



# Impacts of COVID-19 on Small- and Medium-Sized Enterprises in the Kenyan Food System

RESULTS OF AN ONLINE SURVEY  
MARCH 2021

 **Scaling Up**  
NUTRITION **Business Network**  
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Global Alliance for  
Improved Nutrition 

# EXECUTIVE SUMMARY



- 1** **GAIN** and partners, including the **Scaling Up Nutrition (SUN) Business Network** (co-convened by the **World Food Programme** (WFP)), undertook a survey of food system SMEs in Kenya in October/November 2020, aiming to assess the impacts of the COVID-19 pandemic and associated control measures on their businesses and their support needs. This survey follows one in May 2020, results of which are available [here](#).
- 2** **47 responses** were received, with most being from micro- or small-sized firms; respondents were **primarily processors** within the **grain value chain**.
- 3** **46 firms (98%) reported being impacted** by the pandemic, mainly via decreased sales (83%), difficulty accessing financing (72%) and limited financial reserves (63%).
- 4** **For most firms, impacts had lessened over time**; about 80% of the firms reported that business operations had improved, however their businesses were still worse off than before the pandemic.
- 5** **96% reported changing their production volume** as a result of the pandemic (generally decreasing it), and **78% reported changing their product price**.

# EXECUTIVE SUMMARY



- 6** **85% of respondents anticipated future impacts** on their supply chains, including shortages of supplies (63%); diversifying supply chains (45%), and shifting to a localised supply chain (38%).
- 7** **91% and 89% of firms reported taking actions** to mitigate the impact of the pandemic on their business and to protect their employees, respectively.
- 8** **Only about 21% of firms had received support, but 96% and 77% of firms reported urgently needing financial or technical support**, respectively, to cope with the effects of the pandemic.
- 9** **Food system SMEs are crucial to ensuring food security but also vulnerable to the effects of the pandemic**; while their situation may have improved since the earlier days of the pandemic, some will require continued support to build back better and provide nutritious, safe foods in the future.
- 10** While overall impacts and support needs were similar **across women-owned and male-owned/co-owned firms, there were some differences in firm characteristics** and in specific needs for assistance. These differences should be taken into account when designing future interventions.

# METHODOLOGY



1

## ELIGIBLE RESPONDENTS

Owners and/or managers of micro, small- and medium-sized businesses (SMEs) in the food system in Kenya, including firms that directly produce, process, or sell food as well as those providing supporting services (e.g., agricultural inputs, cold chain services).

2

## TOPIC & FRAMING

Respondents were asked about how the COVID-19 coronavirus pandemic and any measures to control it (e.g., movement restrictions, border closings) were impacting their business, referencing the period since the pandemic began affecting their country.

3

## DISSEMINATION

The online survey was shared via email to two food system networks convened by GAIN and/or WFP from 16 October to 9 November 2020. 47 eligible firms responded. All respondents provided written informed consent to participate.

4

## ANALYSIS

Data were cleaned and analysed using Stata SE15 (StataCorp, 2017). This rapid assessment report presents descriptive statistics across Kenya's 47 responding firms; all data are presented in an anonymised form.

# RESPONDING FIRM CHARACTERISTICS



47

## NUMBER OF FIRMS

47 responses were received from 22 counties, with the majority coming from Nairobi and Kiambu Counties (22/47).

72%

## SMALL/MICRO SIZED

72% of participating firms are small or micro-sized, with less than USD 100,000 in annual turnover and fewer than 50 staff.

28%

## WOMEN OWNED

Of the businesses that were surveyed, 23% were owned by men, 28% owned by women, 49% were co-owned by women and men.

5yrs

## YEARS IN OPERATION

64% of participating firms have been in operation for less than 5 yrs (median: 5 yrs; interquartile range: 3-8, range: 1-15)

75%

## PROCESSING

The majority of firms were involved in processing (75%).

32%

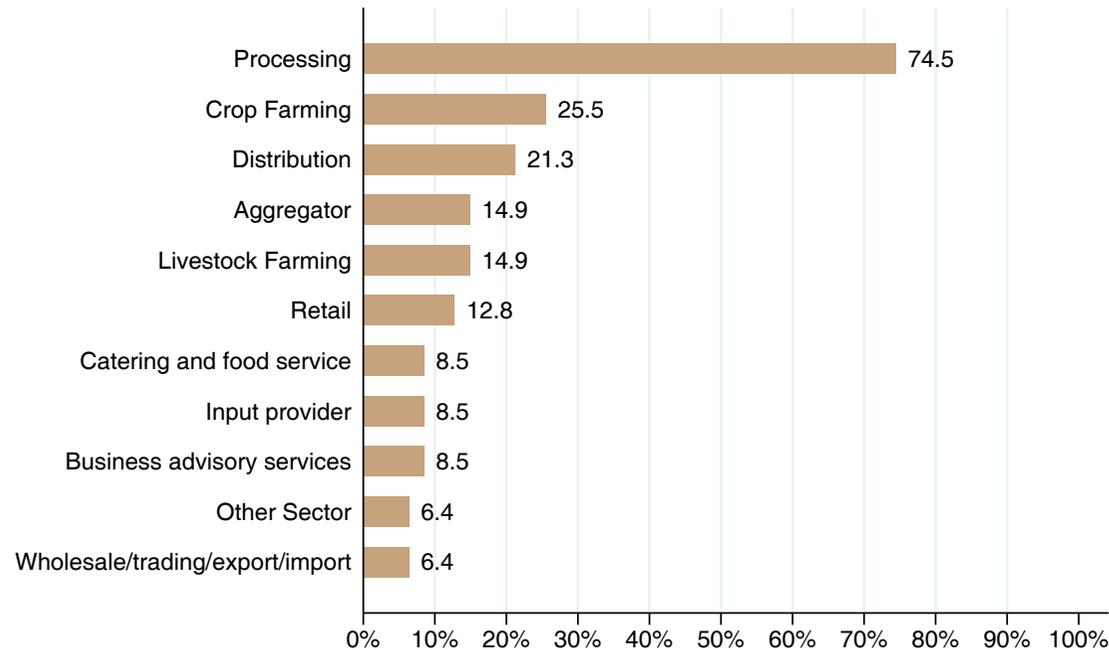
## GRAINS

The largest share of surveyed firms (32%) operated in the grains value chain (rice, wheat, maize, etc.).

