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COVID-19 Impact on Agricultural Cooperatives: Round Two Brief

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In Collaboration with:



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This brief highlights the main findings from the second out of three rounds of data collection of an impact study designed to determine the impacts of COVID-19 on agricultural cooperatives. In Round Two, 89 interviews were completed: 9 from Equal Exchange, 14 from Global Communities, 18 from Venture37,

and 48 from NCBA-CLUSA. Twenty value chains and eight countries are represented in the data set. For the purposes of this brief, value chains with only one cooperative represented in the data are not explicitly addressed. A full analysis will be available in the final report, available in August 2020, after all three rounds of data collection are completed.

Table 1. Completed interviews in Round Two

Country	Value Chain						Total
	Cacao	Coffee	Dairy	Maize	Horticulture	Other	
Kenya	-	1	16	-	-	7	24
Madagascar	-	-	2	1	-	6	9
Malawi	-	-	2	-	4	-	6
Mexico	-	3	-	-	-	-	3
Paraguay	-	-	-	-	-	1	1
Peru	6	10	-	-	-	1	17
Rwanda	-	-	6	4	2	-	12
Tanzania	-	4		12	-	1	17
Total	6	18	26	17	6	16	89

I. OVERVIEW

Ninety four percent of surveyed cooperatives reported that COVID-19 continues to impact their operations. This remained the same from Round One. In Round Two, only 5 cooperatives of the 89 sampled report experiencing no negative effects of COVID on their cooperative operations. Those who have not yet experienced any negative impacts of COVID-19 are in the following countries and value chains: dairy in Kenya, and coffee and maize in Tanzania.

II. IMPACT ON MARKETING, SALES AND PRODUCTION OF AGRICULTURAL COMMODITIES

The primary impacts of COVID-19 on cooperatives vary by country and value chain; however, the same most severe impacts of COVID-19 were identified in both rounds, and the percentage of cooperatives reporting that impact increased in Round Two. **Government restrictions on activities (Round One 46.6%, Round Two 66.7%), slowdown in operations due to mobility/social distancing restrictions (Round One 42.0%, Round Two 69.0%), and reduced cooperative revenue (Round One 28.4%, Round Two 56.0%) emerge as the top three most commonly reported impacts of COVID-19 on cooperative operations across the dataset.** The increase by roughly 20% of cooperatives reporting these impacts indicate that the impact of COVID on the cooperative businesses has increased in the last four weeks since Round One data was collected.

Government restrictions are widely cited across all value chains except horticulture, which remains the same from Round One. The percentage of cooperatives reporting that government restrictions on activities have affected their operations increased the most from Round One to Round Two in Kenya (56.5% in Round One to 69.6% in Round Two) and Rwanda (41.7% in Round One to 66.7% in Round Two). Slowdown in operations due to social distancing is mentioned by at least 20% of cooperatives in all countries, but is particularly prevalent in Peru (88.2%), Rwanda (91.7%) and Malawi (83.3%). Reduced revenue is widely reported by cooperatives in Madagascar, Malawi, Rwanda and Kenya, but infrequently

in Peru and Tanzania, which was the case in Round One as well. The overall impacts of COVID on cooperative operations remained similar between Round One and Round Two.

