



# COVID-19 and smallholder producers' access to markets

## INTRODUCTION

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The COVID-19 pandemic is substantially affecting smallholder producers' access to markets. Immediate impacts tend to be more severe for high-value commodities (perishable products), which are often produced by smallholder farmers. Several countries are putting in place a variety of measures to mitigate the impact of the pandemic on smallholder producers. This brief builds on lessons learned in Guinea, Liberia and Sierra Leone during the 2014 Ebola virus disease (EVD) epidemic and during the 2007–2008 global food prices volatility crisis. It also analyses the initial challenges and responses by the countries that were affected at the early stages of the outbreak. The aim is to inform policy makers on options for mitigating the effects of the lockdown on food and agriculture with attention to smallholders' access to markets.

## CHALLENGES AND MITIGATION MEASURES

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### Temporary movement restrictions hindering smallholder producers' access to markets

In a pandemic such as COVID-19, measures to limit the spread of the virus require physical isolation and various levels of restrictions on people's movement, and in some cases complete lockdowns. Inevitably, these measures cause transportation delays and bottlenecks in the flow of goods and services, including in the agricultural sector.

The effects were similar during the EVD crisis. The restriction measures adopted to limit the propagation of the EVD epidemic (closing weekly markets, closing borders, Ebola checkpoints on roads) caused disruption in agricultural market chains and trade (FAO, 2016). The biggest impact was related to disruptions in collecting and transporting agricultural products to areas of consumption. The most affected stakeholders in the EVD epidemic were those in long value chains, more labour and input-intensive value chains, value chains with weak market diversification and value chains involving perishable products (FAO, 2016).

During COVID-19, road blocks and checks in China prevented, in some cases, smallholder producers from selling products or buying inputs, which resulted in a loss of income, loss of produce and it has potentially affected future cultivation seasons (Zhang, 2020). Closing slaughterhouses also resulted in losses. In addition to being physically cut off, delays due to required sanitary checks and road blocks led to losses in quality or to complete damage of perishable products and to the accumulation of non-perishable products. Many street markets and farmers' markets were temporarily closed to limit public gatherings in China, Italy, Kenya and other countries. This prevented smallholder producers and their associations from selling directly to consumers.

### Measures to alleviate obstacles for smallholder producers to reach markets

A lesson learned from the EVD epidemic is the importance of establishing safe trade corridors based on public health mitigation measures along market chains (FAO, 2016).

When health and sanitary conditions allowed, countries that were affected early by COVID-19 took the following measures: faster or special checking for vehicles transporting animal products and inputs; re-opening slaughterhouses; and implementing mechanisms to ensure supply and distribution of food commodities. For example, Italy guaranteed the movement of agriculture and food-related goods and services (Government of Italy, 2020). In China, funds were provided to ensure supply and logistics. Many e-commerce companies implemented new initiatives to facilitate supply and marketing. Centralized distribution points were used for procuring and transporting products and goods in rural areas, and facilitated door-to-door services minimized the risk of personnel being exposed to infection (Han, 2020).

### Changes in demand and consumer behaviour affecting smallholder producers

As is evident in times of crises, uncertainty and concern for the future often reflects different coping strategies and a shift in consumption patterns. For example, the food and financial crises of 2008 saw a change in market demand, especially among the most vulnerable segments of the population (IFPRI, 2008). As the rise in food price undermines the financial capacity of poor households, they tend to limit their food consumption and shift to less balanced and diversified diets (IFPRI, 2008). Similar consumer behaviour changes were observed in many value chains during the EVD epidemic in 2014 (FAO, 2016).

During COVID-19, a shift in consumption patterns has been noted in Italy. Markets saw an increase in purchases of both staple and long-shelf-life food and a shift towards e-commerce (Coldiretti, 2020). At the same time, there has been a reduction in the demand for fruits, horticultural and other perishable products, leading to a fall in prices (ANSA, 2020a). Similarly, in China, reduced demand for vegetables, fruits, and aquatic products led to falling prices and slow sales. The poultry and egg food production chains have also faced strong downward price pressure (Luedi and Liu, 2020).

### Measures to stabilize the supply, absorb the surplus and reduce losses

A lesson learned during the EVD epidemic was the importance of developing and communicating health prevention measures to enable traders to collect agricultural products and promote local public procurement of food (FAO, 2016).

Countries first affected by COVID-19 have put in place several policy responses to stabilize the supply of agricultural products, absorb surpluses and prevent the loss of perishable products for producers. In China, measures included promoting the “vegetable basket” policy alongside mechanisms to coordinate the supply and distribution of vegetables during the COVID-19 prevention and control period. The measures also included public procurement and distribution (Zhang, 2020). E-commerce companies have also intensified the procurement of agricultural products to sustain market demand for smallholder producers and create mechanisms to support the sales of accumulated products (Zhu and Guo, 2020).

