

POST COVID-19: IMPLICATIONS & COPING STRATEGIES FOR MSMEs IN FOOD PROCESSING

(NIFST WEBINAR)

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April 20, 2020

Presentation Outline:

- The Issue – The background and current situation
- The Impact
- Coping Strategy - way forward
- Stay Safe



BACKGROUND



What is Covid-19

- ❑ It is a virus that threatens life once an individual is infected.
- ❑ It has no cure yet. Spreads fast from human to human
- ❑ Now a Pandemic
- ❑ Likened to a war situation (Ugandan President Museveni):
 - hostilities persist between Covid-19 and man, like a war.
 - A war without soldiers, guns, bullets, cease-fire agreements & no territorial limits
 - The enemy is invisible and ruthlessly effective.
 - The war restricts freedom in exchange for survival.
 - Hunger accompanies the war.
 - Citizens and Businesses are locked down.

Fortunately, it bows before good personal hygiene, sanitized hands and social distancing

Current situation

COVID-19:

- No known cure yet. Adhoc-cocktails and learning by immediate-past experience approach.
 - Symptomatic and
 - Asymptomatic cases
- Testing on-going nationwide
- Border closure to limit/slow down spread
- Total Lock-down. Exceptions include
 - Food and medicine distribution
 - Essential Services – petroleum products distribution, etc.
- Mixed feelings by the populace
 - Hunger and anarchy setting in for the low income earners with little or no palliatives from the government and other donors

Current Situation

GOVERNMENT:

- ❑ Dwindling government revenue-
 - Dollar based revenues reducing dues to : low demand for oil and fall in the price of oil
 - Import higher than export. Government is broke
 - Now compounded by economic shut down due to Covid-19 for weeks
- ❑ Emergency spending, not budgeted for, on the increase
- ❑ Significant budget cut is imminent, unless government borrows heavily.
- ❑ States allocation from the federal government will reduce significantly
- ❑ Push for increase in internally generated revenues will be huge by both Federal and State governments.
- ❑ Therefore public expenditure will reduce. Many projects will be abandoned and resources channeled to key areas/projects.



Current Situation

BUSINESSES - MSMEs:

- Sales revenue taking a nose dive at this time as businesses are hurting
- Business capitals being used up during the lock-down and with no clear support coming from government.
- Those using imports, either as raw materials or factory machineries face hardships arising from port clearance delays and cost issues.
- Existing stocks of ingredients and other inputs may be running very low. New supplies are difficult
- Export opportunities locked and border closures remain
- Companies are reacting by taking measures to cut cost.



Current Situation

BUSINESSES –SMEs contd.:

- ❑ Agro-sector is experiencing a downturn. A farmer on lock down may not farm to capacity and those producing may not be able to sell their goods
 - Perishable goods are going bad
 - Less perishable goods are loosing their freshness (BB date)
- ❑ Generally there will be scarcity of funds, whether for investment, re-investments or spending as in disposable income for individuals.
- ❑ With people loosing their jobs, fewer Cash will chase surplus supplies of goods and services – depression looming
- ❑ Many MSMEs likely to go down under the weight of formal and informal loans, bills (rents, electricity, wages, interests, etc.)



What Are The Opportunities Post Covid-19?

- ❑ Really, nobody knows for sure.
- ❑ If dimensionalized however, there could be a few clear cases -
 - Presently, no production but some markets are open.
 - So, low stock and virtually empty product pipe lines.
 - Therefore, there will be increased demand and the industry will have to ramp up it's operation to fill the pipe line again in these cases but only if the raw materials are available immediately.
 - Direct sales from the operations of the industry will have slowed during the lock-down.
 - Cash-flow challenges will arise at re-start. If you are already on overdraft or borrowing to augment cash-flow, the business is already in a mess.
 - Productivity during Covit-19 lock down is almost at the bottom. Whilst some are running skeletal operations, most are shut down. Low productivity means little or no return on investment during this period when some overheads and expenses like wages and salaries are still running, even if only for key personnel.



