



UNITED NATIONS
INDUSTRIAL DEVELOPMENT ORGANIZATION



The impact of COVID-19 on agricultural and food-processing industries, with special focus on Asian and African markets

A survey conducted by the UNIDO Investment and Technology Promotion Office (ITPO) Germany in cooperation with DLG e.V. - German Agricultural Society and SmartHectar Innovation

About the survey

The impact of the coronavirus on agricultural and food-processing industries has been assessed in a survey by the UNIDO Investment and Technology Promotion Office (ITPO) Germany in cooperation with DLG e.V. - German Agricultural Society and SmartHectar Innovation.

Online and telephone surveys were conducted among 800 companies from the food- and agricultural sector with business activities in African and Southeast Asian markets in June and July 2020 by dimap – Institut für Markt- und Politikforschung GmbH. The majority of participants were small and medium-sized enterprises (SMEs) headquartered in Europe, and one third of the participants represent larger corporations. Two third of the respondents generate more than half of their annual turnover on foreign markets. The main findings of the survey are summarized in this report.

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Coronavirus crisis is hitting global food and agricultural sector

The food and agricultural sector accounts for 10% of the global GDP and is estimated to employ 1.5 billion people worldwide. The effects of the coronavirus pandemic on the sector are thus not limited to considerations related to food safety and security, but also encompass far-reaching social and economic aspects. The survey confirmed that the coronavirus pandemic has already had tangible effects on the sector.

Companies seeing the coronavirus crisis as the biggest challenge to their business



Companies located in African and Southeast Asian markets feel particularly threatened, with 93% seeing the coronavirus pandemic as their biggest challenge, in addition to related challenges, such as climate change (54%) and political and social instabilities (46%), that are perceived more strongly by participating companies in these regions, compared to those located in Europe.



72% of respondents consider the pandemic as the biggest challenge facing their business, as compared to other challenges.

93% of companies located in African and Southeast Asian even see the coronavirus pandemic as their biggest challenge.



Smaller companies and those located in Asian and African markets are most affected

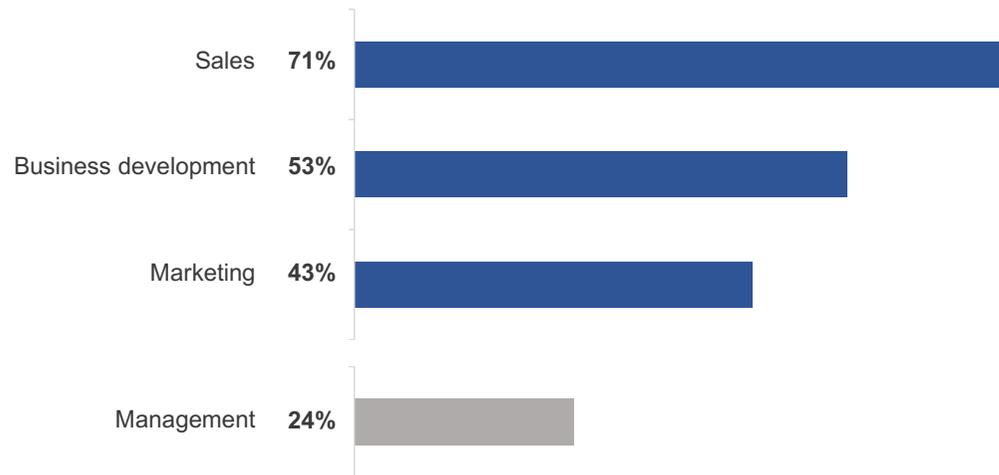
The survey uncovered that the coronavirus pandemic especially affects smaller companies and those located in Southeast Asian and African markets: smaller companies with less than 500 employees and those located in Southeast Asia and Africa consider the impact of the crisis on their industry to be larger by approximately 10% in comparison with bigger companies or with those in Europe. While companies located in Europe tend to have more optimistic expectations about the effects of the crisis, 40% already see their customers reduce production, change production processes and, most importantly, cancel orders. These effects are still limited in African and Southeast Asian countries, but are likely to become more pronounced over time, especially in Africa where the crisis only set in with some delay.

