GRASP is funded by the EU and implemented by ITC

GRASP Pakistan

GROWTH FOR RURAL ADVANCEMENT AND SUSTAINABLE PROGRESS

The competitiveness of rural MSMEs and their resilience to the COVID-19 crisis

Evidence from Sindh, Pakistan

July 2020

Table of Content

Definition of MSME under GRASP

Any enterprise engaged in an economic activity irrespective of its legal form or registration status. This includes self-employed, family firms, partnerships and associations that may or may not be registered.

Enterprises that are either Farms/Farmer Groups or Agribusinesses in and around the selected value chains. Agribusinesses include input suppliers, collectors, traders, processors or retailers

Agribusinesses or farms/farmer groups with less than 250 employees (State Bank of Pakistan)

- Micro: 1 – 9
- Small: 10 – 49
- Medium: 49 – 249

With annual sales turnover of less than or equal to PKR 650 million ($4.2 million) (SME Policy 2019)

Farm Size Categorization – Sindh

Horticulture:
Small: Up to 16 acres
Medium: Above 16 acres to 64 acres
Large: Above 64 acres

Source: State Bank of Pakistan

Livestock: (Cattle)
Small: 1 – 5 animals
Medium: 6 – 25 animals
Large: Above 25 animals

Source: Government of Sindh

Livestock: (Goats)
Small: Less than 30 animals
Medium: 30 – 100 animals
Large: Above 100 animals

Source: No official definition exists. This definition comes from the farm surveys conducted by ITC

Surveyed Districts of Sindh

Background - Agribusiness Survey

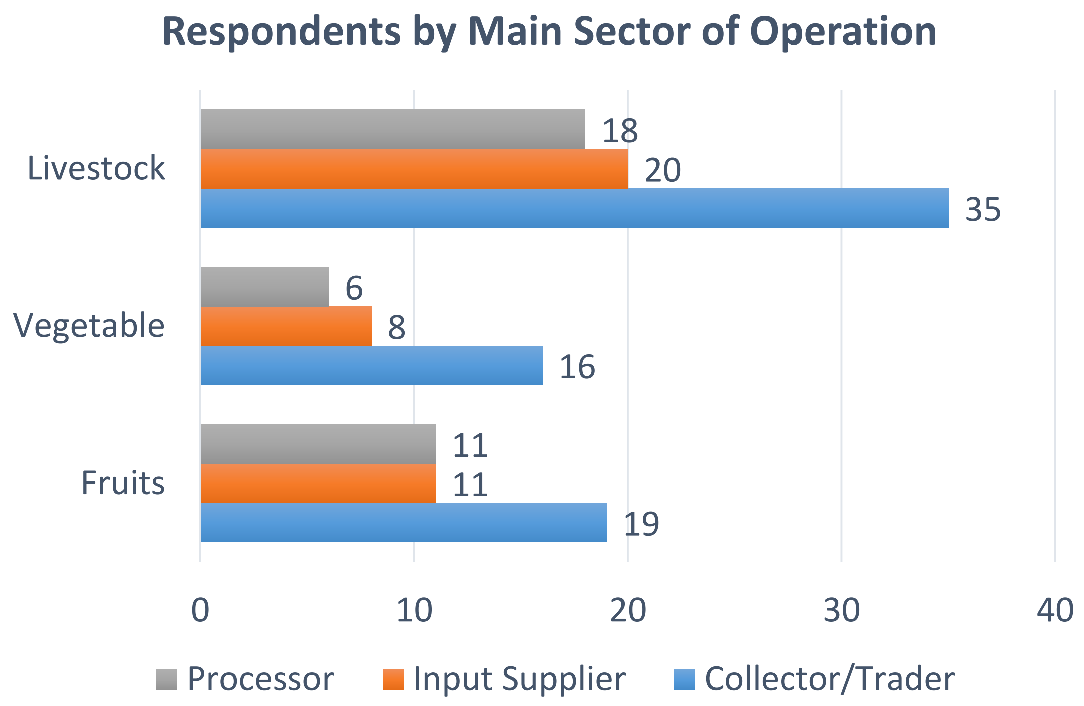
Based on ITC's SME Competitiveness Survey (SMECS), and captures a wide range of factors, which determine firm competitiveness and relationships among value chain actors. It serves as an instrument for SME-level data collection and baseline setting.