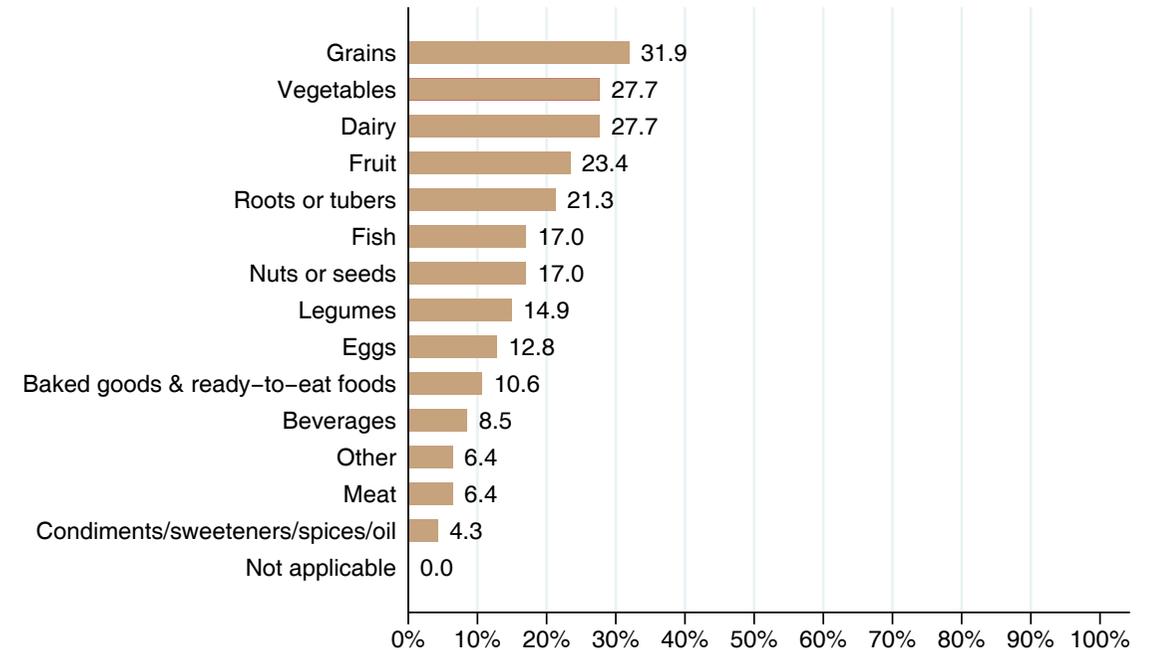
# RESPONDING FIRM CHARACTERISTICS



## Main sectors represented



## Main food categories represented



The **majority of firms were in the processing sector 75%**, followed by **crop farming (26%)**, **distribution (21%)**, **aggregation (15%)**, and **livestock farming (15%)**. The main food categories represented included **grains (32%)**, **vegetables (28%)**, **dairy (28%)**, **fruit (23%)**, and **roots and tubers (21%)**, with the representation of fish, nuts/seeds, legumes, eggs, baked goods and ready-to-eat foods, beverages and meat from 6-17%. Firms could work in more than one sector or food category.

# RESPONDING FIRM CHARACTERISTICS: GENDER DIFFERENCES



As gender can influence access to resources and vulnerability to shocks, **all key indicators were examined for differences based on the gender of the firm's owner** (female-owned firms versus male-owned or male/female co-owned firms).

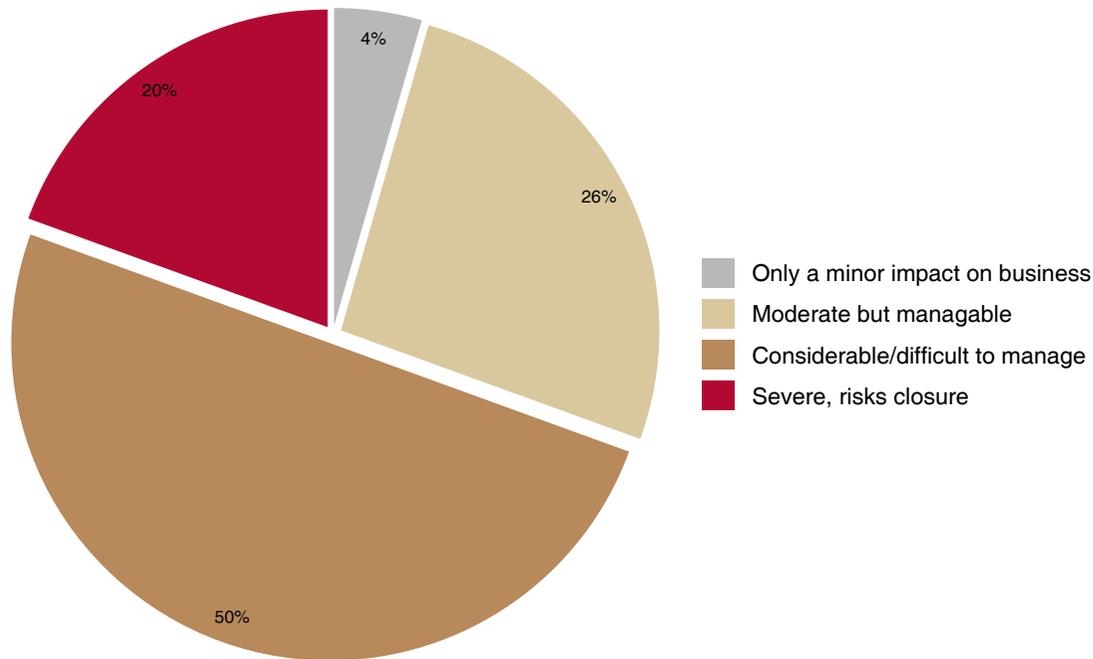
Female-owned firms worked across all food sectors and there were no significant associations between the gender of the business owner and survey responses on firm size, firm maturity, annual turnover, value chain position, or incorporation status.