Strategic re-orientation, internal reorganization and new communication channels

The most immediate impact of the coronavirus pandemic on companies is felt in the area of sales (71%) and business development (53%). In line with this, most respondents intend to strengthen their sales (40%), marketing (35%) and business development (35%) departments to counter the negative impacts of the crisis in the short- to medium-term.

Companies have switched to new channels of communication with their customers and suppliers, such as messenger services, telephone and video conferencing. The majority (60%), however, holds the opinion that these communication tools can only temporarily replace face to face contact with customers. One fourth of respondents believe face-to-face contact can not be substituted at all. This shows the continued importance of platforms such as trade fairs and conferences as networking opportunities in the post-COVID-19 era. About one third of respondents see standardized digital platforms as an important complementary tool.

Departments which are hit the hardest by the coronavirus crisis



In order to adapt to the crisis, SMEs plan to focus primarily on their core business (57%). Although this seems to be the preferred strategy in the short-term, 63% of all respondents (including both smaller and large companies across Europe, Southeast Asia and Africa) expressed the need to diversify their products, supplier and customer base in the mid- to long-term.

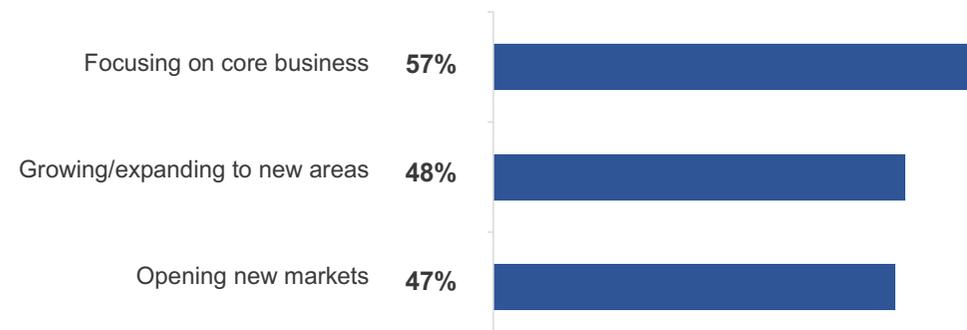


Despite the challenges, the long-term, strategic outlook of most companies is positive: only about 10% of respondents are considering layoffs or closing down part of their business in foreign markets.



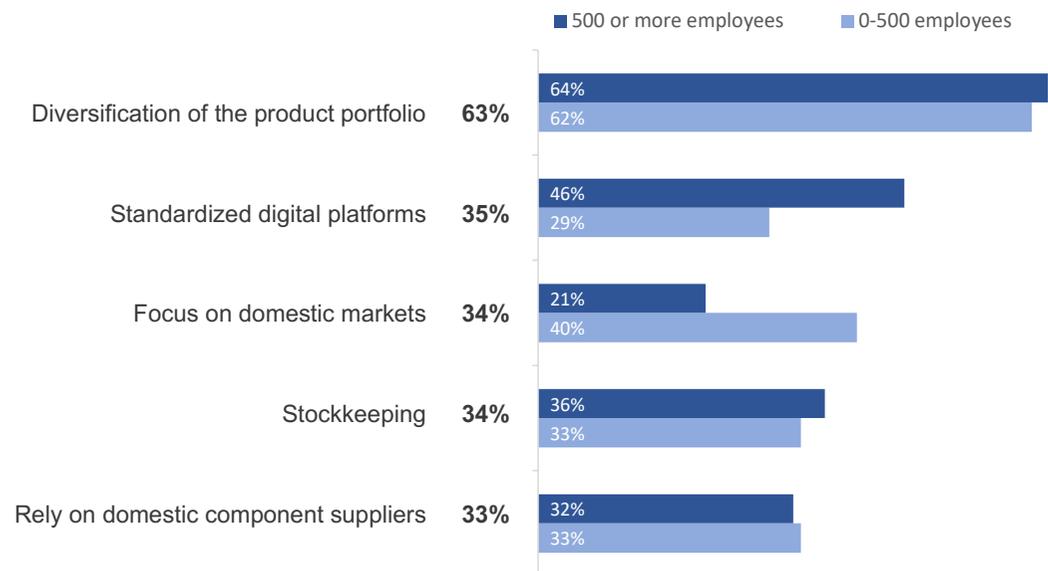
This long-term positive and more strategic outlook is supported by the fact that only about 10% of respondents are considering layoffs or closing down part of their business. One third of respondents hope to increase their R&D activities in response to the pandemic. Only about 20% of the larger companies believe that focusing on domestic markets is a suitable long-term strategy to decrease the impact of the crisis.