Figure 1: Overall impact of COVID-19 on cooperative operations

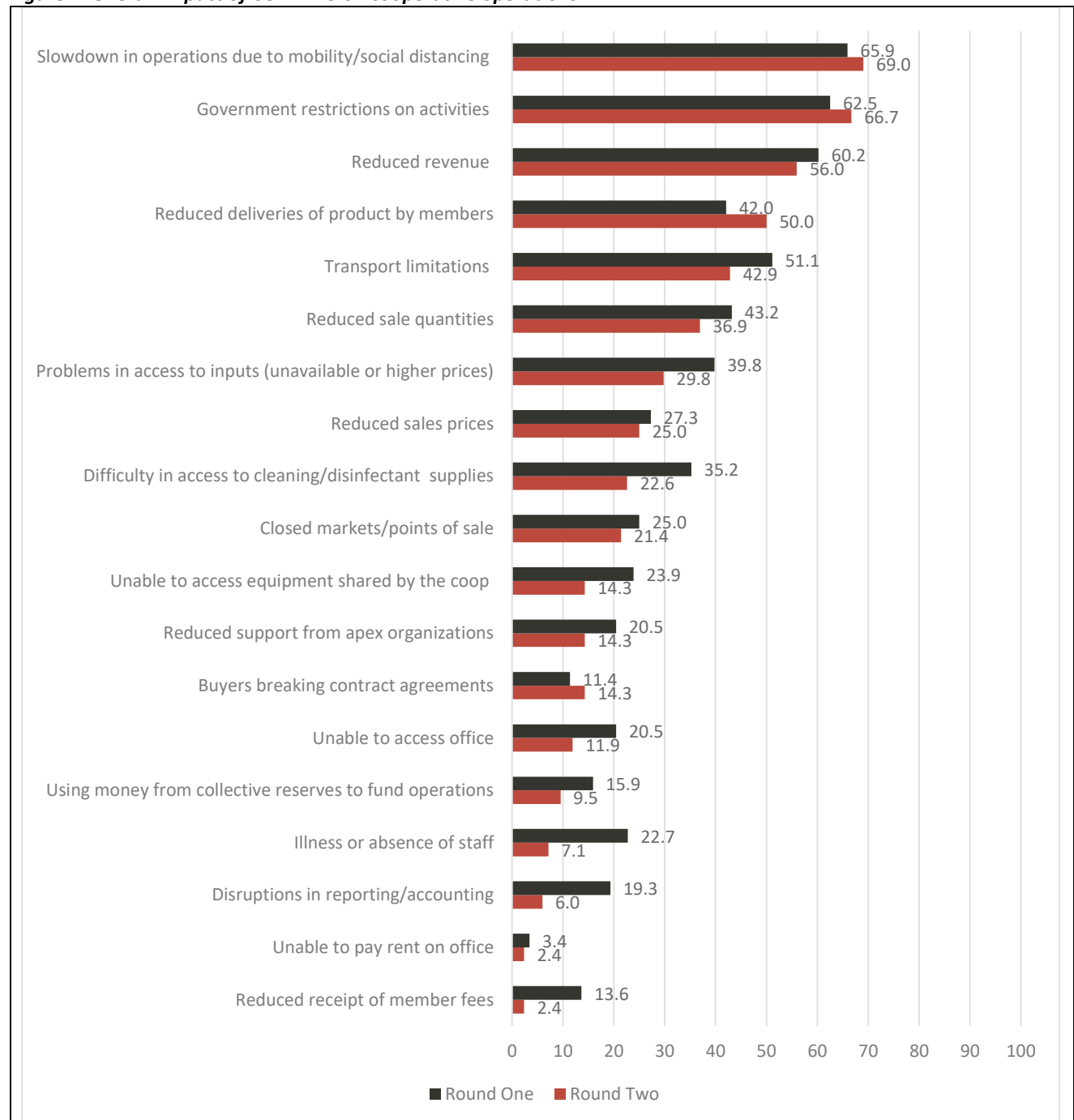
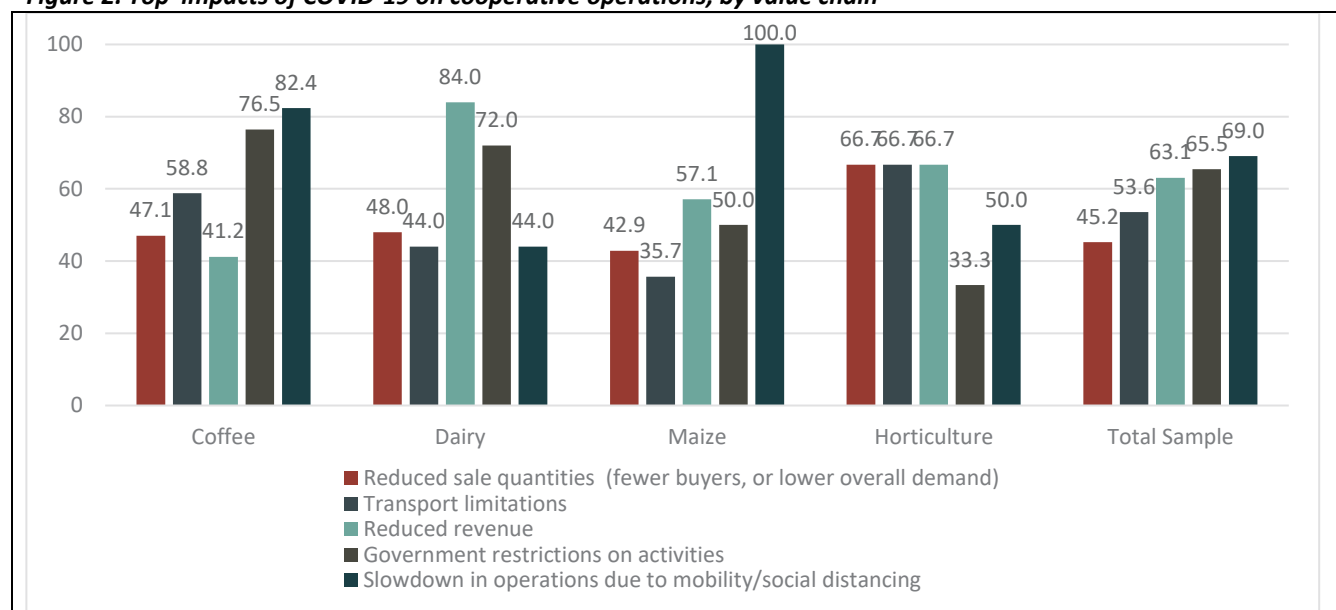


Figure 2 below shows the top impacts of COVID-19 on cooperative operations, by the major value chains included in the data set.