Opportunities Post Covid-19

❑ Imports - These would largely be:

- Raw and Packaging materials
- Machineries and Spare Parts
 - Nigeria's import scenarios are generally very punishing and unforgiving
 - For Example, Port Charges are at 3 levels –
 - » Import Duty + other taxes & Levies – desk assessments and physical assessments on arrival
 - » Port (Terminal) Charges
 - » Shipping Company Charges –
 - Biggest challenge is demurrage
 - Delays are usually engineered to aid higher payments and other benefits
 - Mandatory deposit on containers which must be returned within 48 hours, despite the poor state of the port and our heavily congested and accident prone road network.
 - What's government doing for goods stuck at the ports during this period? Will there be waivers on demurrage and rents? Production cost is already guaranteed to sky rocket. Who will bear these excessive costs?
 - All are independent and usually non-negotiable



Opinions From Experts

- ❑ No country has ever experienced what we are presently seeing in modern history.
- ❑ IMF predicts that aggregate Africa will fall into recession post Covid-19.
- ❑ Inflation projected to rise from current 12% to about 19%
- ❑ Bank loans will come with higher interest rates and this will send many SMEs out of business
- ❑ Nigeria is known for policy somersaults
- ❑ Closing of the economy in a developing world like Nigeria will lead to loss of:
 - Jobs
 - Life
 - Productivity
 - Loss of income, leading to extreme poverty
 - Unemployment
 - Inflation
 - Lead to anarchy as we have seen with the “1 Million Boys” tormenting Lagos and its environs



Expertscontd.

- ❑ Generally there will be scarcity of funds, whether for investment, re-investments or spending as in disposable income for individuals. Fewer Cash chasing surplus supplies of goods and services – depression
- ❑ Governments will attempt to boost their income through taxation and borrowings.
- ❑ US made a \$484 billion “Small Business-stimulus” including a \$320 billion “pay-check protection program” to enable small businesses pay their staff salaries for 2 months. This is after an initial \$350 billion was exhausted.



Current Situation

POPULACE (CONSUMERS):

- ❑ Lock-down means no work and little or no income for most people, particularly the daily paid.
- ❑ Little or no income at this time could worsen Health Status of the poor and daily paid artisans -
 - Decreased purchasing power to address health issues like malaria, hunger, etc.
- ❑ Lockdown and border closure affecting the labour market -
 - This directly impacts demand and supply aspects of the economy and hence businesses -
 - Some workers will experience salary cuts as an alternative to loss of jobs
- ❑ Many farmers, mostly the poor will be hard hit in Nigeria -
 - Harvesting and planting could experience delays and affect food security in the near future
 - Perishable harvests like tomatoes, onions, eggs, etc. could rot away due to logistical issues.
- ❑ Prices of goods being inflated.
- ❑ Food habits changes: e.g. To what extent in the future will eating-out be impacted by the present lock-down? Will the demand for eateries at different levels still remain the same? While at home, are they getting creative with dishes and meals?



How Much Has Nigeria Lost or The Food Industry Will Be Losing to Covid-19?

- Your answer will be as good as mine. Nobody really knows 100% at the moment
- What we know is that the losses will be devastating;
 - Many SMEs will shut down permanently and some temporarily for cash-flow reasons.
- Many employees will lose their jobs
- Many dependents will be impacted negatively
- On the other side however,
 - New opportunities will come up – e.g. mode of marketing
 - New businesses will emerge
 - Nimble investors/entrepreneurs will cream the sauce
- Overall, bitter-sweet experience.
 - Local sourcing will be a huge advantage in the industry.
 - This will surely stimulate growth. But we are not known for stable policies? We have to think outside the box and re-focus, i.e. strong focus on the goal/objective.
- Nigeria should avoid and prevent dumping from other countries.



What is NIFST Saying?

For NIFST as a Professional body, that objective is our vision of:

**Good and abundant food for
all through service to country
and humanity leading food
security and the well being of
all Nigerians**

It is the same for the food industry but the food or food product must be wholesome and nutrient-dense for good health, profitable and able to provide jobs for the masses. It is a major contribution towards the well being of Nigeria as a country.