Short-term strategies of companies to adapt to coronavirus crisis

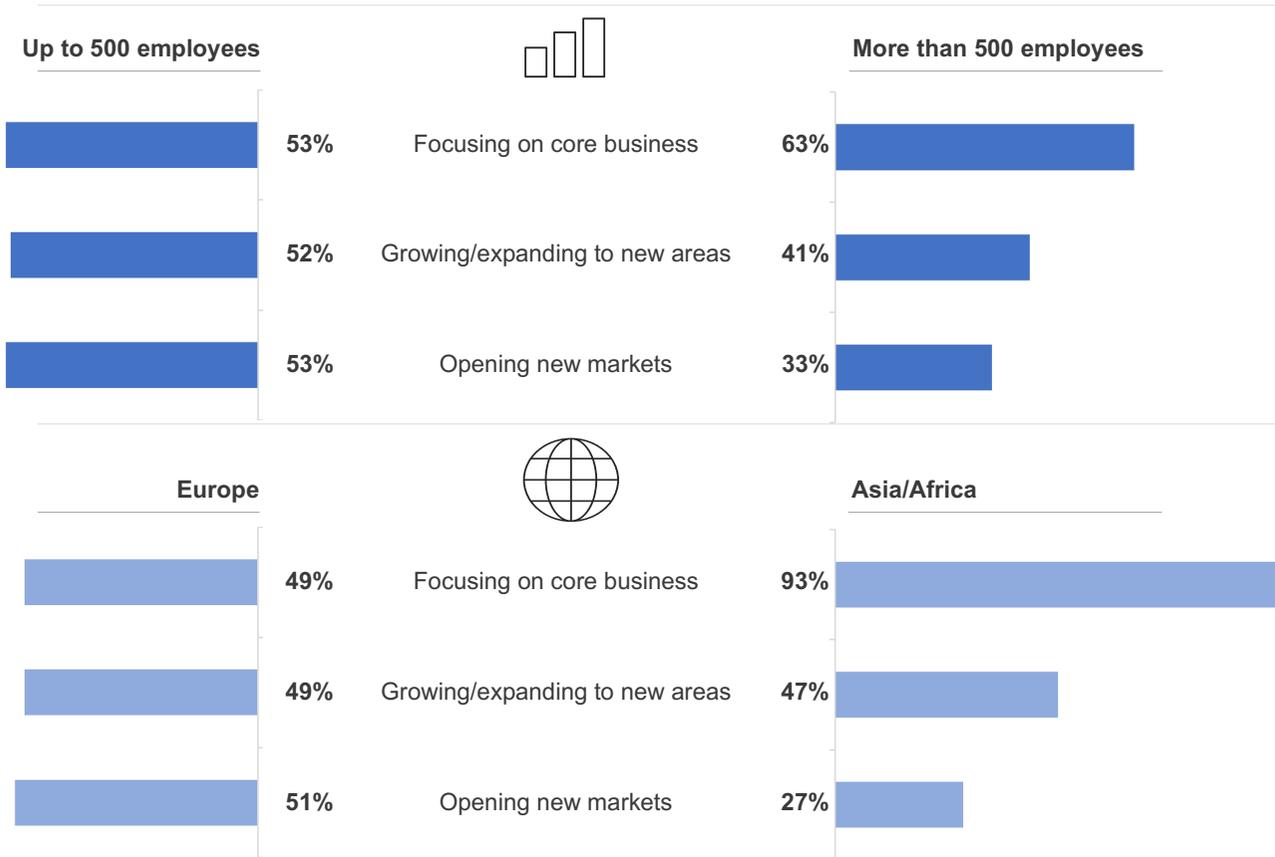