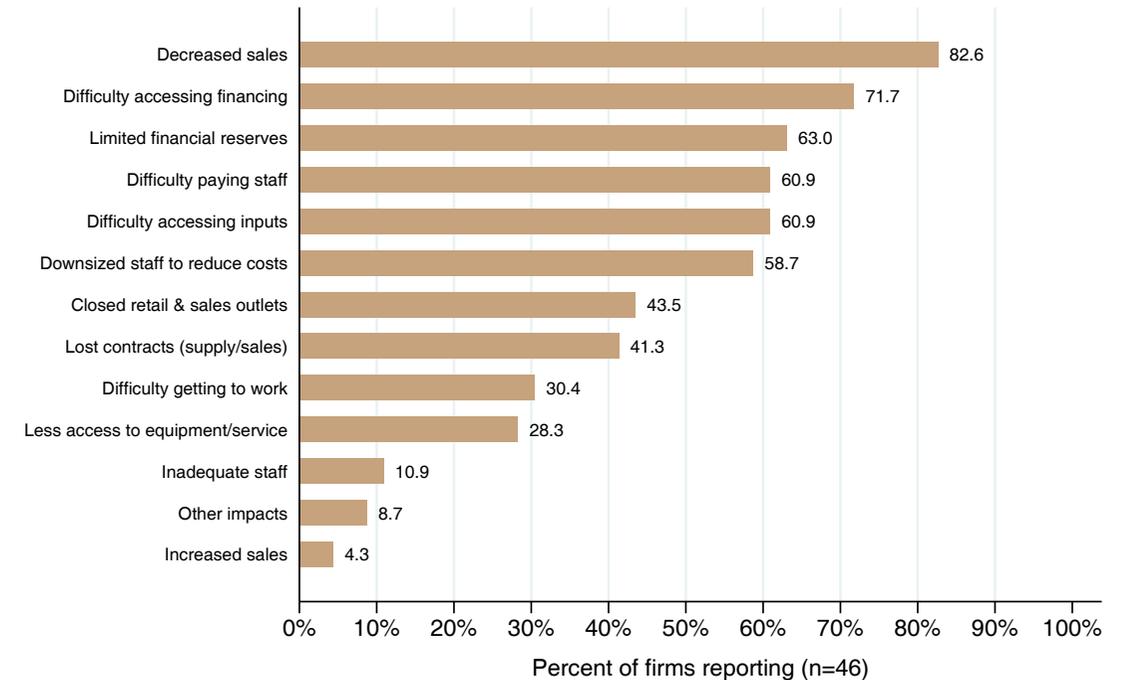
# IMPACTS OF COVID-19



## Severity of COVID-19 impacts (n=46)



## Main impacts reported by business

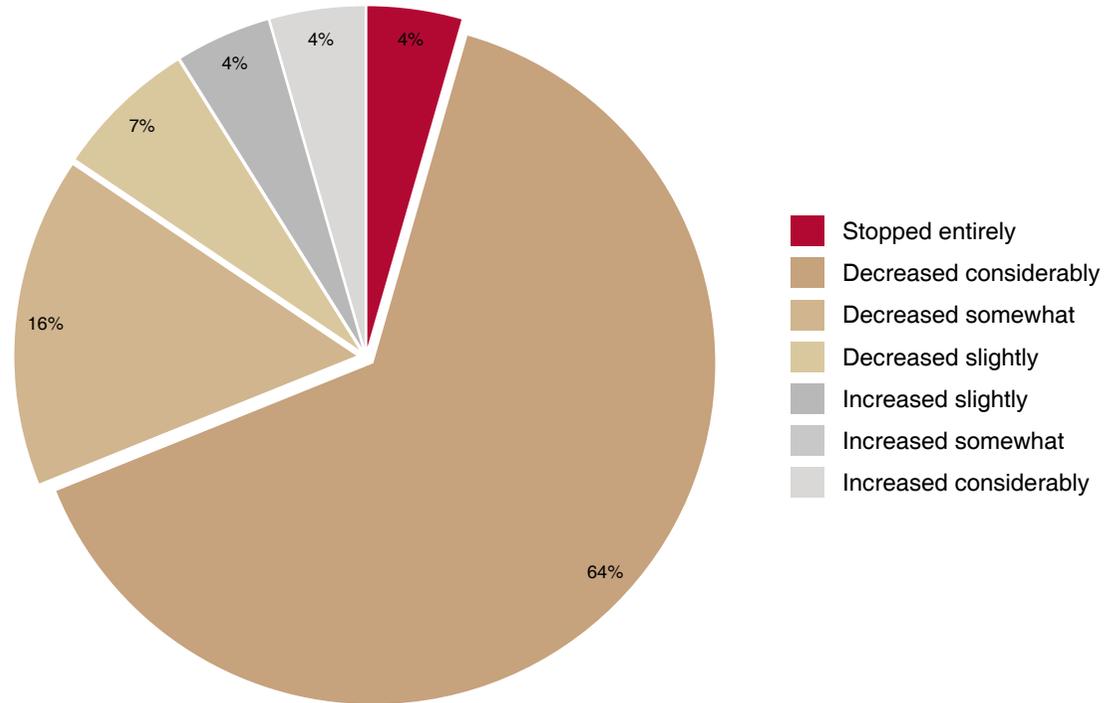


**46 firms (98%) reported that the pandemic had impacted their business.** Of the impacted firms, 50% reported the impact as being difficult to manage; 26% reported the impact as moderate but manageable; whilst **20% reported that the impact was severe and likely to cause business closure.** The main impacts cited by firms included **decreased sales (83%), difficulty accessing financing (72%), limited financial reserves (63%), difficulty paying staff (61%), difficulty accessing inputs (61%), and downsizing staff to reduce costs (59%).** The majority of respondents (80%) reported that initially business impacts were more severely negative and had subsequently improved but that their businesses were still worse off than before the pandemic.

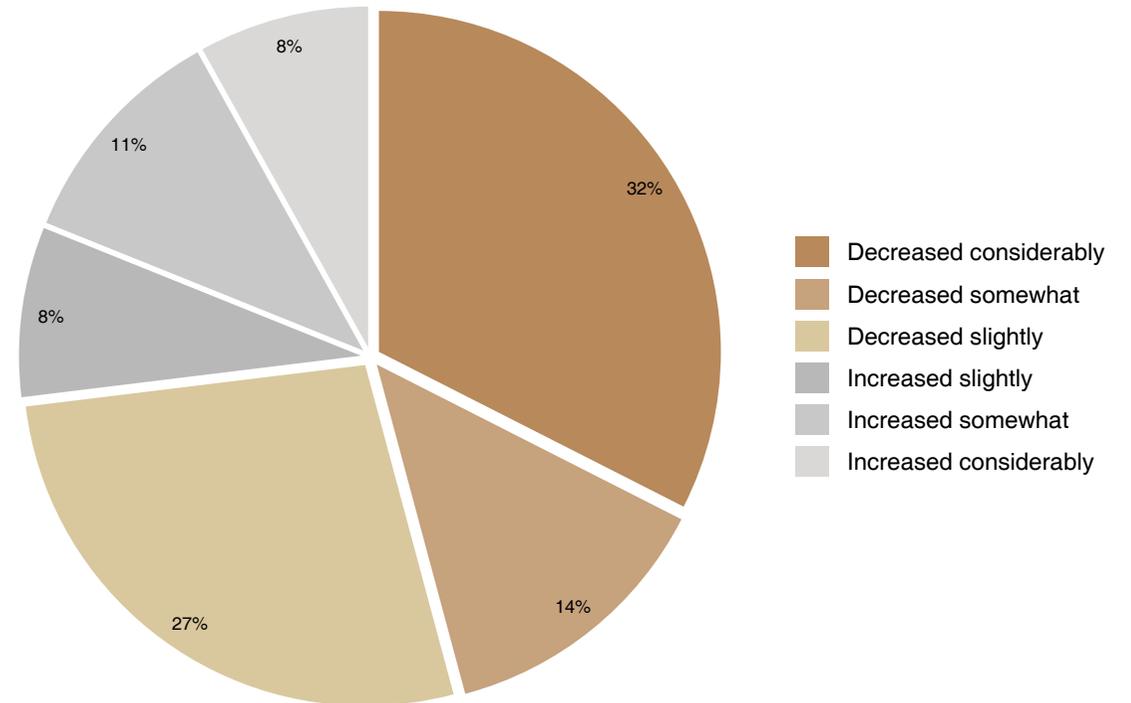
# IMPACTS OF COVID-19: PRICE & PRODUCTION VOLUME



## Changes in production volume (n=45)



## Changes in sales price (n=37)

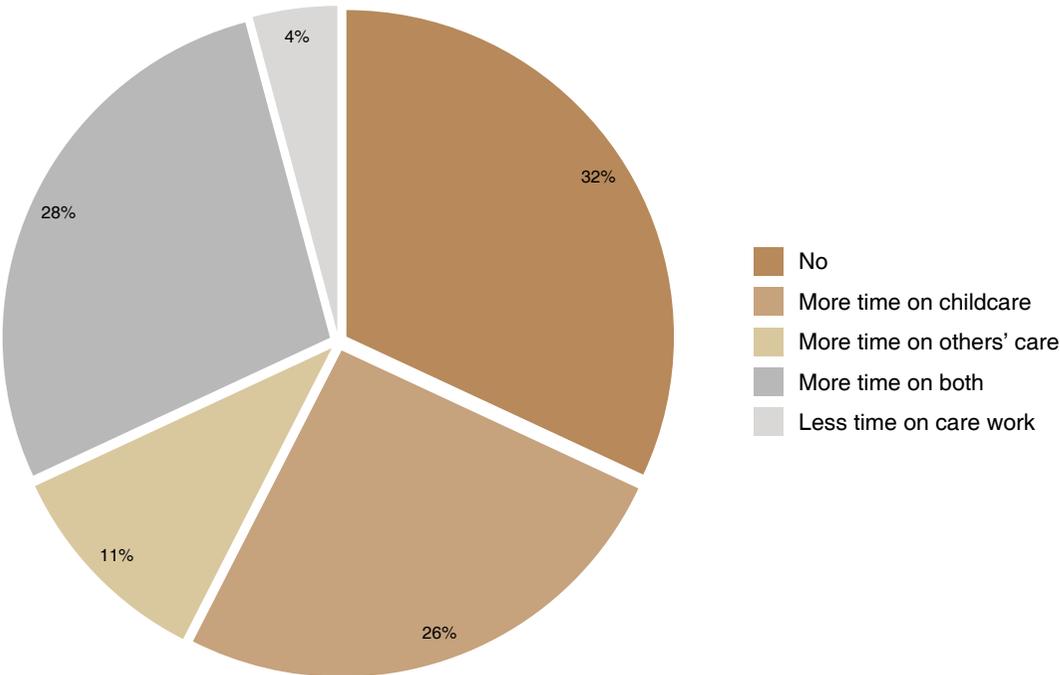


**45 firms (96%) reported changing their production volume** as a result of the pandemic; of these, 4% reported stopping production, 64% reported a considerable (>30%) decrease, 23% a smaller decrease (0-30%), and 8% an increase. Considering the firm's product sales price, **37 respondents (78%) reported changing their product price** as a result of the pandemic; of these changes, 32% represented a considerable (>30%) price decrease, 27% a moderate (15-30%) price decrease, 14% a slight (<15%) price decrease, 8% a slight price increase (<15%), 11% a moderate price increase (15-30%), and 8% considerable increase (>30%).