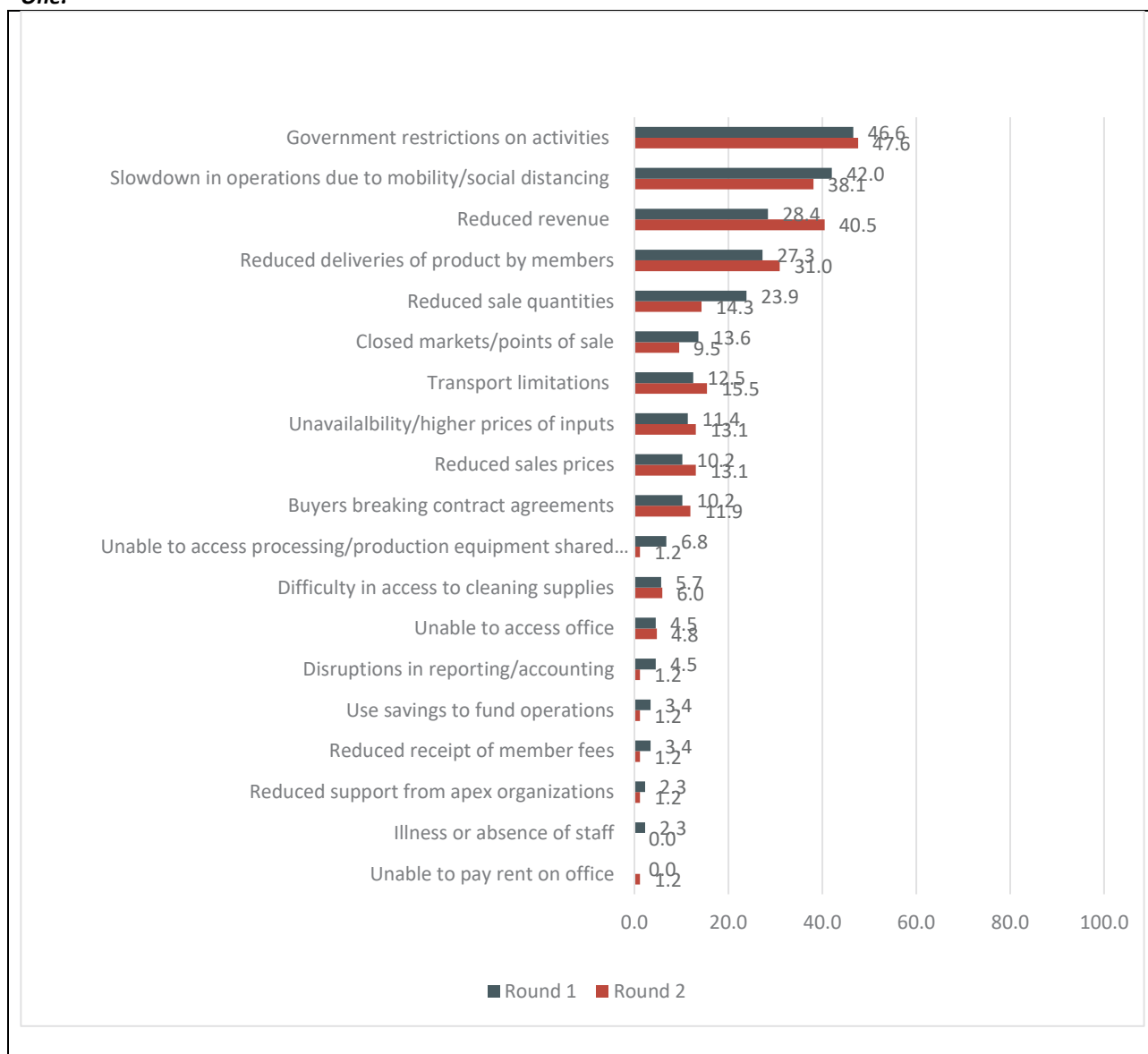
Figure 2. Top impacts of COVID-19 on cooperative operations, by value chain



In the survey tool, cooperatives were asked to list all impacts of COVID-19 on their activities, and are then directed to select the three most severe of those impacts (here and thereafter referred to as “Top 3”). These findings are illustrated in Figure 3 below. This is useful to see not only what overall impacts cooperatives are experiencing but also see what is impacting cooperative operations the most. For example, although the percent of cooperatives reporting reduced sales quantities as an impact of COVID-10, was 36.9 percent in Round Two, only 14.3 percent reported this as a Top 3 impact.

The overall Top 3 most severe impacts of COVID-19 on cooperative operations were identified as government restrictions on activities, slowdown in operations due to mobility/social distancing limitations, and reduced revenue.

Figure 3. Top 3 most severe impacts of COVID on cooperative operations, comparison of Round Two to Round One.