### Closure of schools and other public places impacting market demand

The closure of schools and other public places, restrictions for the operations of supermarkets and/or closure of farmers' markets led to significant food outlets being blocked and to a loss of

sales. For example, closing coffee shops, restaurants and farm-holiday-stays resulted in a 10 percent drop in milk consumption, creating challenges for the dairy industry (ANSA, 2020b). In Brazil, the National Confederation of Family Farmers and Rural Workers proposed strengthening public food procurement to supply hospitals and school meals (Contag, 2020).

### Measures to mitigate the impacts of closing schools and other public places

Lessons learned from the EVD epidemic include the importance of careful re-opening of markets with information campaigns, hygiene kits and sanitary controls, and the involvement of all stakeholders in risk management (FAO, 2016).

During COVID-19, different initiatives are being taken, including government procurement from smallholder producers and/or associations; adaptation (to ensure physical distancing) and re-opening farmers' markets; promotion of direct delivery services and the continuation of school meals during school closures. In Italy, the government allocated funds for procuring milk to distribute to vulnerable families (ANSA, 2020b). In the United Kingdom of Great Britain and Northern Ireland, low-income families are being offered food vouchers and meals during school closures (Government of the United Kingdom of Great Britain and Northern Ireland, 2020; CGD, 2020). The Brazilian parliament approved a law (PL 786/2020) allowing for food purchased through the national school feeding programme to be distributed to students. Some states have also increased food procurement directly from smallholder producers to supply school meals and hospitals (Government of Brazil, 2020; FAEP, 2020). In summary, some policy options include supplementing cash transfer programmes, take-home rations, food vouchers, using schools or community facilities as feeding centres providing take-home rations and public procurement of food from smallholder producers.

### Restrictions on the movement of people disrupting production

During the EVD epidemic, analysts concluded that "fear of congregating in groups disrupted worker mobilization and led to severe labour shortages, thus depressing rice production and, ultimately, rural welfare" (De la Fuente *et al.*, 2019).

Agriculture, food processing and retailing points have been included as essential activities in many countries as part of COVID-19 related measures. Still, movement restrictions created challenges to smallholder producers in some countries where migrant seasonal work is crucial for agriculture. In these countries, travel restrictions have created risks of shortage in agricultural labour.

With COVID-19, Italy is facing challenges as migrant seasonal workers constitute 27 percent of the agricultural working hours, especially in labour intensive and high-value commodities (Livini, 2020).

### Measures to mitigate the risk of a shortage of agricultural labour

A lesson learned from the EVD epidemic was the need to develop and communicate health prevention measures to encourage farmer group activity (FAO, 2016).

During COVID-19, it has been crucial to maintain agriculture within the list of essential businesses and services that can operate during lockdown to ensure the continuation of production and the protection of rural employment. In response to the shortage in the agricultural workforce, the Government of Italy has extended the residence permits for non-European Union citizens already living in the country (ANSA, 2020c). Moreover, proposals have been advanced to regularize foreign labourers without residence permits, simplify agricultural

vouchers to allow Italian students to carry out the work in the countryside, and temporarily employ in public work programmes those who are currently benefiting from the national cash transfer programme (Canali, 2020; Benfatto, 2020; Serrao, 2020). Employment agencies have also started to facilitate the process of recruiting those interested in working in the food and agricultural sector.

### Value chain disruptions creating financial and access to services challenges for smallholder producers

During the EVD epidemic and the food prices volatility crisis, smallholder producers were profoundly affected. Comprehensive and robust support to smallholder producers was a key element of the responses, which included financial measures, promoting access to inputs and advisory services.

Despite mitigating actions in the countries most affected by COVID-19, the crisis is disrupting the value chains where smallholder producers play a crucial role and where they derive their income. Smallholder producers, particularly producers of perishable products, are heavily impacted. In cases of severe or prolonged disruption, their ability to resume production is at risk.

### Measures of financial support to smallholder producers

As a response to the food prices volatility crisis of 2007–2008, there has been an increase in national public investments in agriculture. Several governments announced policies supporting agriculture with measures including increased access to credit and providing seeds and fertilizers at subsidized prices (OXFAM, 2019). After the EVD epidemic impact on market chains, there was a clear need for measures to boost economic and agricultural related activities, including financial support for agricultural inputs to encourage planting for the next season (FAO, 2016).

In response to COVID-19, Chinese Government agencies and financial institutions have promulgated and adopted a series of financial support measures to support smallholder producers and agricultural micro, small and medium enterprises, as summarized in the table below.

