Feed the Future
Business Drivers for Food Safety

A Survey on COVID-19 Challenges and Responses Among Nepalese Food Businesses

9 September 2021
Introduction

In March 2021, FES began implementing its private sector food safety strategy in Nepal through Feed the Future Business Drivers for Food Safety (BD4FS), a project co-created with and funded by USAID. While implementing the BD4FS “Food Safety Situational Analysis”, the COVID-19 pandemic took a sharp turn for the worse in Nepal, almost completely shutting down the food system. In response, the Government of Nepal imposed pre-emptive lockdown and prohibitory orders beginning March 2020, which led to widespread cessation of economic activities. The impacts are pervasive, with small and medium sized enterprise (SMEs) and associated informal workers, the poor, and returnee migrants disproportionately affected. It led to market closures, supply chain disruptions, and reduced demand. A Nepal Rastra Bank (NRB) study found that the recovery in this sector is one of the slowest, currently operating at only 41 percent of pre-lockdown level. Currently there are no studies looking explicitly at food commodities. This study is an attempt to take stock of the situation in that segment.
Survey Methodology

BD4FS developed and implemented a rapid survey of the COVID-19 impacts on food businesses to understand how and to what extent lockdown and prohibitory orders have impacted their key business parameters such as demand, sales, and costs. The survey also touched on the supply chain of the surveyed businesses, their finances, human resources, and how they have coped with and addressed those challenges. The food businesses surveyed are in the Kathmandu and Chitwan corridors of Bagmati Province. The survey entailed consultation and interviews with food businesses including wholesalers, retailers, processors, exporters, and e-commerce, among others, in the Kathmandu valley mostly, and to a limited extent, in the Chitwan food corridor.
COVID-19 Challenges Among Nepalese Food Businesses

Consultation with Five Food Business Sectors

Food Businesses

- Wholesalers
- Retailers
- Processors
- Exporters
- e-Commerce
Survey Participation

A total of 61 food businesses owners/operators participated in the interviews conducted during the last week of July and early August 2021.

- 59 food businesses and 2 management committee representatives were consulted and interviewed.
- Business ownership of respondents by gender: 11 female and 49 male.
- Business ownership of respondents by age of owner: 54 were 30+ years old and 6 were below 30 years old.
- On average, the food businesses surveyed have been in operation for 14 years.
COVID-19 Impact on Food Businesses

Demand and sales plummeted, whereas overhead increased.

• More than half (69%) of the food businesses surveyed experienced a **decrease in demand** of their products.
• More than three quarters (82%) of the food businesses observed a **drop in their sales**.
• Half of the food businesses surveyed reported that the price of fruits and vegetables, meats, and eggs **remained more or less constant**.
• 82 percent of the food businesses incurred **higher overhead costs**.
• 41 percent of the food businesses surveyed reported that the price of their **raw materials remained the same**; while 39 percent reported that prices had increased.
Sales decreased by more than half in the first six months, and the food businesses were forced to scale back their production and find new distribution channels. Markets were shut, movement restricted, and institutional buyers (e.g., schools, hotels, and restaurants) were closed.

In the first six months of COVID-19, 61 percent of the surveyed food businesses experienced a sales decrease of more than a half (51 – 100%). The situation in the last six months, has improved compared to the first six months of COVID-19. More than half (52%) of the food businesses observed a sales drop of 21-50 percent in last six months. However, unlike the previous period, only 15% of food businesses experienced a sales decrease of more than a half (51 – 100%).
“COVID-19 turned out an evil for the vegetable business. Rumors spread that vegetables could potentially carry coronavirus. This dragged us into a terrible situation. Nevertheless, we continued supplying vegetable to our regular distributors. The demand and sales, however, dropped as retailing outlets were closed and/or operating for only a few hours. We will need months and months to reach the pre-COVID sales or maybe we never reach that level again”

– Kalimati trader

Photo: P. Pandey
COVID-19 Impact on Food Businesses

In response to the decreasing sales:

- 30 percent of respondents scaled back their production/operation.
- 20 percent of respondents used new distribution channels such as home delivery.
- 18 percent sought new markets.
- 13 percent used new ways of advertisement such as social media.
- 10 percent adopted other measures.
“Because of the uncertainty posed by Covid 19, we had to postpone our expansion and automation plan, which was already in execution phase.”