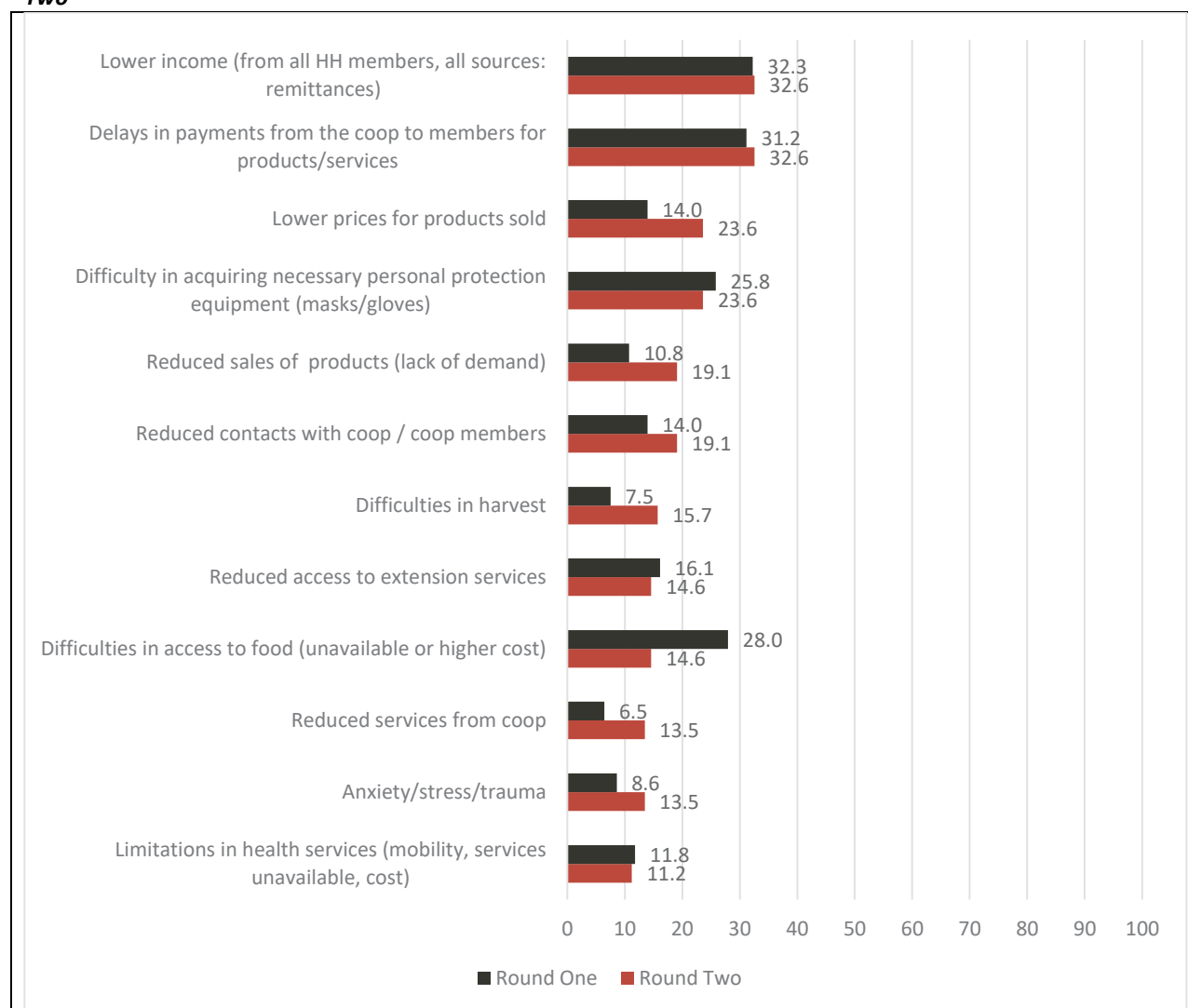


III. IMPACT ON HOUSEHOLD ECONOMICS

Cooperative representatives report that the top three impacts of COVID-19 on cooperative members are lower household income, delays in payments from the co-op to members for products/services, and lower prices for products sold. The top impact of COVID-19 on cooperative members for Malawi is a lower household income, which has remained the same from Round One (83.3%) still significantly above the average for the total sample of 32.6% overall. Problems of food availability particularly widespread in Peru and Rwanda, compared with other countries. However, even in these two countries, the frequency of this response decreased sharply (by 40% in Peru and 60% in Rwanda) from Round One to Round Two. The percentage of cooperatives in Malawi reporting food availability as an impact on their cooperative