TABLE 1 | Examples of financial support measures from China

SUBJECT	TYPE	CONTENT
Ministry of Commerce	Fiscal emergency funds	Allocated CNY 100 million from state financial funds to Hubei Province to protect the agricultural supply chain.
Ministries of Finance and Ministry of Agriculture and Rural Affairs	Comprehensive policy: <u>Notice on effectively supporting the stable production and supply of agricultural products during the prevention and control of COVID-19</u>	<ul style="list-style-type: none"> <li>reducing and exempting agricultural credit guarantee-related expenses;</li> <li>allocating disaster relief funds for agricultural production, spring plough and, spring plough and supply of local vegetables;</li> <li>supporting cold storage and preservation of agricultural products;</li> </ul>

		<ul style="list-style-type: none"> <li>• focusing central government funds for agricultural production on the epidemic-stricken areas; and</li> <li>• increasing coordination between local fiscal funds and require localities to support the "vegetable baskets".</li> </ul>
<b>Agricultural Bank of China</b>	Directional measures	Reducing the operating interest rate of inclusive small and medium enterprises, self-employed households and private owners in Hubei Province by 0.5 percent.

Source: Government of China's Ministry of Commerce, 2020; Government of China's Ministry of Finance and Ministry of Agriculture and Rural Affairs, 2020; Zhu, 2020

Similarly, the Government of Italy issued the *Cura Italia* decree on 17 March 2020 to allocate funds and provide incentives for agriculture, among other sectors (Government of Italy, 2020). The decree allocates funds for EUR 100 million to support agricultural enterprises related to farming, fishery and aquaculture to cover the interests of loans and mortgages. Farmers will also be able to request an advanced payment of 70 percent for the annual non-repayable contributions instead of 50 percent under the Common Agriculture Policy (Government of Italy, 2020). Beyond these financial measures, the decree includes a contribution of EUR 50 million to support food distribution and a compensation of EUR 600 for agricultural workers with short-term contracts for March (Government of Italy, 2020).

In Brazil, the National Confederation of Family Farmers and Rural Workers proposed several financial measures to support smallholder producers, including deferring agriculture credit payments and creating new emergency agriculture credit products (Contag, 2020).

Many other countries adopted stimulus packages that promote small and medium enterprises through a series of financial measures. Most of these packages are not specifically for smallholder producers.

In conclusion, the following policy options can be considered to promote access to rural finance as part of the COVID-19 response:

- Provide short-term stimulus packages that support sales, cash flow and working capital. Such measures help to maintain or increase cash flows and provide tax credits, cuts, deferrals and refunds.
- Enhance access to finance by incentivizing the creation or extension of guarantee schemes for loans to smallholder producers, direct public lending and setting targets for financial institutions for lending to smallholder producers.
- Providing grants, subsidized loans and tax incentives. Promoting inclusive investments on agriculture is also important. Lessons in this regard can be gleaned from the Global Agriculture and Food Security Program (GAFSP), which was launched in 2010 to respond to the food price crisis with better and targeted investments in agriculture.

### Measures to enhance smallholder producers' access to agricultural services and inputs

During COVID-19, restricting movement has created constraints to smallholder producers' access to the inputs required for the next growing season leading to concerns over decreased

productivity. Beyond financial support, further measures will need to be taken to ensure that producers have timely access to quality inputs for the next season.

Lessons can be drawn from the financial and food crises in 2008. For instance, in some countries, governments promoted the local production of fertilizers through long-term programmes and issued agricultural input vouchers to ease access to inputs (FAO, 2011), such as in the Bolivarian Republic of Venezuela, Chile, Honduras and Rwanda. For a short time, the Government of Rwanda introduced a targeted input voucher programme for fertilizer and seeds in November 2008 (FAO, 2011). Additionally, several countries also enhanced the potential of extension services to mitigate the impact of the crisis on food production through knowledge management, technical assistance and training for the agriculture sector. Ecuador reactivated national plans and provided agro-technology extensions. In Nigeria, a pilot programme served to assess the impact of farmers' field schools on the productivity of cocoa farms. In 2009, the programme on extension services was extended to 2014 (FAO, 2011). Lessons learned from the crisis underlined the need for a systematic approach to make improvements along the chain from inputs to production to markets, ensuring elements of social, technical and economic sustainability in the design (FAO, 2009).

In response to COVID-19, the Government of China took several measures to promote resuming production and to ensure a supply of inputs for the next season (Shang and Yang, 2020). For example, the General Office of the Ministry of Agriculture and Rural Affairs issued the "Notice on Effectiveness in Protecting and Providing Agricultural Resources during the Period of COVID-19 Epidemic Prevention and Control", among others (Government of China's Ministry of Agriculture and Rural Affairs, 2020).

The Food and Agriculture Organization of the United Nations (FAO) will continue to monitor the evolution of the impact and responses and will update the information accordingly.

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