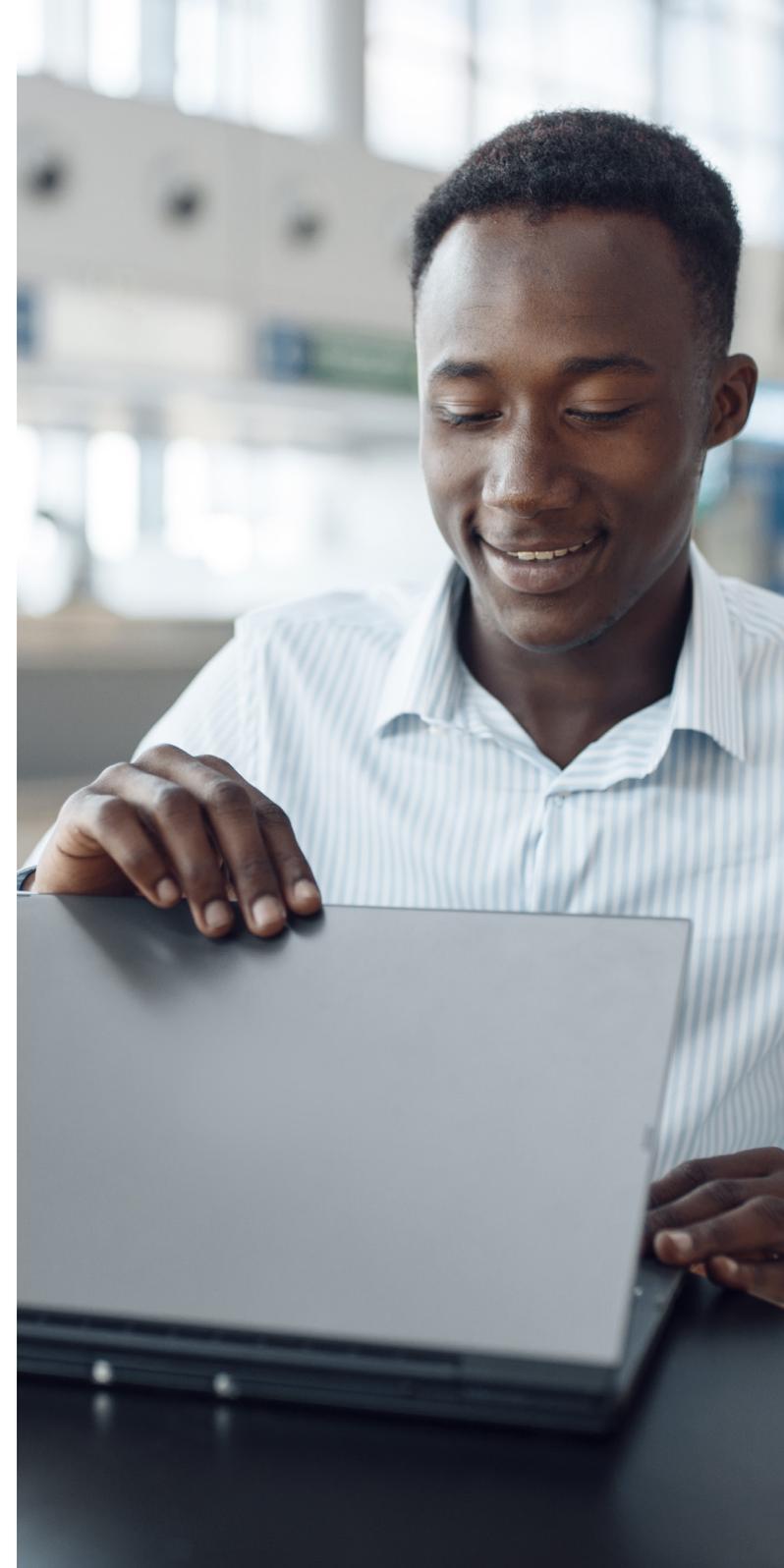
Long-term strategies of companies to decrease the impact of the coronavirus crisis