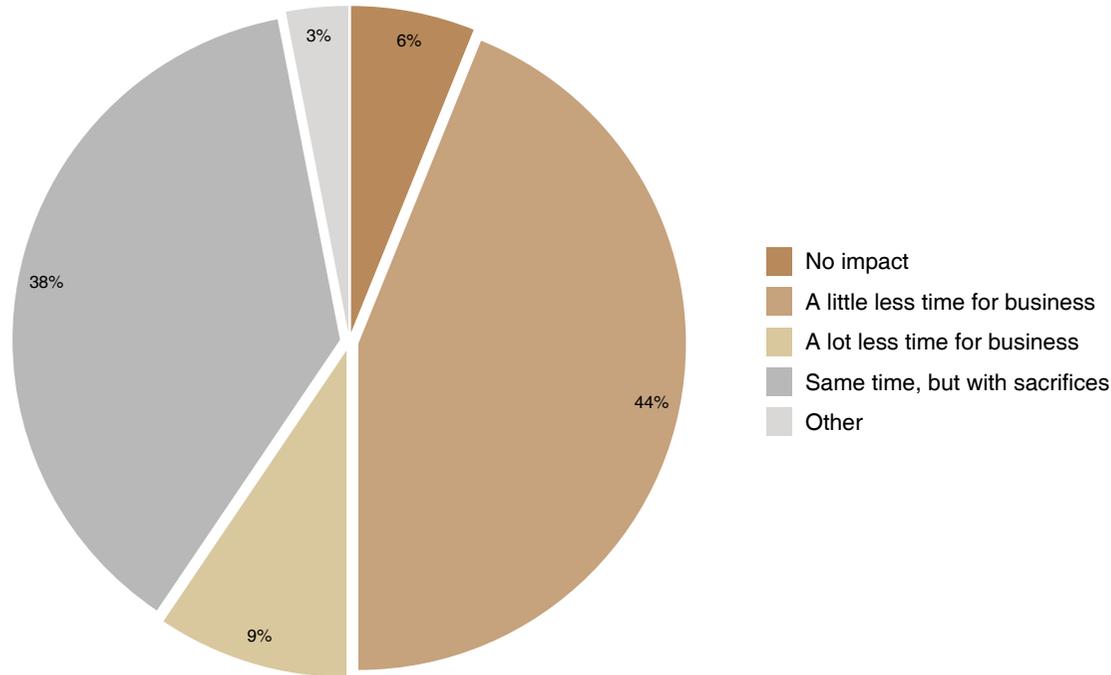
# IMPACTS OF COVID-19: HOME RESPONSIBILITIES VIS-À-VIS BUSINESS



Changes in household responsibilities (n=327)



Impacts of changes in household responsibilities (n=211)



**68% of survey respondents reported experiencing changes in household responsibilities** (e.g. caring for children or relatives) due to the pandemic, primarily spending more time on child care. Of those who had experienced such changes, most felt that it had impacted their business, generally by reducing the time they had available to devote to their business. In general, and perhaps surprisingly, reporting such disruptions was not significantly more likely for female-owned firms' representatives than for male-owned or co-owned firms' representatives.



## IMPACTS OF COVID-19: GENDER DIFFERENCES

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**Women owned firms were equally likely to report being impacted by the pandemic** and generally were impacted in the same ways as men-owned firms, with the same severity and changes over time. Looking ahead, women-owned firms were equally likely to expect the pandemic to impact their company's supply chain in the next 6 months. There were no significant differences in production or sales price changes.

## ADDITIONAL DETAILS ON IMPACT

Some respondents elaborated on the impacts of the pandemic on their business. Representative quotes include:

“Our main customers were schools and colleges that were also affected and shut down”  
– **dairy processor in Kisii County**

“We have had to shift some of our operational activities to the evening including harvest fish, transport feeding and sales, which has increased the cost of doing business.”  
– **fish processor in Homa Bay County**

“Some entrepreneurs are unable to conduct/attend virtual seminars and training due to connectivity issues.”  
– **roots/tubers farmer and processor in Kisii County**

“Currently seeking capital to expand my business as the pandemic resulted in substantial reductions in my profits”  
– **retailer and distributor of grain in Mombasa County**