Baby Steps to A Sustainable Growth Path

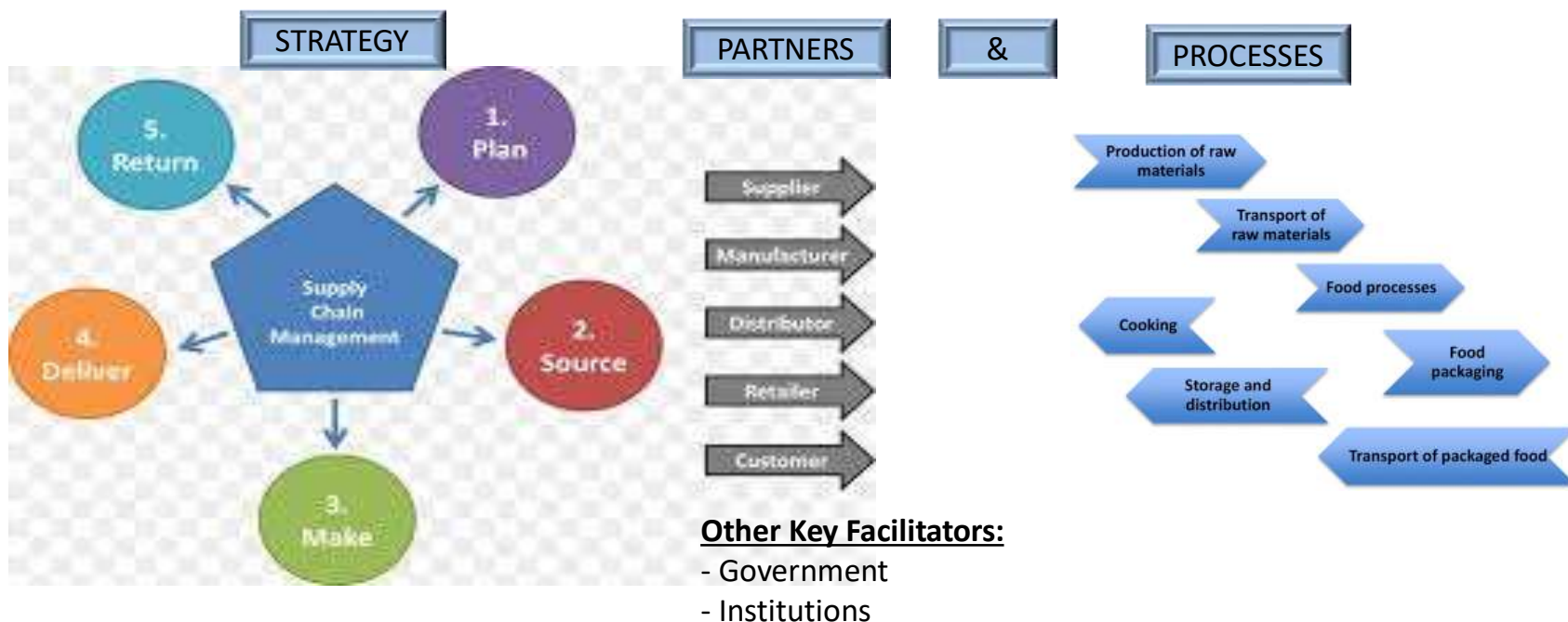
- We need a chain reaction to unlock the potential in the new set of opportunities that will present themselves post Covid-19
- All role players are key players and must be seen to be locked into a common interest of keeping the economy working and the populace happy and productive.
- The Key role players are The Industry, Government, Supporting Institutions (Banking Sector/Academia/Consultants) and the People (Consumers)
- The Food Industry and NIFST deserve the right amount of attention
- It is a task that must be done well for the future to be bright for all.
- Let's consider some of these baby steps for the Industry.