Accelerated internationalization vs. retreat to domestic markets

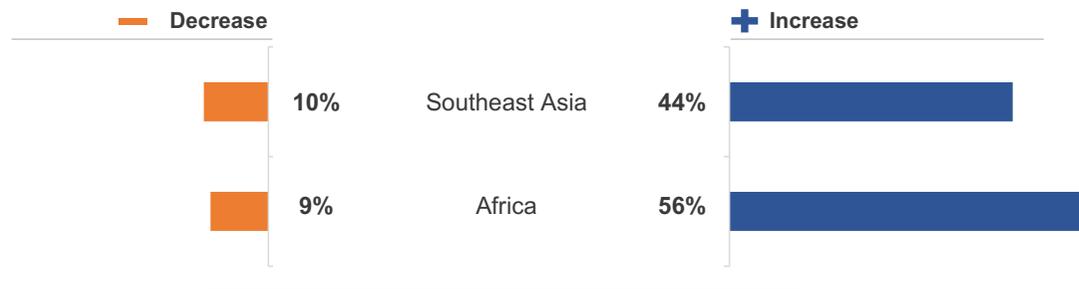


Only one third of larger companies and a quarter of companies in Asia and Africa consider international expansion to be the right strategy, given the uncertain conditions in their domestic markets. In contrast, half of the SMEs, especially those located in Europe, see opening new markets and continued international expansion as the right way to adapt to the crisis (51%). This confirms the tendencies that the crisis will further increase the role of SMEs targeting international markets in the global food and agricultural industry.

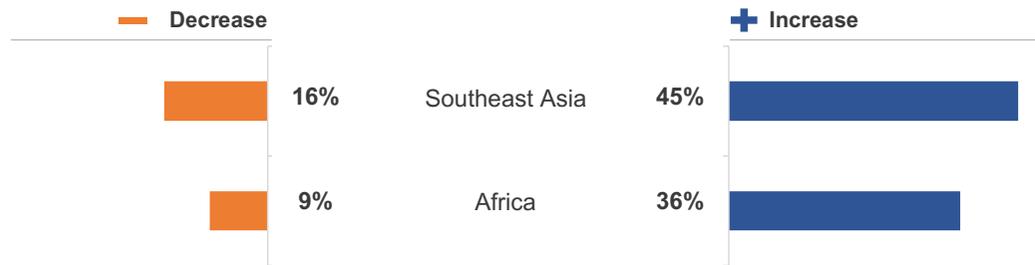


Rising commitment to African and Asian markets

Adjusting market presence in...



Adjusting investments in production in...



