to the downward cycle; 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.
 - Due to the worsening economic situation and future outlook the poor are minimizing their expenses and are economizing on daily food intake with the risk for worsening nutrition intake and increasing malnutrition figures. The current crisis holds the threat to turn from a health into a humanitarian crisis if the production capacity of smallholders further deteriorates. Safeguarding sufficient production of staples but also of necessary nutritious food (vegetables and fruits) is absolutely essential to avoid a food crisis that will particularly hit the poor very hard.

RESPONSES

- The current crisis and its impact require 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.
- Responses to the current crisis should be differentiated in terms of time. 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.
- 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.
- In doing assessments and formulating adequate and innovative responses to the current crisis we need to consider the possibility of a second and even a third wave of the pandemic. 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.
- The multi-faceted and multi-dimensional impact of the crisis, requires an equally diverse response, including actors from the public, private and civil society sectors.
- A particular multi-sectoral dimension is the well and efficient functioning of the convergence of the health and the agricultural sector, whereby interventions at company and chain level are necessary to effectively mitigate the impact of the current COVID19 pandemic and avoid recurrence of new outbreaks.

LESSONS & INSIGHTS

- Farmers have shown to be more resilient than anticipated; experiencing the unpredictability of nature and increasingly frequent natural disasters has made farmers develop internal support systems built on mutual collaboration and solidarity. During this crisis, we witnessed farmers accessing inputs, and finance or solving labour shortages through collective efforts. Government policies and action have surely contributed to buffer and mitigate the impact of the crisis yet local coping mechanisms based on collective action, solidarity and collaboration between farmers and other local actors has been the backbone of coping strategies during this crisis and will be the backbone of future resilience strategies. In this sense, the COVID19 crisis has also proven that organized farmers are much more resilient and able to respond to / cope with the crisis than farmers that are not organized. This evidence is hoped to be a stimulus for farmers that are not yet organized to get organized.
- Sufficient liquidity is crucial 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 services is thus essential. In building up a more resilient agricultural sector, future access to financial services to all chain actors is one

- of the main solutions. Financial institutes of all sorts (commercial, savings & credit associations etc.) have an important role to play during and after the crises.
- One of the lessons from the Ebola crisis in Africa which seems to repeat itself during the COVID19 crisis is that MFIs that were healthy and doing well before the crisis will survive while MFIs that already had problems prior to the crisis are prone to heavy losses. The COVID19 crisis will result in the survival of the fittest MFIs. The COVID19 pandemic is also hitting on a the agricultural sector that was already in stormy waters and is particularly devastating in areas with pre-existing high prevalence of poverty and hunger like for example in Bangladesh and India.
 - In addressing financial needs of chain actors, immediate and transparent communication with clients is essential to arrive to common responses to mitigate impacts of the COVID19 crisis. A flexible and tailored approach is required in supporting individual client MFIs, blue print approaches are not effective and useful at this time though, when rapid response mechanisms to needs and challenges expressed by clients are required, and calling for simplifying procedures and approval processes. Flexible or eased conditions from the Funds to the borrower have to be translated to the lenders of the MFIs like grace periods for repayments, moratoria on payment of interests etc.
 - The COVID19 crisis has highlighted the importance of local savings at household and Credit Union levels. Resilience at household level towards external shocks requires the built up of emergency savings that cover at least a few months of household expenses.
 - The rat race of “more with less” urging for continuous needs to increase production and efficiency seems to face its limits and new concepts based upon sustainability principles like circularity are gaining momentum and are moving from being niche to main stream.

THOUGHTS ON THE WAY FORWARD

The crisis and its’ impact is still evolving and the outcome is still very much open ended. Yet, some insights and lessons do already inform us about possible ways forward with the aim to arrive to a more resilient and more sustainable and fairer agricultural sector:

Balancing health and economic interests

- While the immediate response of the public sector was (and to large extent still is) very much health focussed (safe lives), the private sector responded very much with an economic perspective (safe livelihoods). The right balance between health - (save lives) and economy – (save livelihoods) is difficult to calibrate and multiple interests as well as time dimensions (short versus long term) play a role

Further collaboration, learning and exchange

- Continuous exchange and learning is in times of crisis even more essential and inter-agency collaboration from local to international level is necessary to facilitate knowledge capture, development and dissemination. The current learning and coping mechanisms should not only take into account the current crisis but also future crisis’s including the impact of climate change. The crisis has proven that resilience comes with strong relations and institutional networks that facilitate informed action.

- The crisis has re-enforced the need for accurate data about the farming sector from micro- farm level data to macro data regarding global trade and product flows. Data collection and analysis will have to inform the shaping of new directions while strong partnerships and collaboration have to realize those visions for a renewed more resilient and sustainable agricultural sector. Availability of reliable data can also enhance the transparency of the sector.
- Public Private Partnerships with for example telecom providers are essential to bring successful pilots, for example together with rural advisory services, to scale and bridge the last mile at national levels. Business-based models, involving government and private sector stakeholders, should be leading such partnerships.

Strengthening the local base

- In coping with the crisis, investing in self-help ability, thus the organisational and technical capacity levels of farmers has been very important. The existence of well informed, capacitated and organized local stakeholders including local producers has proven to be essential to the resilience capacity of agricultural systems. This is a strong argument for further investments in capacitating and organizing farmers and other local stakeholders. Similarly for investing in local service delivery models in which local service providers like village vets and other para-professionals have been pivotal in securing access to services.
- Understanding farm level economics is fundamental to farmers coping capacity and future resilience. Regarding farming as an 'entrepreneurial activity' is required, to not only enhance resilience, but also to provide a livelihood to the many that turned back to the country-side. Access to farm level data and the capacity to understand, analyse and use these data in taking decisions seems crucial in approaching farming as a business.

Further digitalization

- The COVID19 crisis has accelerated the development and application of digital tools for the delivery of extension and other services. At field level numerous pilots are ongoing applying ICT in extension efforts. It is crucial to capture lessons and analyse efficiency of piloted tools and approaches. Further digitalization in all aspects and functionalities; organisation and management, outreach to clients, service delivery and exchange and knowledge development is key to assure future inclusive access to financial services and strengthen resilience of service provision. However, ICT should not to be seen as panacea for solving extension challenges as ICT solutions are at best a supporting tool and cannot be used in isolation yet. ICT is only effective if paralleled or complemented by social capital for example in the form of collaboration with FOs and aligned with government structures.

Responding to new market demands

- The ever increasing globalization and global sourcing is no longer a given and needs to be better justified. Consumer needs and demands have changed in favour of food safety and locally sourced (traceable and trustworthy) food, fostering more direct linkages between producers and consumers. New business models have to be developed and tested that assure more direct linkages between producers and consumers, facilitated by ICT means. The re-emerged interest for local or traditional food items can further strengthen the localization of food systems and value chains.

- The concept of sustainability has to be re-invented and become more holistic including resilience aspects, and taking into account localization of chains and dimensions of circularity and chain governance and ownership. Also assurance and accreditation systems should become more localized and participatory giving consumers as well as producers and other chain actors a say.