Value Chain Optimization in the Industry

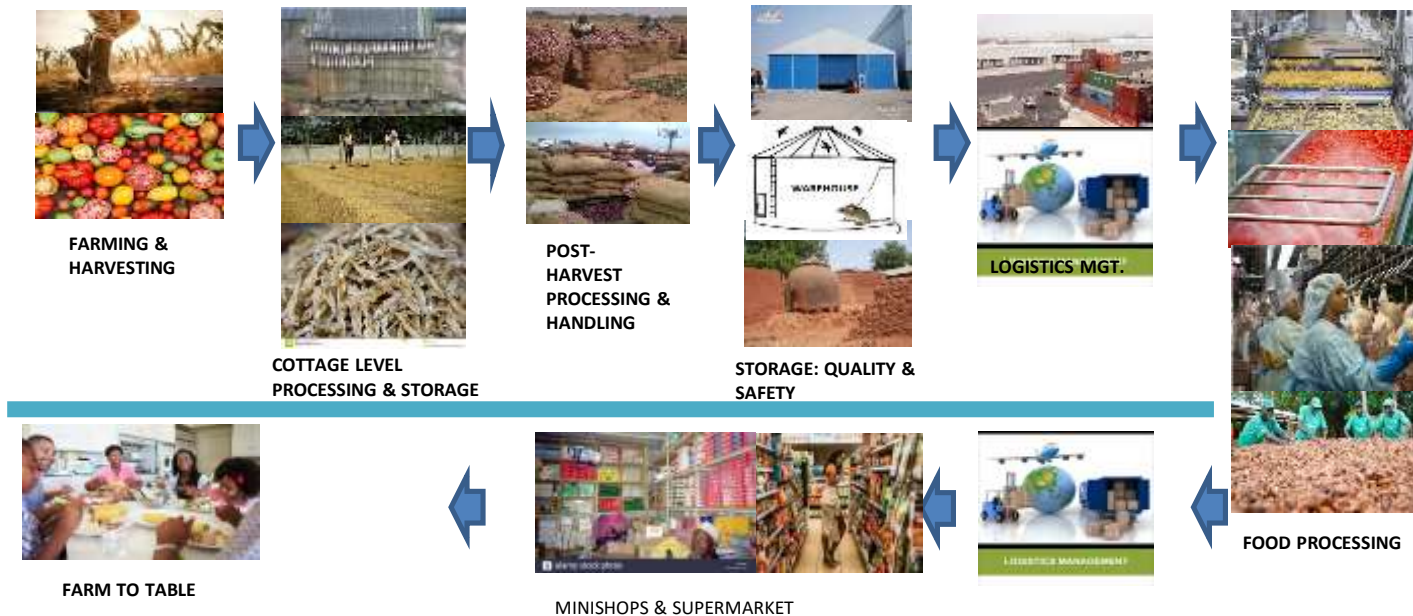


Key Partners for a Successful Food Processing Venture



Food Cycle has become very integrated without the necessary formal structures

Bird's Eye view of the value chain:



Largely Informal, Integrated Value Chain

Note:

- There's some amount of control at different levels
- Traceability is limited
- Contract farming or production is small
- Joint focus for a common goal is missing
- E-commerce enhancement needed

- ❑ Good structural arrangement that needs to be formalized for a consistently productive, return yielding, fully engaging system that encompasses demand and supply for the fruitful survival of all partners.
- ❑ Let's consider some baby steps that can facilitate this on the long run.



Imperatives For value Chain Improvement

Government:

- ❑ A renewed push for diversification to ensure most of consumption requirements for the industry are provided locally to reduce pressure on forex requirements
- ❑ Government must protect the SMEs from unfair competition from non-locals
 - Obviously, foreign investors will see the growing opportunities in the food and allied sectors and will want to tap into it.
 - We know what's happening in the packaging industry that's already dominated by this group of internationals from small to large scale levels
 - In general, they offer poor customer services
 - You most times pay in full upfront for ordered items with no room for quality considerations for deliveries on the order
 - The same also obtains in the additives sector of the food industry that is largely dominated by Asians. They are just importers, no local manufacture. This needs to be addressed to remove unfair competition.