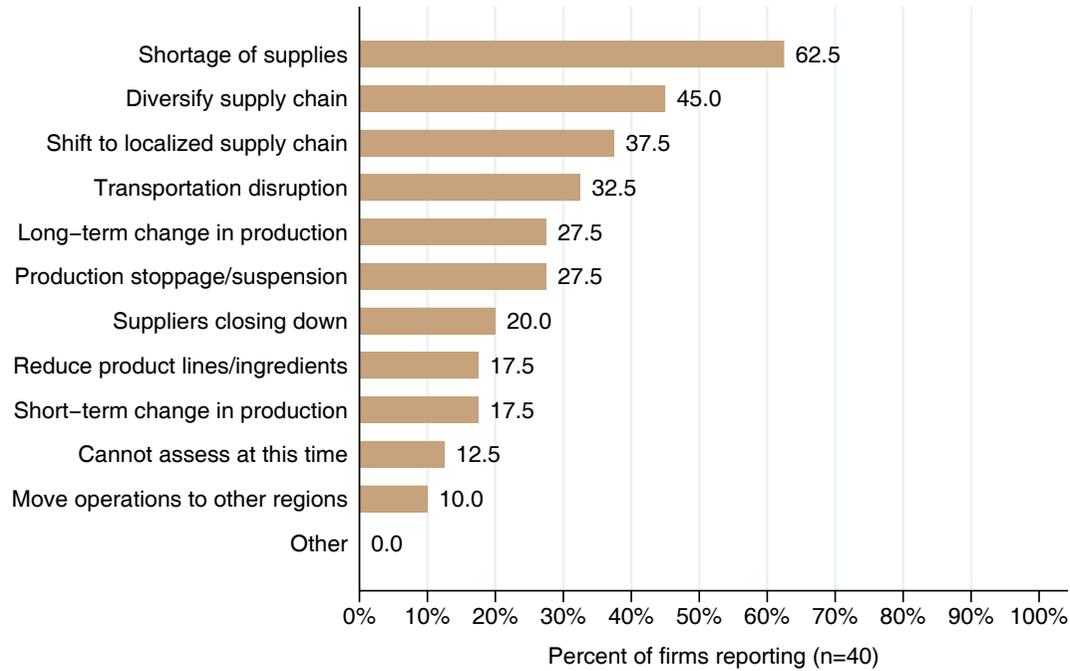




# ANTICIPATED FUTURE IMPACTS OF COVID-19



## Anticipated future impacts on supply chains

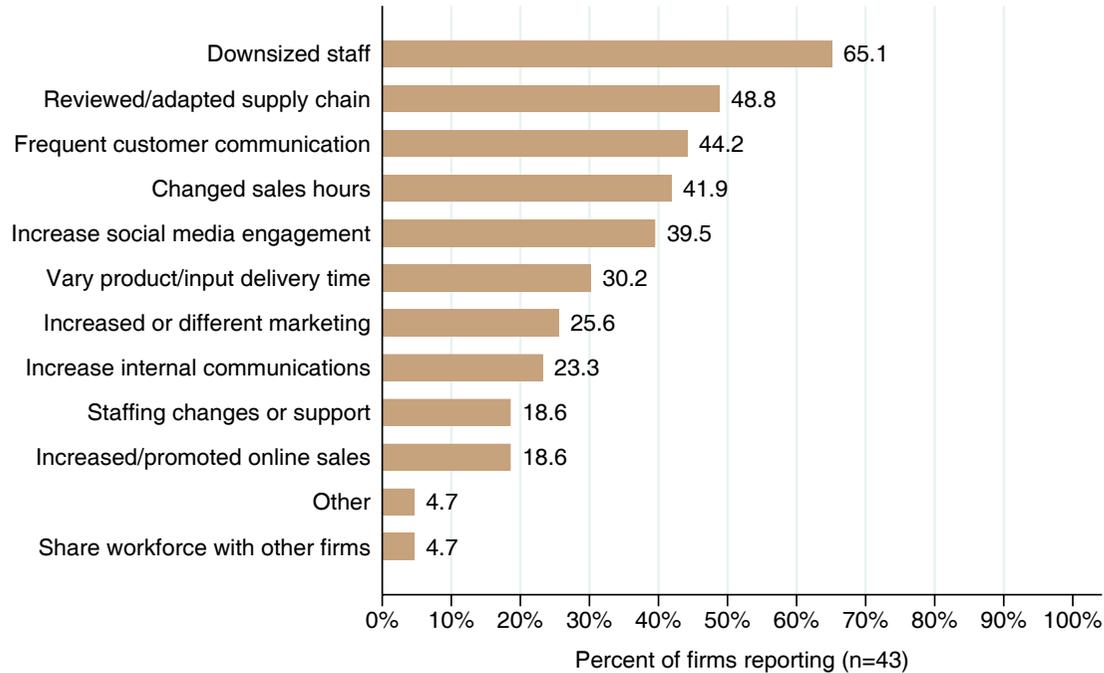


40 firms (85%) expected impacts of the pandemic on their supply chains in the next 6 months. **The main anticipated impacts cited were shortages of supplies (63%); diversifying supply chains (45%); shifting to a localised supply chain (38%); production stoppages (28%); and supplier business closures (20%).** About 28% anticipated a long-term change of their production focus whilst 18% anticipated short-term changes.

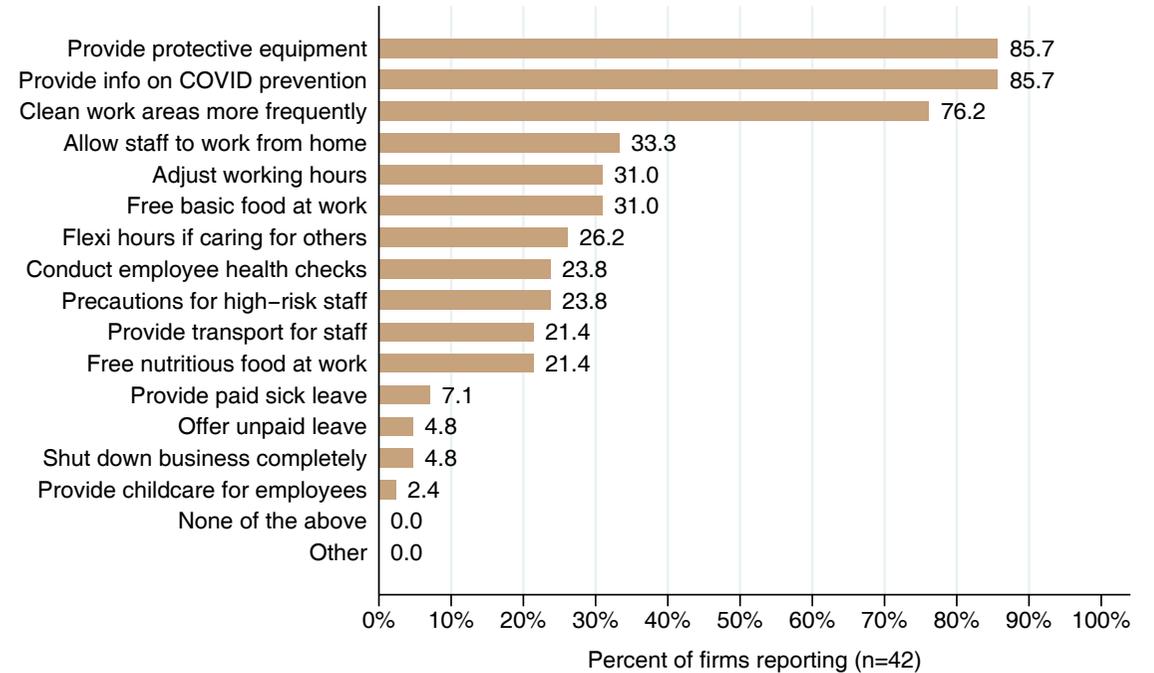
# FIRM ACTIONS TO MITIGATE COVID-19 IMPACTS



## Business impact mitigation actions



## Employee safety and support actions taken



**43 firms (91%) reported taking actions to mitigate the impact of the pandemic on their business. The majority of responding firms (65%) reported downsizing their workforce.** Other actions included adapting supply chains (49%), increasing communication with clients and customers (44%), including through social media (40%), and changing sales hours (42%). Considering employee support, **42 firms (89%) reported taking actions to support employee health and safety.** These actions included providing information on prevention of COVID-19 transmission (86%), providing personal protective equipment (86%), and cleaning work areas more frequently (76%).

# OPPORTUNITIES



*'We are coping fairly well with the effects of the pandemic and we are actively looking forward to meaningful partnerships that will enable us to reach the bottom of the pyramid customers. We are enthusiastic to address societal nutrition problems for the realization of food and nutritional security in Kenyan low income settlements.'*

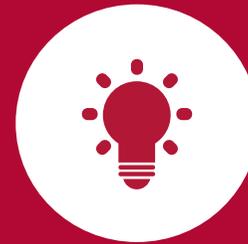
– dairy processor/producer in Nakuru

About 66% of respondents noted wanting to explore new business areas as a result of the pandemic. Those commonly named included:



## **NEW BUSINESS STRATEGIES**

Firms are looking to optimise their supply chain by exploring upstream, midstream and downstream investments. Many respondents wanted to increase processing activities and create shelf-stable products (e.g., via fermenting or UHT processing).



## **NEW PRODUCT RANGE**

Firms are actively considering how to expand their product portfolios such as producing healthy, safe, or 'immunity-boosting' foods/ supplements and diversifying into the production of medical supplies, or protective equipment.



## **DIGITISING OPERATIONS**

Explore the introduction of online sales, marketing and home delivery services.



## **DIVERSIFYING INTO NEW MARKETS**

Some respondents expressed interest in expanding exports.



## FIRM ACTIONS: GENDER DIFFERENCES

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Women-owned firms were **equally likely to take actions to support day-to-day business and operational continuity during the coronavirus pandemic**, with similar actions reported.