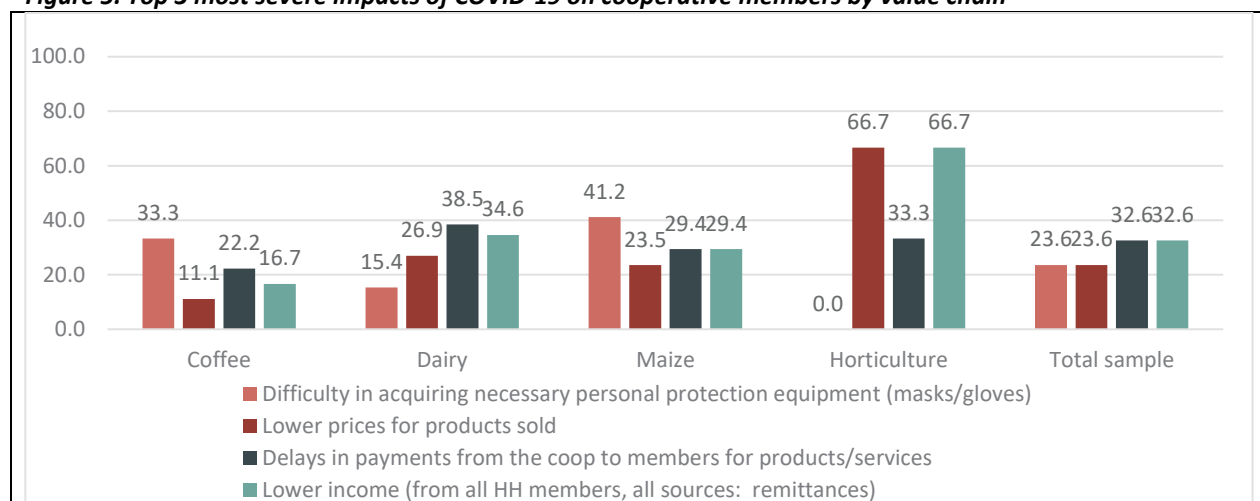
members decreased drastically in Round Two (16.7%) from Round One (50.0%). This reflects the overall trend as seen in **Figure 4**.

Figure 4. Top 3 most severe reported impacts of COVID-19 on cooperative members from Round One to Round Two



The most severe impacts of COVID-19 on cooperative members are particularly observed in the horticulture value chain, with 66.7% of horticulture cooperatives reporting lower prices for products sold and lower household incomes for members. Difficulty in acquiring necessary personal protection equipment was cited as a severe impact in all value chains except for horticulture, and was a particular problem for the coffee (33.3%) and maize (41.2%) value chains.

Figure 5. Top 3 most severe impacts of COVID-19 on cooperative members by value chain



The survey also collected information on how households are coping with the cited impacts of COVID-19, which found that the percentage 82.8% of cooperatives that report members are staying at home has decreased from 82.8% in Round One to 77.5% in Round Two. Cooperatives reporting some members are dropping out of some cooperative activities has increased from 45.2% in Round One to 51.7% in Round Two. 4.5% of cooperatives reported they have members leaving the cooperative entirely. This was reported by four cooperatives in Kenya (8.3%), Malawi (16.7%) and Rwanda (8.3%). The average reported reduction in membership for these cases was 24%, ranging from 5 to 40%.

IV. RESILIENCE OF COOPERATIVE BUSINESS/LEADERSHIP

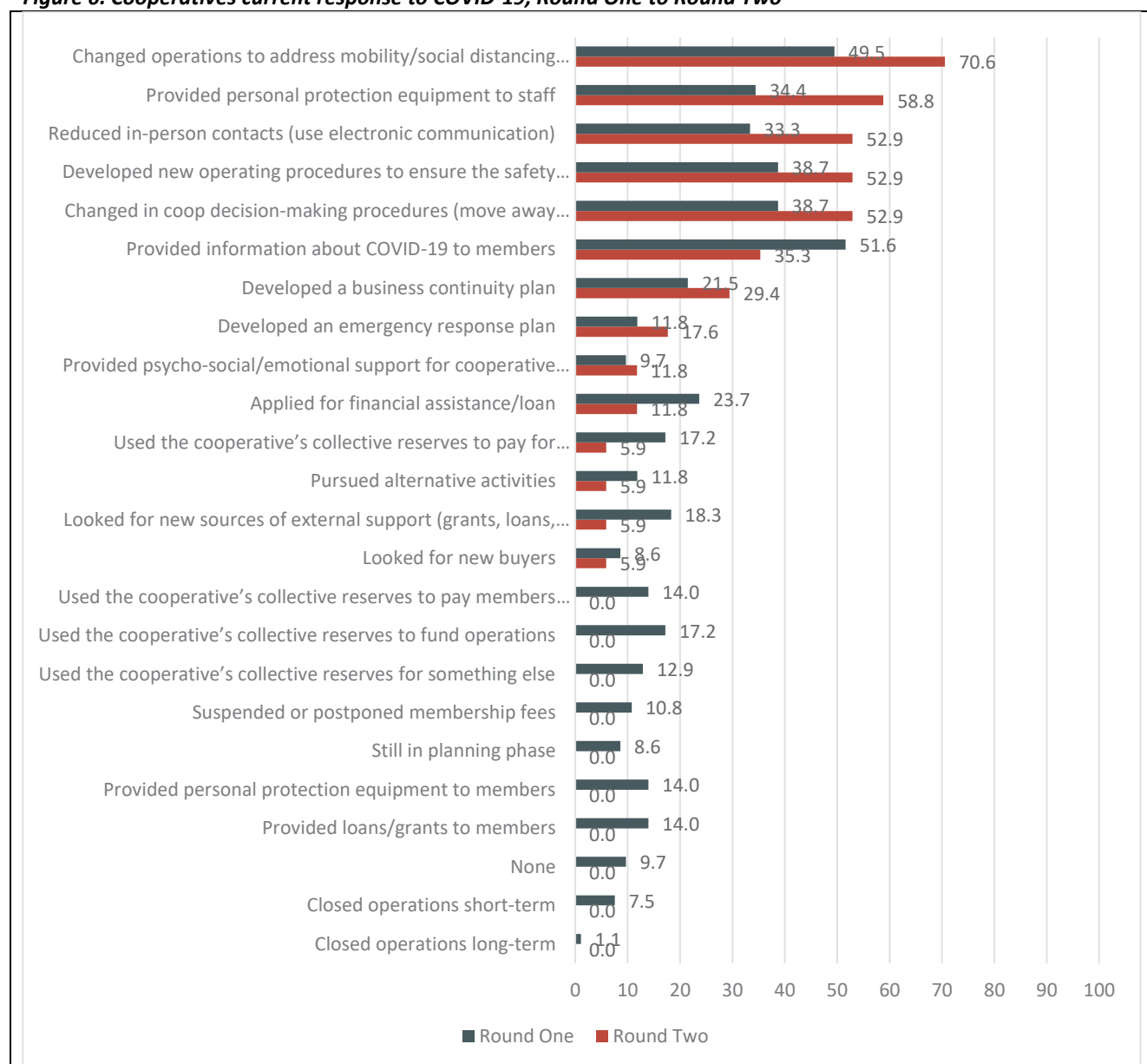
The most common responses to COVID-19 are that cooperatives are providing information about COVID to their members and changing operations to address mobility/social distancing guidance, which were the same two most common responses in Round One. In Round Two, there is an increase in cooperatives providing personal protection equipment to staff (34.4% in Round One to 43.0% in Round Two) and reducing in-person contact (33.3% in Round One to 39.8% in Round Two).