- ❑ Government provides incentives like tax breaks and holidays for SMEs
 - Government to consider putting food ingredients and Food products on VAT exemption list.
 - Prior to now, VAT changed from 5% to 7.5% of revenues and procurements
 - It means that for every N1m revenue, government collects N75,000 upfront.
 - This is not inclusive of company tax at 28-30% of net profit
 - Additionally the compulsory Education Tax is 3% of Net profit
- ❑ The port clearance process for imports and exports needs to be streamlined to reduce wastage (time and cost).
- ❑ Over regulation:
 - Logistics Local governments and Law enforcers – impact logistics heavily
 - Regulations – NAFDAC, NEPA, Environmental Protect Agencies, Local governments,
 - Self Regulation should be encouraged
- ❑ Generally poor infrastructure
 - Bad roads – major and inner roads – impact distribution negatively

SMEs, with already dwindling number of consumers & customers still have to bare this burden

- ❑ Government needs to make policies that create jobs, support farmers with affordable fertilizers, open up rural roads, etc.
- ❑ Government also needs to go a step further by creating enabling environments for investments opportunities to be tapped
- ❑ Incentives will help stimulate growth – supporting farmers, making transportation of goods easy (railways), tax holidays, vat removal, etc.
- ❑ Health education relating to eating appropriate foods the right time



Academia

- ❑ Quality learning environment
- ❑ Top notch education
- ❑ Well “baked” graduates
- ❑ Collaboration with food industry
- ❑ Commercialisable R&D in tune with the needs of Nigeria/Food industry
- ❑ Entrepreneurial orientation is key.
 - Quality of available personnel-
 - Most fresh graduates are not directly employable
 - Trained ones are unstable

- ❑ We need researchers and institutions to confirm current nutritional challenges
- ❑ Collaborate with the food industry on commercialisable opportunities that can help the nation out of the food related health challenges. For example, processed foods for diabetic and ulcer patients. Food for under 5s too.
- ❑ These attempts must be focused and deliberate.



Financial Institutions

Institutions & Institutional Supports:

- ❑ Banks provide moratorium and lower interest rates on loans
- ❑ Biggest challenges include
 - Financing-
 - Interest rate
 - Cashflow

Food Industry

How have we faired so far?

- Assessment is only proper using the dining table dimension to dissect what we eat in general and the impact we have made, including our roles in-between meals (i.e. snacking habits and the snacks available)
 - What are we as SMEs, contributing to the dining table?
 - Beverages, Vegetable oil (Palm kernel, soya, coconut and Palm Oil)
 - Ingredients for soups and stews are largely dried by villagers and sold in the open market, though there are a few SMEs doing industrial processing. Majority of the peppers and tomatoes we eat are largely dried on the farm by farmers. Some SMEs now process packaged peppers and spices.
 - Seasonings/condiments – a strong area of processing dominated by multi-nationals (or sometimes referred to as trans-nationals). They are supported by a few SMEs
 - Vegetables/meat/poultry/fish are usually fresh and unprocessed, save for cray fish and smoked fish
 - Starchy foods are usually more than 50% of the meals. largely comes from the cottage/traditional villages level industries, save for a few SMEs



Industry

The 5 Ms are key to coping with post Covid-19 impact:

- Must match **M**an, **M**ethods, **M**aterials, **M**oney and **M**arket adequately
- They are a function of the type of food processing, size of the process and market and the amount that can be accessed to implement.
- Out source where necessary
- As always, PEOPLE (the staff) will make the difference.
- Must be driven to ask the following questions always:
 - What capability does the company own (5**M**s) and what must be outsourced
 - What you control and do well?
 - What do you struggle with to achieve in your operation?
 - What seems damaged or broken?
 - What is starting to crack under the pressure of growth?



- ❑ Food processing companies that can adequately respond to these questions will also respond to change quickly & grow too– Resilient organization.
- ❑ This will be the change of approach that we have been waiting for. It makes the company to be agile, quick to react and most times, pro-act. Organic Growth is imminent as well.
- ❑ Always enhance the efficiency of the business processes to remain as productive and competitive as possible. They should be reviewed on an ongoing basis using process improvement techniques.
- ❑ These are continuous improvement tools that SMEs can use from time to time to help facilitate improve and growth.