- A meat processor in Kathmandu

Photo: M. Chhetri
“When whole world is under such crisis, I know it’s sounds really wrong to say that this pandemic has brought good opportunity for us. Demand for goat meat was high, as high were all the nutritious food. Initially we faced transport issues but when government placed the live goats under same category as most-essential food commodities, our domestic sales increased around 25-30%. Further, due to sealed border during lockdown, local goats supply was high in demand.”

- A goat collector/trader

Photo: R. Lamichhane
COVID-19 Impact on Food Businesses

Supply chain challenges remained unabated despite a partial ease of lockdown measures.

The government lockdowns severely disrupted transport, which affected other market functions such as market access and input supply, as well as perishable quality. More than 65 percent of the surveyed food businesses experienced transport as the biggest supply chain challenge during the first six months of COVID-19. Despite agriculture and food commodities having ‘essential supplies privilege”, more than 40 percent continued to face transport challenges. Increased transport costs added to the burden of declining sales, with almost half of the respondents' reporting increases in transportation costs. Delays in business supplies and shortage of raw materials and inputs were other major issues.

Forty-six of the food businesses surveyed experienced supply chain challenges, and 18 food businesses (39%) were challenged to find ways to address their supply chain issues. Among those who responded, 19 sought new suppliers, and 7 favored localized suppliers.
“Even when government imposed complete closure of business during lockdown, we couldn’t shut our service completely as huge produces of our clients were stored in our cold storage. We had to make various safety and logistical arrangements to place few staff members to run, operate and monitor our cold storage.”

- A cold storage provider

Photo: M. Chhetri
COVID-19 Impact on Food Businesses

Work force commute remained a key human resource issue.

Employee transportation was the biggest issue faced by most of the food businesses. Employees had to find alternative ways to commute as public and private vehicle movements were restricted or not allowed. Shortage of skilled workers/employees, which was an issue in the first six months, eased in the last six months. The decrease in the ‘fear factor’ and decrease in exodus of domestic migrant workers from Kathmandu during the first six months of the lockdown could have played a role.

Absenteeism due to sickness and other reasons was an often-cited workforce issue in the first six months. This, however, improved in the last six months. Public awareness, health and sanitation protocols, and vaccination could have played a role.
“The demand for home delivered fruits, vegetables and other food items increased during Covid. We were struggling to meet the demand and there were instances where we went without sleep for nights—receiving orders and packing for delivery. However, our staff were having hard time commuting to work and delivering food items at doorsteps; security forces would stop and harass them quite often. But they didn’t give up. We also did our level best to keep their morale high and provided them with utmost care, pickup and drop, lunch and snacks”

– Merokishan

Photo: D. Kanel
COVID-19 Impact on Food Businesses

Food businesses faced working capital shortages and had limited access to banks.

Many businesses (41) introduced daily health screening measures, provided training and education for their employees on COVID protocols, and equipped work premises with hygienic procedures, tools, and sanitizers. Eleven (11) businesses had to reduce their scale of operation because of a workforce shortage.

Physical accessibility to bank and working capital shortages were the key financial issues faced by the food businesses. While the magnitude reduced to some extent, more than a quarter of the food businesses still face working capital shortage and physical accessibility remains challenging.