More cooperatives have implemented responses to COVID in the last four weeks; in Round One approximately 10% of sampled cooperatives reported doing “nothing” in response to COVID-19, while in Round Two this has dropped to 2.2%.

Cooperatives in Peru, and to a lesser extent Rwanda, report cooperatives are already implementing a wide range of responses, and are prioritizing different areas. 71.4% of cooperatives in Peru reported they have developed new operating procedures to ensure the safety of co-op staff and members and have developed a business continuity plan. In Rwanda, 50% of cooperatives report they have provided loans to members and 41.7% reported they have applied for financial assistance/loan. In comparison with the other countries, the cooperatives in Peru are implementing a wider range of responses to COVID-19, followed by cooperatives in Rwanda.

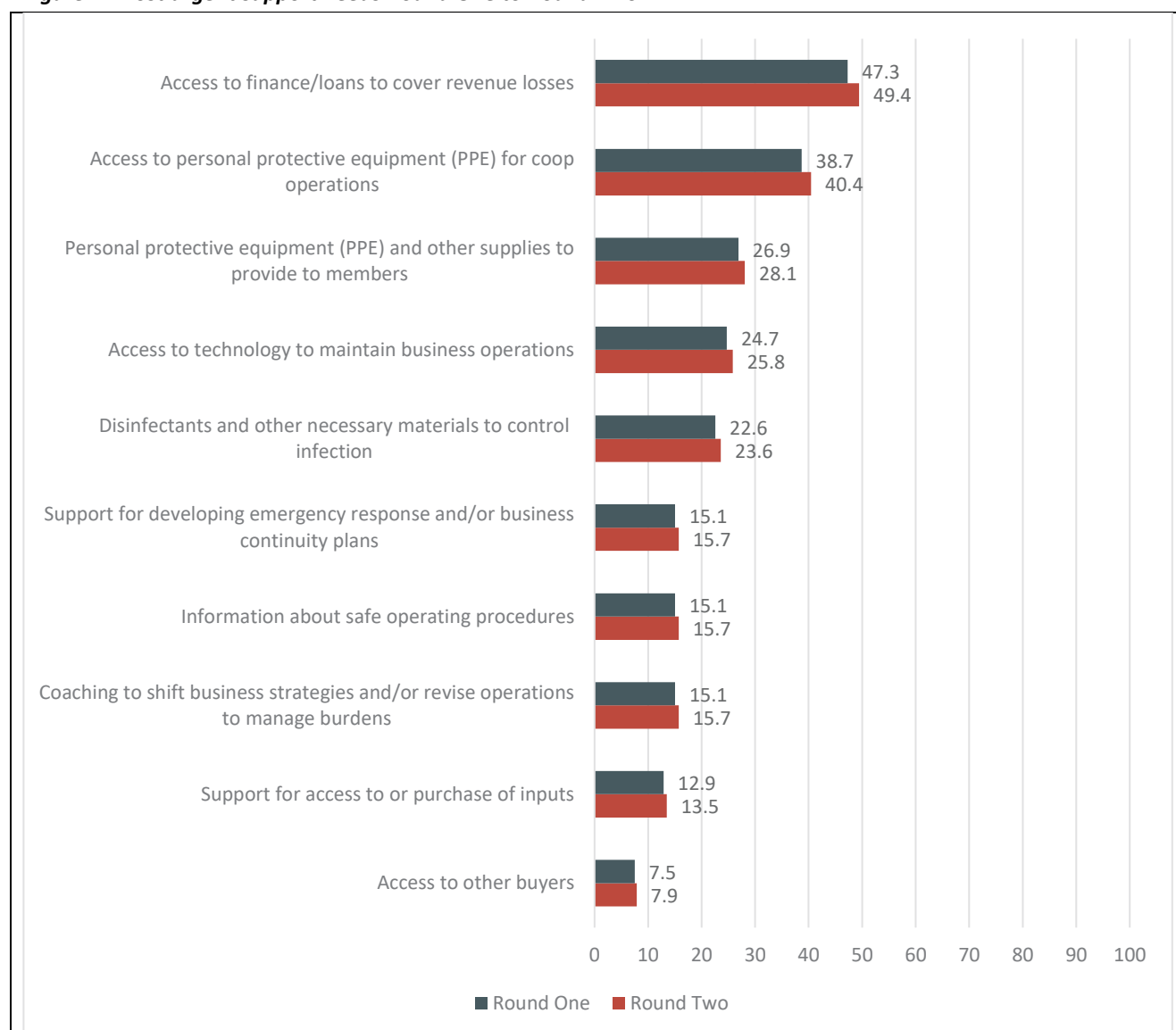
Cooperatives in both Malawi and Rwanda's primary response at this time is providing information about COVID to members, however for Rwanda this has increased and for Malawi this has decreased since Round One (Malawi 83.3% in Round One to 66.7% Rwanda 41.7% in Round One to 66.7%). In Malawi, cooperatives have started to undertake more responses since Round One. In Round One a total of 16.7% of cooperatives in Malawi reported doing nothing in response to COVID, however in Round Two this is 0.0%. In Rwanda, in Round One 8% of cooperatives in Rwanda reported doing nothing in response to COVID, and in Round Two this is 0.0%. Cooperatives in Peru, Rwanda and Tanzania report pursuing alternative activities in response to COVID, and this has increased since Round One. In Rwanda for example, 50% of cooperatives reported pursuing new value chains, products, and improving existing storage facilities, in Round Two this increased to 100%.