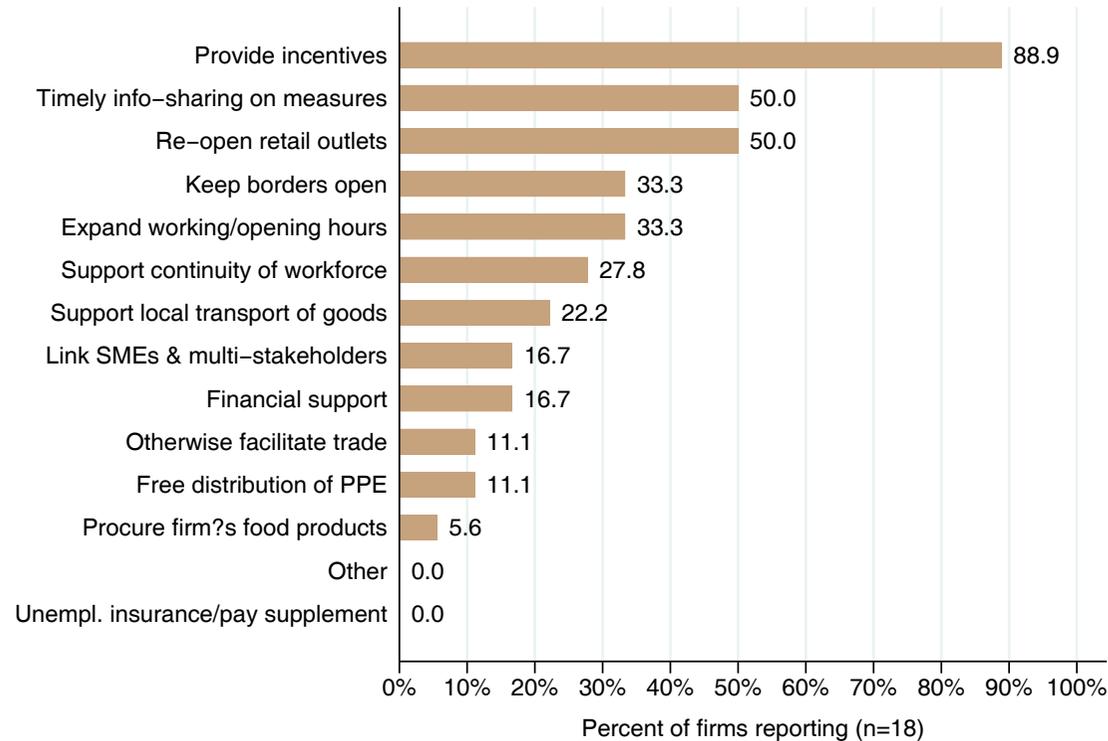
In addition, women owned firms offered similar reports on taking extra precautions to support employee health and safety of staff during the coronavirus pandemic.

Women-owned firms were **equally likely to be interested in exploring new business areas as a result of the pandemic**.

# GOVERNMENT SUPPORT ENACTED



## Government actions enacted



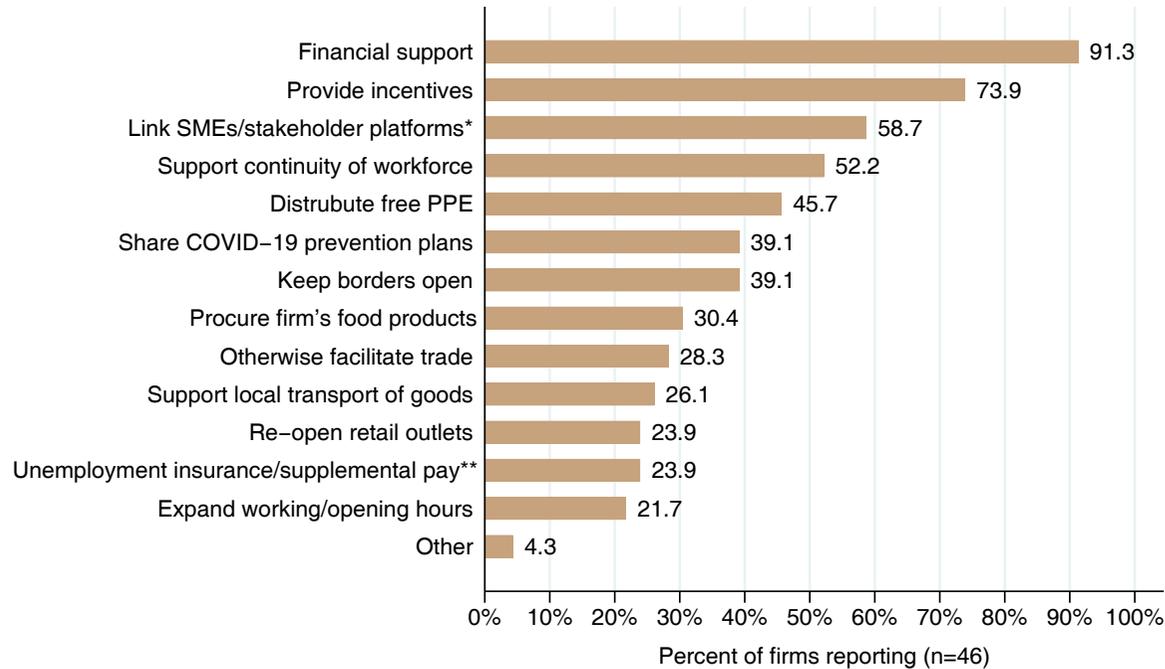
**38% of respondents reported that the government had taken actions to support businesses.** The main actions cited were providing incentives, information sharing, supporting workforce continuity, re-opening retail outlets, and expanding working/open hours.

Of these, the most helpful was thought to be providing incentives (89%), timely dissemination of information on COVID-19 prevention measures (50%), re-open retail outlets (50%), keeping borders open (33%), expanding working/open hours (33%), supporting workforce continuity (28%), and local transport of goods (22%).

# GOVERNMENT SUPPORT RECOMMENDED



## Government actions recommended



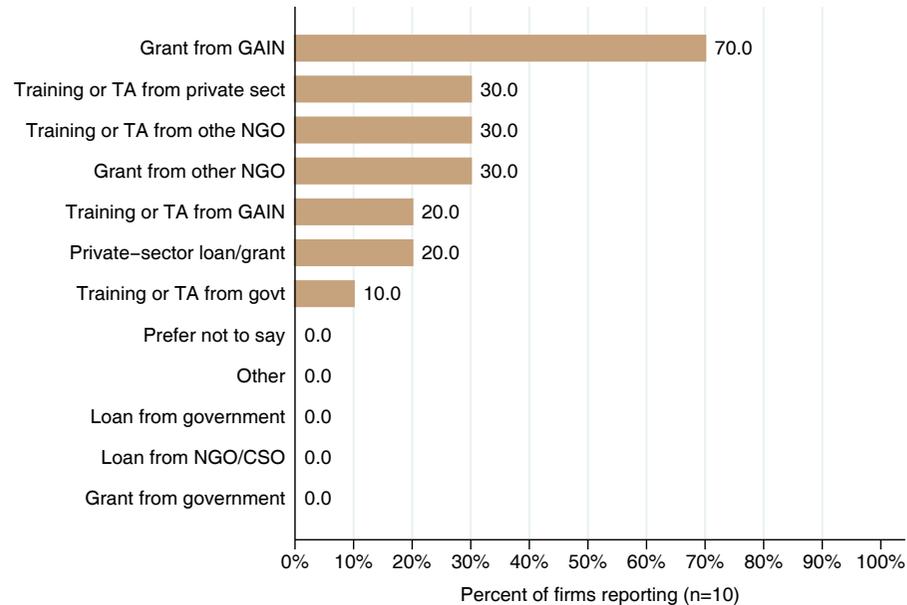
**About 98% of respondents felt that additional government actions were needed** to help firms weather the effects of the pandemic.