Operating Process Improvement Tools

Lean Manufacturing

- ▶ Eliminates waste to increase output in 7 areas – Transport, Motion, Waiting, Over-Processing, Over-Production, Defects & Inventory

PDCA

- ▶ Plan, Do, Check & Act.
- ▶ A lean tool that can be applied to any of the 7 areas of waste in Lean

Process Mapping

- ▶ Beneficial to see how any of the processes works in detail.
- ▶ Flowcharts & Value Stream mapping are examples

Work towards retaining the good cost whilst eliminating bad cost or unnecessary waste.

SIX Sigma Tools

- ▶ Six Sigma involves the collection and analysis of data to minimize cycle time and defects.
- ▶ Works to improve customer satisfaction

SIX Sigma Tool: DMAIC

- ▶ Define, Measure, Analyze, Improve & Control to improve an existing process
- ▶ Eliminates waste to increase output in 6 areas – Transport, Motion, Waiting, Over-Processing, Over-Production, Defects & Inventory
- ▶ Improves existing processes

SIX Sigma Tool: DMADV

- ▶ DMADV stands for, Define, Measure, Analyze, Design, Verify.
- ▶ Similar to DMAC but used for creating new processes or redesigning an existing process



TQM

- ▶ Total Quality Management
- ▶ TQM follows guidelines which entail a systematic approach to achieving their aims and goals.
- ▶ Employees work together towards the same goals and customers determine the level of quality

SIMULATION

- ▶ Powerful tool for checking and trying process changes with ease and at speed
- ▶ Excellent way to test improvements in a way that's cost-effective, minimally-invasive and free of risk
- ▶ Scenario planning or simulation can be applied to all aspects of the business
- ▶ Modeling via simulation allows for gathering a huge amount of insight without having to deploy the changes in the real world. E.G. Test Marketing



What process improvement approach is right for your organization?

- The method that will work best for any business will largely depend on the current needs of the business.
- To remain as productive and competitive as possible, the organization should be reviewing process efficiency on an ongoing basis using any of these tools
- To keep growing however, it's vitally important to always be enhancing the efficiency of the business processes.



Coping Strategy Nuggets

- ❑ Optimize your process – using one or more of the tools or other available tools. This can be outsourced if the organization lacks internal capability.
 - The method that will work best for your organization will largely depend on the current needs of your business.
 - But to keep growing, it's vital to always be enhancing the efficiency of your business processes. To remain as productive and competitive as possible, you should be reviewing process efficiency on an ongoing basis using these techniques
 - Drive out waste to reduce cost – Reduce losses from process or materials (raw and packaging materials) wastages. Optimize manning levels.
 - Automate where possible - Some processes lend themselves to automation or semi automation but capability is required
- ❑ Improve people capability – people make the difference. Most important asset of any business.
 - Engage staff on strategies for way forward... their inputs count
 - Engage staff on webinar to discuss and plan for next steps/stages of development
 - Re-evaluate staff reward systems based on performance evaluation/productivity.
 - Motivate



- ❑ Optimize product quality. Reduce write offs. Reduce rework. Reduce give away
- ❑ Implement Quality management systems - Formalize internal processes to make improvements easy.
- ❑ What should the food industry still be doing?
 - Understand the Two seasons when it can make money – boom time and doom time
 - Therefore prepare for post corona and a repeat of corona in the near future.
 - The Industry should start thinking and planning for a longer range or period but be nimble.
 - Look closely at customer base and partner with them on solutions
 - Differentiate your products in the market place and build your brands with the right marketing tools.
 - Innovate and re-invent various aspects of your operation as often as necessary.

- Prioritize Local Inputs
 - Understand the seasonality of the value chain of your product line....
 - Reflect on what happens, cost profile-wise to products like Garri, Plantain Chips, Pure Water sachets, Tuber Flours (Yam for example?), Packed Fruits and Vegetables, etc.
 - Do you have a Mitigation Plan for the off-season or prolonged wet or dry season?
- Need to start rethinking risk management – pre-mortem analysis instead of post-mortem analysis.
- Management through digital means for real time evaluations and decision making, even when proximity is not immediately possible
- Join SME Associations –
 - Useful for monitoring trends and accessing new sectorial information in good time
 - Engage regulators as a group for solutions to common challenges like port clearance, VAT application, Product Registration fees, new regulations, etc.
- Use loans or overdraft wisely - If returns on investment will not pay back as expected, look for alternatives.
 - Need to have access to cheap funding to finance working capital and subsequent growth