Figure 6. Cooperatives current response to COVID-19, Round One to Round Two



Cooperatives and their members have already received some basic types of support in response to COVID-19. Half of the cooperatives report they have received information about safe operating procedures. The largest shifts in the kind of support cooperatives are currently receiving from Round One to Round Two is that more cooperatives report they now have access to personal protective equipment (PPE) for their cooperative operations in Round Two (20.2%) since Round One (6.5%). The percentage of cooperatives reporting they have access to other buyers has decreased from Round One (8.6%) to Round Two (4.5%).

Figure 7. Most urgent support needs Round One to Round Two



Both Round One and Round Two of the survey found that ***the most urgently needed support for cooperatives in response to COVID-19 are access to finance/loans to cover revenue losses and access to personal protective equipment (PPE) for cooperative operations.*** The percentage of cooperatives reporting these needs has increased from Round One to Round Two. The most urgent kind of support needed is access to finance/loans to cover revenue losses (from 47.3% in Round One to 49.4%) the second

most urgent is access to PPE for cooperative operations (38.7% in Round One to 49.4% in Round Two), even as cooperatives have increased distribution of PPE in Round Two.

In Round Two of the survey a follow up question was added to ask what the additional support would be utilized for. The qualitative data found that most frequently cited needs for additional access to finance/loans are to provide loans and grants to support cooperative members, to provide working capital to the cooperative, and to cover investment and operational costs.

V. COMMUNICATION AND ACCESS TO QUALITY INFORMATION

In the context of COVID-19, information sharing is critical. Round One data show that **over 90% of cooperatives report that they have received information from their government regarding social distancing guidelines**, and over 66% have received information about procedures for handling materials/products safely. In Round One 5.2% of cooperatives reported not receiving any guidance or information, which increased to 8.3% in Round Two.

Figure 8. Information received from government related to operations during COVID-19