Main recommended actions included financial support (91%), providing incentives (74%), linking SMEs to multi-stakeholder platforms (59%), support to ensure workforce continuity (e.g., permitting travel, keeping public transport open) (52%), distributing free PPE (46%), sharing COVID-19 prevention plans (39%), and keeping borders open (39%).

# SUPPORT RECEIVED



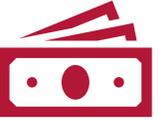
## Public / private sector support received



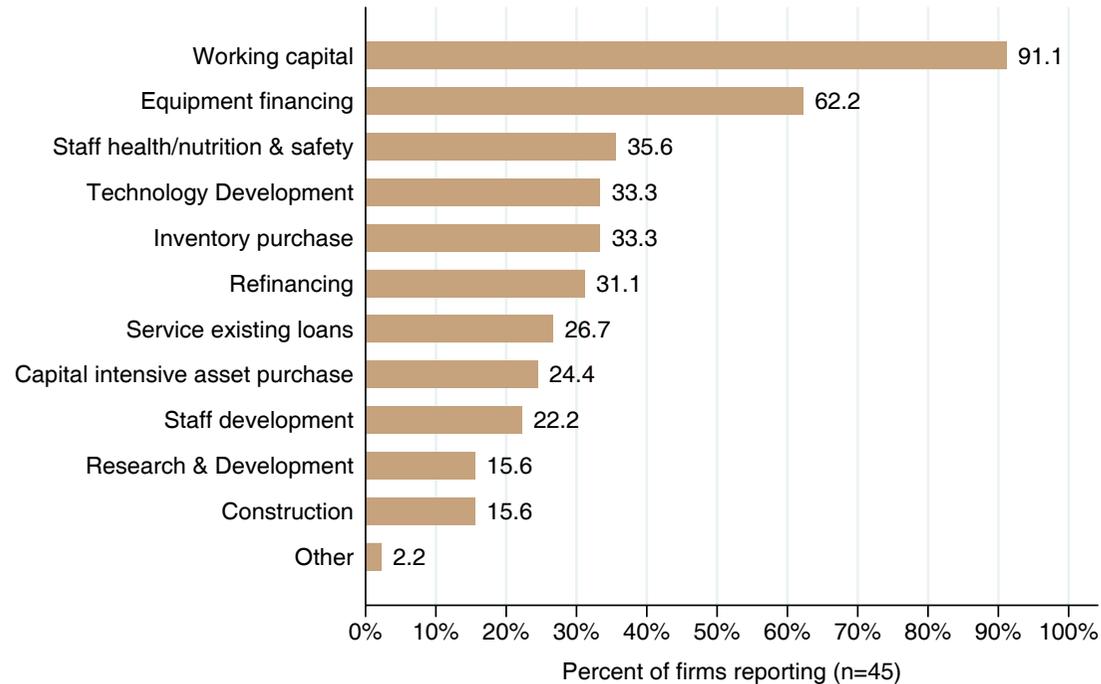
**Only 10 respondents (21%) reported having received some type of support (government, private-sector, or NGO-provided) to cope with the pandemic's effects.** The main types of support cited were grants from GAIN (70%; likely high due to the sample being drawn from GAIN networks) and from other NGOs (30%), in addition to training or technical assistance from the private sector (30%) or NGOs (30%). Respondent firms did not report receiving any government financial or technical assistance. None of the respondents reported receiving financial support from the government.