Financial Institutions' support

- Need to develop products that can help the industry to react and respond quickly to the current needs of the industry
 - May look at short loans with much lower interests
 - Overdrafts may be increased to help cash flow to get many off the ground and back running again
 - Investment loans to attract single digit interests – not exactly like that of the Bank of Industry but something close enough that the industry can use very quickly
 - To make recovery more certain and less cumbersome, banks can attach financial experts to borrowing companies to guide and supervise implementation of capital/financial proposals and disbursements and
 - Banks need to be integrated further into the less urban areas like Owoode-Egba where we operate from. Many cottage and small manufacturers but only one community bank.



What Stops Nigeria From Being a Production Hub Like the Countries In Asia?

- Work ethics
- Dignity of labour
- General attitude
- Appreciation for quality
- Infrastructural gaps – road network, electricity, water, training needs (huge)
- Educational gaps – theory over little or no practice



Imperatives from The Impact of Covid-19

- ❑ Covid has shown us that many things that we considered important before are not important
 - Personal assets
 - Travelling, etc.
- ❑ Covid, once again, confirmed the position of food in our lives. We just cannot do without food, otherwise there will be anarchy
- ❑ Covid therefore confirmed to us that if you are a food manufacturer, Nigeria needs you, the world needs you
- ❑ What will change is probably how we do that business, particularly on the logistics, distribution and marketing fronts.
- ❑ The need for general innovation in the products and processes cannot be over emphasized either



Stay Safe, Follow The Routines

- ❑ To experience and be a partaker in all that we discuss, follow the Covid-19 safety guide
 - Washy your hands regularly with soap and clean. May use hand sanitizer
 - Wear face mask water
 - Avoid touching your face (mouth, nose, ears)
 - Maintain social or physical distance rom others
 - Obey other cautionary protocols
- We are responsible for each other's safety



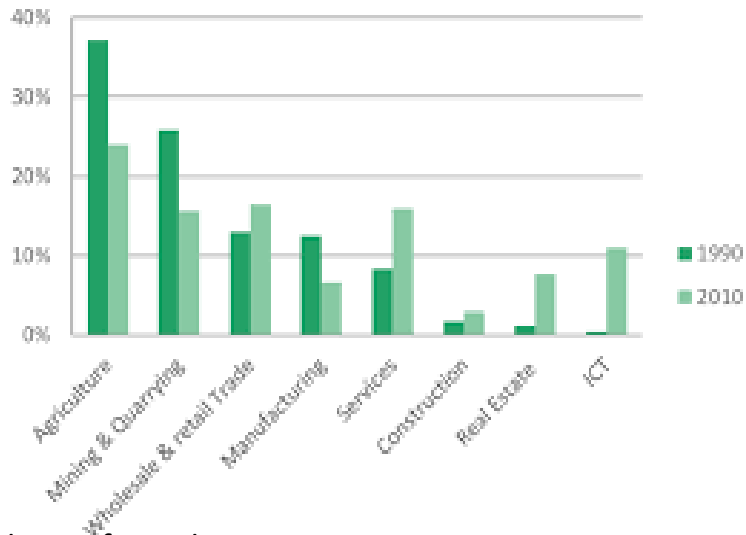
FOOD SAFETY

It's time to regain our freedom, enterprise and socializing.

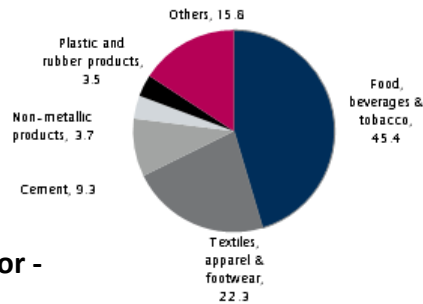


Thank you





Share of GDP by Sector – 1990 vs 2020
Reasearchgate.net



Q4 2019 GDP growth by sector -
Worldstage

How Will Nigerians Be Fed in the Near Future