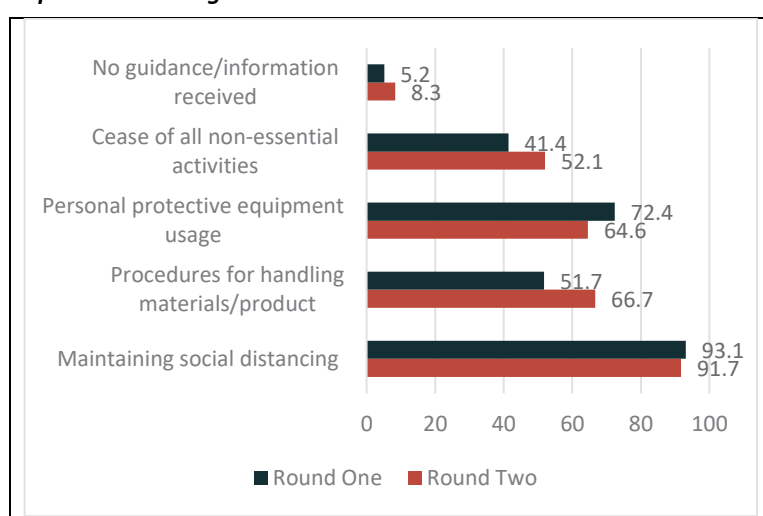
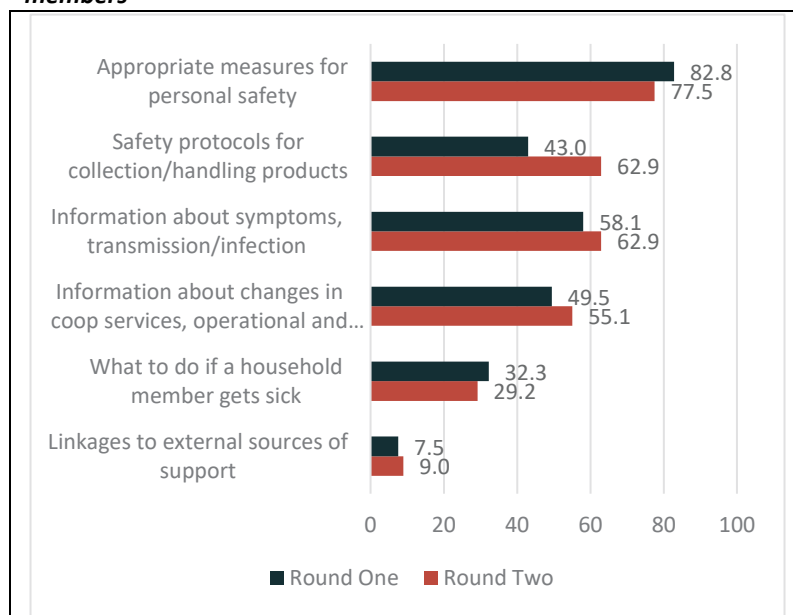


Figure 9. Types of information cooperatives are sharing with members



Cooperatives are actively sharing information with their members. 77.5% of cooperatives surveyed report sharing information on appropriate measures for personal safety with their cooperative members. Cooperatives communicate information about COVID-19 to their members most frequently by phone/SMS (73.0%), WhatsApp (41.6%) and bulletin board/poster at the cooperative (37.1%). However, communication via in-person visits (30.1% in Round One to 36.0% in Round Two) and in-person meetings (14.0% in Round One to 30.3% in Round Two) have increased from Round One to Round Two.

VI. SUMMARY: OVERALL TRENDS AND OBSERVATIONS

Overall, the second round findings show that impacts of COVID-10 on cooperatives and their members have not changed dramatically, but several patterns of change are emerging.

- Government restrictions on activities remains the most frequently reported impact of COVID-19 on cooperatives, and has increased slightly in Round One to Round Two. The negative impacts of social distancing and reduced mobility have declined slightly, although this is still the second most cited impact.
- Impacts at the level of the cooperatives that have shown large increases are: i) reduced revenue, reduced delivery of product by members, transport limitations reduced sales prices, higher input prices, reduced sales prices, and buyers breaking contract agreements. These are all aspects of disruptions in markets. Interestingly, the percent of cooperatives reporting reduced sale quantities has actually gone down in Round Two.
- Impacts of COVID-19 on cooperative members are generally similar to Round One, although problems associated with interactions of members with cooperatives have increased: lower prices for products sold, reduced sale of products, reduced contacts with cooperatives. Reported stress of cooperative members has also gone up and, surprisingly, reported difficulties in access to food have declined.
- As in the first round, the impacts of COVID-19 on cooperatives and their members are quite different across the value chains.
- In terms of the types of information provided to cooperatives and that cooperatives provide to their members, there has been a reduction in information about use of personal protective equipment, but an increase in providing information about procedures for handling materials and products (to cooperatives) and protocols for properly collecting and handling products (to members).
- Responses of cooperatives to COVID-19, showed some significant changes compared with Round One. More cooperatives reported adopting social distancing practices, adopted measures to reduce in-person contacts, and providing personal protective equipment to staff, and developing contingency or emergency response plans. On the other hand, there has been a reduction in the number of cooperatives seeking new financing sources, use of cooperative savings to cover costs, and surprisingly a reduction in searching for new buyers. None of the cooperatives reported closedown of operations in the second round.
- There has been little change in the types of support needed by the cooperatives over the two rounds. The most common reported need is for access to loans and financing. The specific needs for financing that were most frequently cited were i) to provide loans, grants or other support to members, ii) working capital, ii) investment capital, and iv) to cover operational costs.

The results from Round Two also indicate some areas for further inquiry, to monitor in Round Three, and the final review of all three rounds, including the following:

- Review of trends across countries, comparing countries that have different levels of effective restrictions to control COVID-19, and across value chains that may experience differential effects due to their structures and market characteristics.
- Monitor the trends of reported problems related to interactions between cooperatives and their members.
- Monitor the continuing trends of market disruptions and how they affect the delivery of product to the cooperatives, marketing of products by cooperatives, and access to inputs of both cooperatives and their members.
- Monitor the trends in cooperatives' needs for and access to financing.