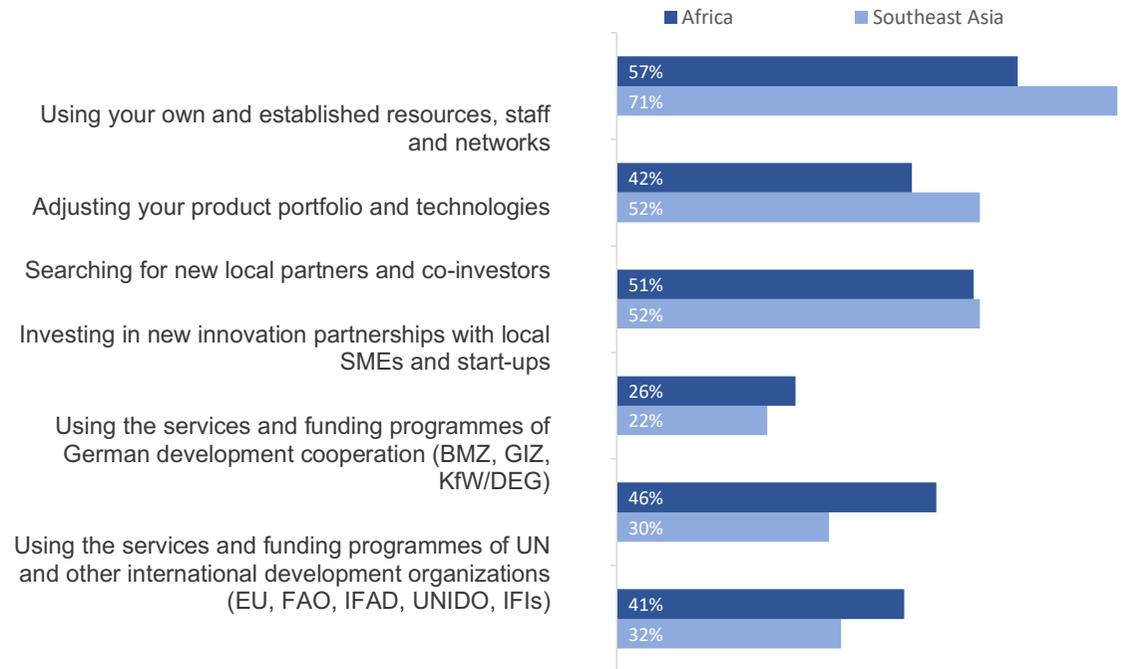
Even in light of the aforementioned statistics, African and Southeast Asian markets continue to be seen as high growth markets with considerable potential: only 6% of respondents who had investment in these markets are considering reducing their commitment. Of those companies targeting these markets, around 90% would like to increase or at least maintain their market presence there in the next 1-3 years.

African and Southeast Asian markets continue to be seen as high growth markets with considerable potential for agricultural and food processing industries.

90% of the companies surveyed would like to increase or maintain their market presence in the next one to three years, despite the looming crisis.