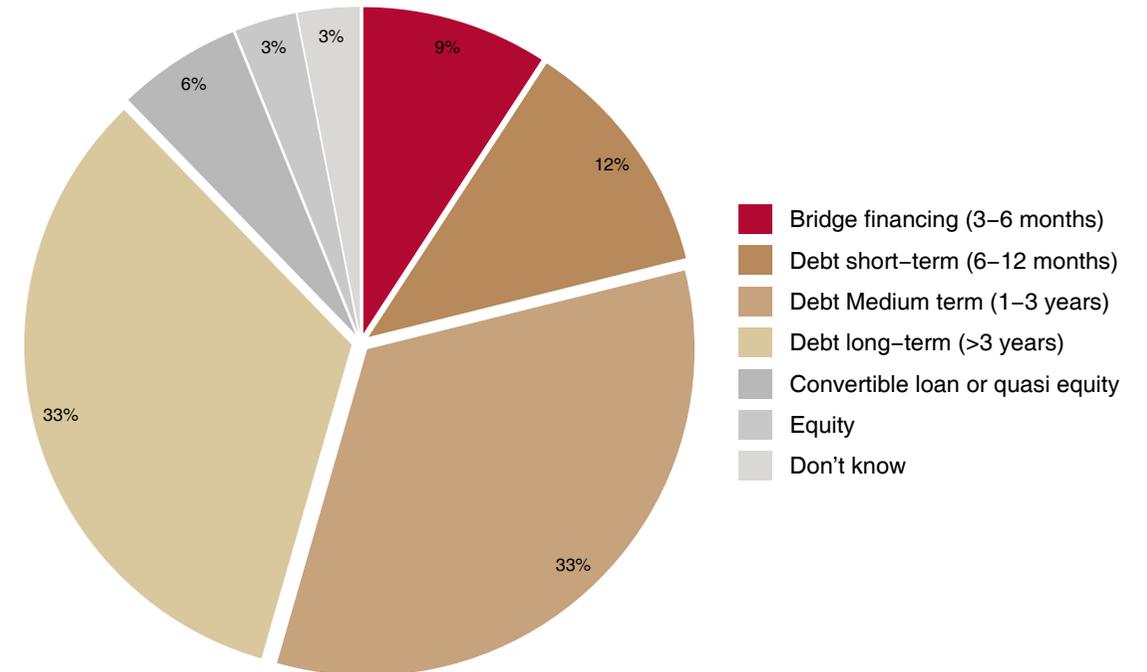
# FINANCIAL SUPPORT REQUESTED



## Uses of financing preferred



## Type of financing preferred (n=33)

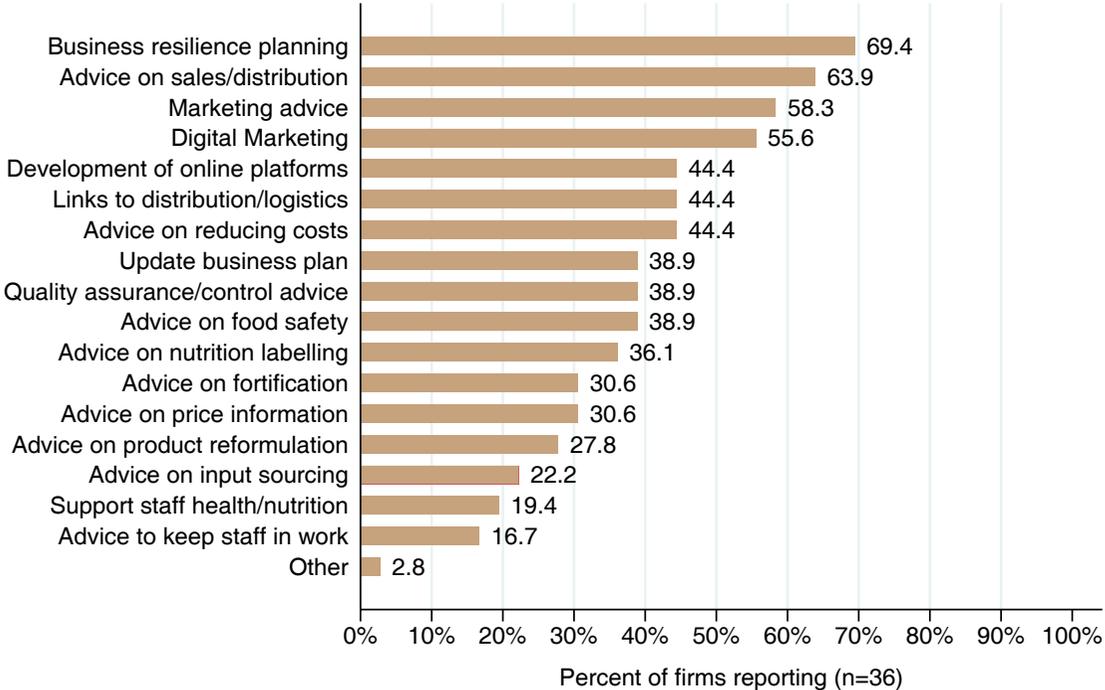


**45 respondents (96%) reported urgently needing financial assistance** to cope with the effects of the pandemic on their business; most required **less than USD 50,000 (31%)** or **USD 50,000-100,000 (33%)**. Main **uses of such financing included working capital (91%), equipment financing (62%) and staff health/nutrition & safety (36%)**. Preferred financing types were medium- and long-term debt.

# TECHNICAL SUPPORT REQUESTED



## Technical assistance needs



**36 respondents (77%) reported urgently needing technical assistance** to cope with the effects of the pandemic on their business. Of these businesses, 70% sought advice on business resilience planning, 64% on sales/distribution, 58% on marketing, and 56% on digital marketing. On improving the nutritional value of products, 28% of firms needed advice on fortification and 31% on product reformulation.



## SUPPORT: GENDER DIFFERENCES

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Women-owned firms offered similar reports to men-owned/co-owned firms on actions taken by government, which actions they found to be helpful and additional **support still needed**.

There were **no gender differences in the share of firms reporting receiving government, private-sector, or NGO-provided support to cope with the pandemic**.

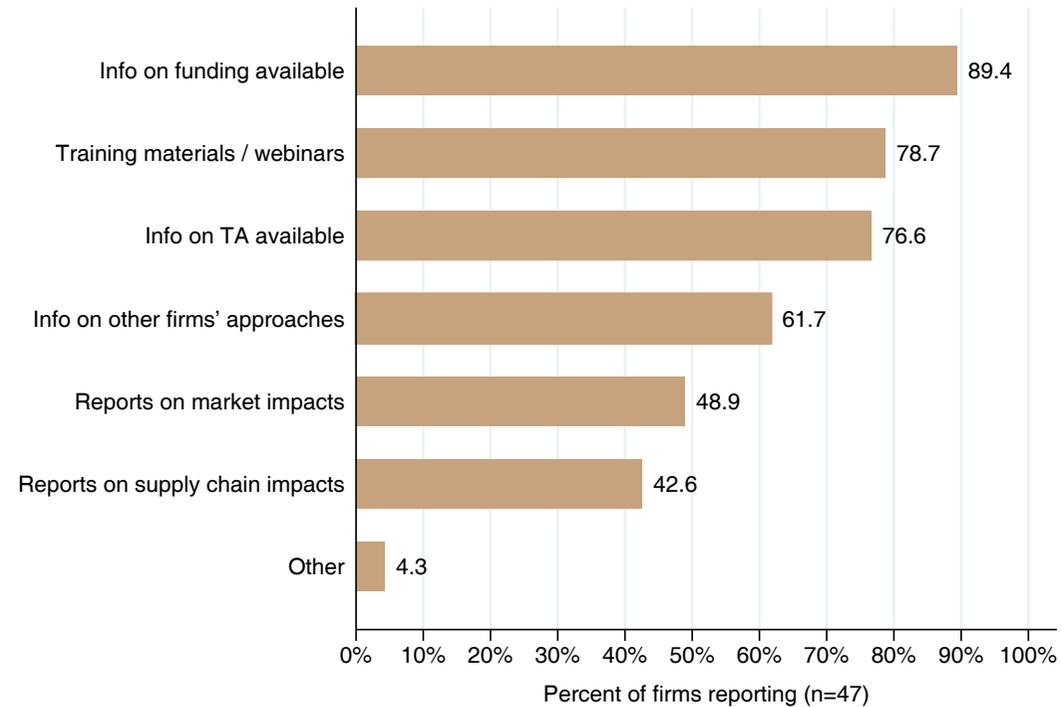
**In terms of future support, women-owned firms were equally likely as men-owned/co-owned firms to report needing financial and technical assistance**, including the type and modality of this support.



# RESOURCE CENTRE



## Resource centre elements preferred



**About 89% of respondents felt that an online resource centre, specifically for food system SMEs, would be useful to them.** Considering such a resource centre, the most useful resources named for it to house were information on available funding (89%), training materials and webinars (79%), information on available technical assistance (77%), and information on other firms' approaches to adapting to COVID-19 (62%).

# CONCLUSIONS



This rapid assessment has shown that:

- 1** Impacts of the pandemic on firms have generally lessened since May 2020, but many were significantly impacted by the pandemic and related control measures.
- 2** In many cases, the pandemic resulted in decreased or stopped production, as well as changes to sales prices. In Kenya, businesses reduced production volumes and cut back on staffing to cope with reduced revenues.
- 3** Firms also generally anticipated continued disruption to their supply chains going forward, particularly in terms of supply shortages. This was experienced strongly during the period when movement was restricted, but this has eased up and supply is returning to normal.
- 4** Many firms, however, have put in place new approaches and models and see additional opportunities for new business models or products. Digital marketing has been adopted as a strategy to reach consumers and reduce physical contact.
- 5** As the pandemic continues, and eventually looking to its end, it will be important to mitigate these impacts and facilitate these opportunities, in order to support the ongoing supply of safe and nutritious foods for consumers and stronger, more resilient businesses over time.

# RECOMMENDATIONS



Based on these conclusions, we make the following recommendations:

1

It is essential for governments and development partners to continue to support and facilitate the business of Kenyan SMEs to ensure they remain in a position to provide nutritious, safe foods in the future. Development partners are supporting SMEs in various ways, including offering trainings on business resilience and digital marketing and offering loans and grants. The government, however, has since withdrawn the tax incentives instituted in April 2020 and the support for reduced transaction costs.

2

Particularly important is communicating clearly on any future pandemic mitigation actions to be taken in a timely way, so that firms can be prepared and adapt.

3

It will also be important to partner with local financial services providers to ensure that firms can build back better by providing a comprehensive package of financial support for SMEs, including short-term low-interest bridge loans to meet immediate needs and adapt businesses in the longer term. Financial support needs to be tailored to the specific context to ensure it offers businesses appropriate support to build back better.

4

Technical assistance can be provided to help SMEs adapt business models, reach consumers online, or adopt processing or packaging to extend products' storage or shelf life.

5

While overall impacts and support needs were similar across women owned and male-owned/co-owned firms, there were some differences in firm characteristics and in specific needs for assistance. These differences should be taken into account when designing future interventions.

# CAVEATS



1

This survey, a rapid assessment, is subject to certain biases: opt-in response bias, imperfect representativity (especially of smaller, less internet-savvy firms) within the networks studied; imperfect representativity of the networks themselves (especially of firms producing less-nutritious foods); and potential misinterpretation of questions, given the online survey mechanism.

2

Certain counties are also over-represented in the responses, due to the greater presence of the surveyed networks in those counties.

3

The situation is also likely to change rapidly; the information presented here can only be considered a snapshot in time.

# Acknowledgements

## We wish to thank:

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