Finance challenges faced by surveyed food businesses

- Physical accessibility of banks reduced as they...
- Faced working capital shortages
- Not able to pay the loan, interest
- Borrowing took much longer than usual
- Could not get investment capital
- Banks reduced available credit

First six months vs Last six months
Lessons and Way Forward

As of August 2021, almost 43 percent of the food businesses had resumed more than 75 percent of their business operations compared to the pre-lockdown. Partial relaxation of the prohibitory orders, increased awareness and vaccinations have helped food businesses gain confidence and gradually move to the ‘new-normal’ way of doing business.

More than half (54%) of the respondents reported that they will apply new strategies in their business because of learnings from the COVID-19 pandemic. Some of the strategies for ‘doing business differently’ include; preparedness, diversification, automation, e-commerce, home delivery services, increased use of technology, and applying more food safety measures such as sanitation protocols, and food processing, among others.

To recover from the COVID-19 impacts, most of the food businesses surveyed reported they would prioritize: (i) safer ways of doing business in terms of worker health, hygiene, and food safety; (ii) safer food supply chains (including organic and Integrated Pest Management production practices); (iii) introduction and implementation of food grading, food packaging, and safe storage; (iv) cold storage; (v) new markets; and (vi) cooperation and knowledge.
“Covid-19, in a way, has been an opportunity to test our nerves. It has taught us so many lessons and we now have the confidence for expanding e-commerce in the agri-food sector. We have some ideas and prototypes ready for testing—like cold chain, QR codes, and blockchain. But we are still waiting and watching to see if the current online shopping trend continues as a habit of the Kathmandu consumers. We also need support from the Government and other stakeholders, especially in training and capacity strengthening, food logistics, and in terms of data infrastructure on demand.”

– Mr. Anil Basnet, CEO, Metro Tarkari

Photo: D. Kanel
Conclusions

COVID-19 has had an adverse impact on the food sector and the entire chain of actors. Key business indicators such as demand, sales, and revenues plummeted, and business maintenance cost (overhead) increased. Supply chains were disrupted, enterprises faced capital shortages, and employees struggled commuting to work.

The situation has gradually improved as compared to the first six months when the country went into the first phase of lockdown. Despite partial relaxation and gradual re-opening of the markets, food businesses still face challenges in resuming their businesses and recovering from the COVID-19 effects.

Pickling industry (Photo: M. Chhetri).
Demand for safe foods is gradually increasing, especially in the urban areas of Nepal, with the number of ‘safe food’ outlets increasing. While traditional markets suffered demand and sales decreases, safe food outlets we interviewed reported relatively good business, even through Covid.

-FES

Photo: D. Kanel
Recommendations for Business Recovery

The food businesses surveyed identified a range of measures to be undertaken by themselves, government, and other stakeholders for this sector to recover. Some of the recurring measures they cite are as follows:

• Better preparedness, education, and awareness
• Vaccination, and health and safety
• Supply chain strengthening and integration
• Postharvest and quality improvement such as storage, packaging, grading, and branding
• Market diversification, product diversification, and trade facilitation
• Subsidized loan, tax waivers, and stimulus for quick recovery
FES would like to thank the Nepal Food Safety Situational Analysis Team for their hard work and dedication through this very trying time. Many of the team members were affected by the pandemic yet they remained engaged under very harsh circumstances. Additionally, we want to thank the food businesses for taking time to participate in the survey during, most likely, one of the greatest challenges they have met in recent history. Their dedication demonstrates their important role in the food system. Many of these businesses continued to operate, thus continuing market functions to get consumers much needed food, many times at a profit loss.

Disclaimer - This publication is made possible by the generous support of the American people through the United States Agency for International Development (USAID). The contents are the responsibility of the authors and do not necessarily reflect the views of USAID or the United States Government. This survey represents a point in time (July – August 2021), with information collected during the middle of the COVID-19 pandemic. The intent was to gather insights into what the surveyed businesses are experiencing and what similar companies might be facing. The survey does not represent a rigorous study. The information will be useful as BD4FS develops activities to improve food safety in the specific food corridors.

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