Most important measures to expand business

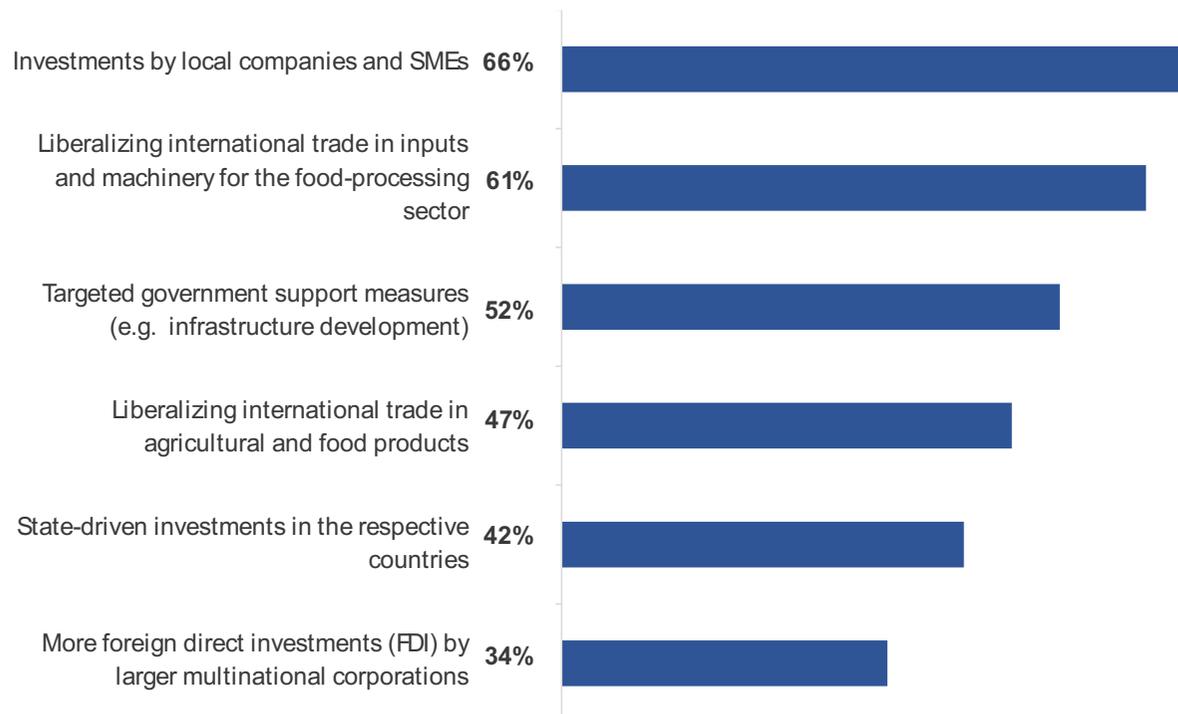


Respondents consider their own established resources, staff and networks as the most important factors to expanding their business. However, adjusting their product portfolio and technologies is seen by more than 50% of the companies as critical to do so. Thus, supporting companies in these efforts, will help them to overcome the challenges of COVID-19. Moreover, almost one-third of the companies targeting Southeast Asian markets (30%) and nearly half of the companies targeting African markets (46%) consider the services and funding programmes of German development cooperation (BMZ, GIZ, KfW/DEG, etc.) as important measure to expand their business. The programmes of the United Nations and other international organizations, such as the Food and Agricultural Organization (FAO) or UNIDO, are an important measure for one third of the companies targeting the Southeast Asian markets and for 41% of the companies in expanding their business presence in African markets post COVID-19. This shows that the programmes supported by the Federal Ministry for Economic Cooperation and Development (BMZ) are particularly in demand for doing business in Africa.

Policy implications

The impacts of the COVID-19 pandemic are felt globally by the food and agricultural industry. Keeping markets open and avoiding misguided campaigns for self-reliance by governments is crucial to ensure global food supplies are reliable and that social and economic stability is maintained. COVID-19 will increase the role of more established and internationally active companies in the global economy, thereby aggravating the already difficult position of companies located in emerging markets of Africa and Southeast Asia. Trade liberalization must be complemented by active measures which support local supply chains and industrial upgrading of the food and agricultural sector. Trade and sector-relevant industrial policies are crucial to support the self-sufficiency and resilience of local food and agricultural economies: 66% of participants in the survey consider investments by local companies and SMEs the key to supporting local food production in Africa and Southeast Asia, coupled with targeted government support programmes (52%) and the liberalization of international trade in agricultural and food products (47%)

Most beneficial to support local food production



Two thirds of respondents consider investments by local companies and SMEs key to support local food production in Africa and Southeast Asia, coupled with targeted government support programmes (52%) and the liberalization of international trade in agricultural and food products (47%).



About the initiators

UNIDO Investment and Technology Promotion Office (ITPO) Germany,

based in Bonn/Germany, supports technology providers and investors in the food-processing and agricultural sectors in developing countries and emerging markets. UNIDO, the United Nations Industrial Development Organization based in Vienna/Austria implements numerous agribusiness projects in developing countries and has a worldwide network of over 50 offices.



DLG – the German Agricultural Society –

has over 30,000 members and operates competence centres for Agriculture and Food. DLG is the organizer and partner of leading trade fairs of the sector, including Agritechnica, Eurotiner, AnugaFoodtec. In Africa, DLG organizes specialized trade shows in five countries (Ethiopia, Ghana, Nigeria, Cote d’Ivoire and Zambia). In Asia, DLG organizes Agritechnica Asia and Horti Asia.



SmartHectar Innovation

is an international operator of innovation hubs in Agrifood & Water Tech. Collaboration programs between promising startups and corporates are designed to develop innovative solutions for crucial problems in the sector. The goal is to build sustainable businesses that create jobs and improve people’s lives. Two projects have been launched to tackle challenges specifically in emerging markets: enable Southeast Asia and enable West Africa.



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