Objectives

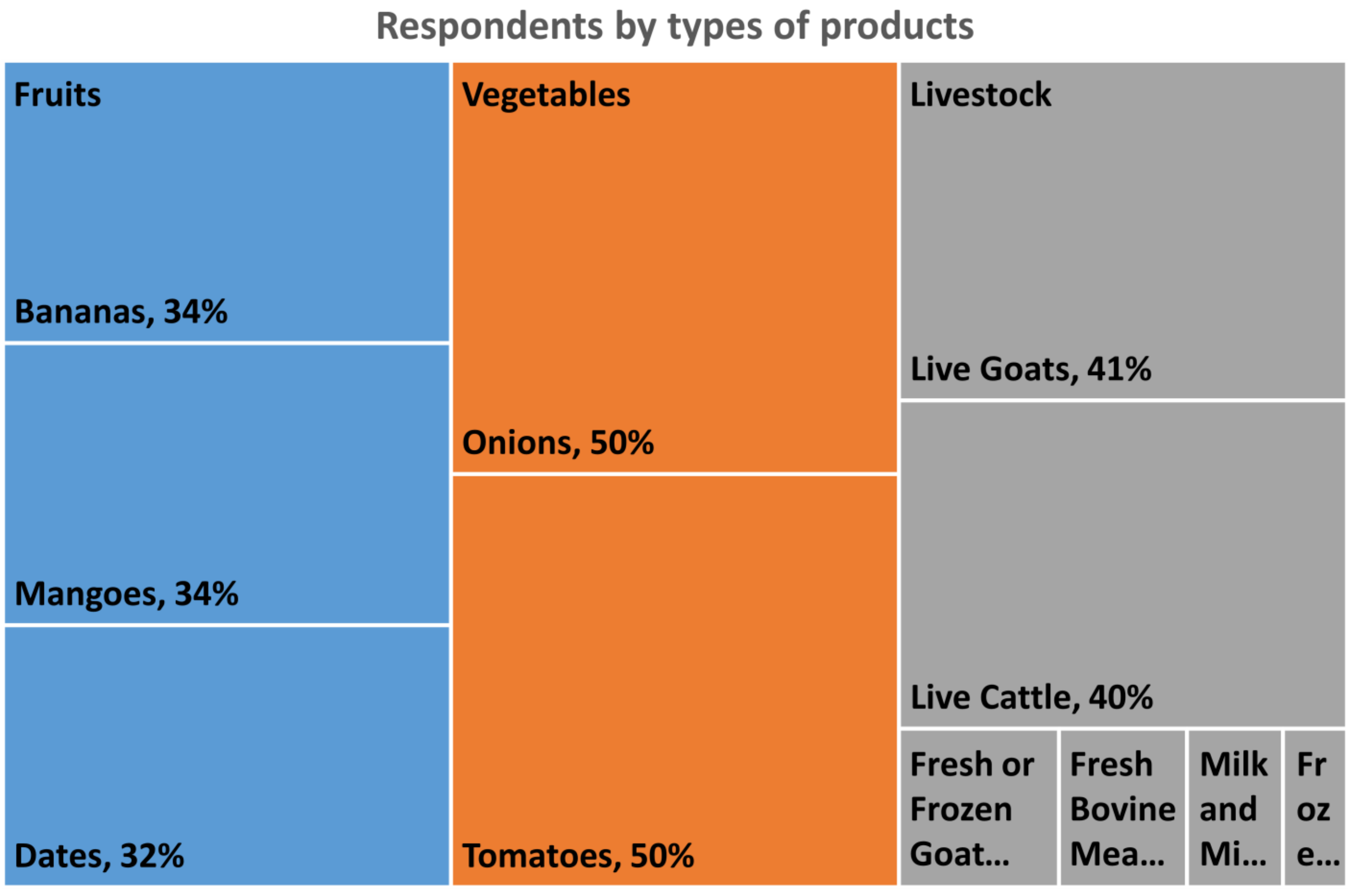
- To gain understanding of private sector activities (production of good and services), as well as horizontal and vertical business linkages in selected value chains
- To identify, deepen into and validate main challenges faced by agri-businesses involved in inputs and services provision, trading and/or primary and secondary agro-processing in and around select value chains.

Agribusiness Survey in a snapshot – Sindh

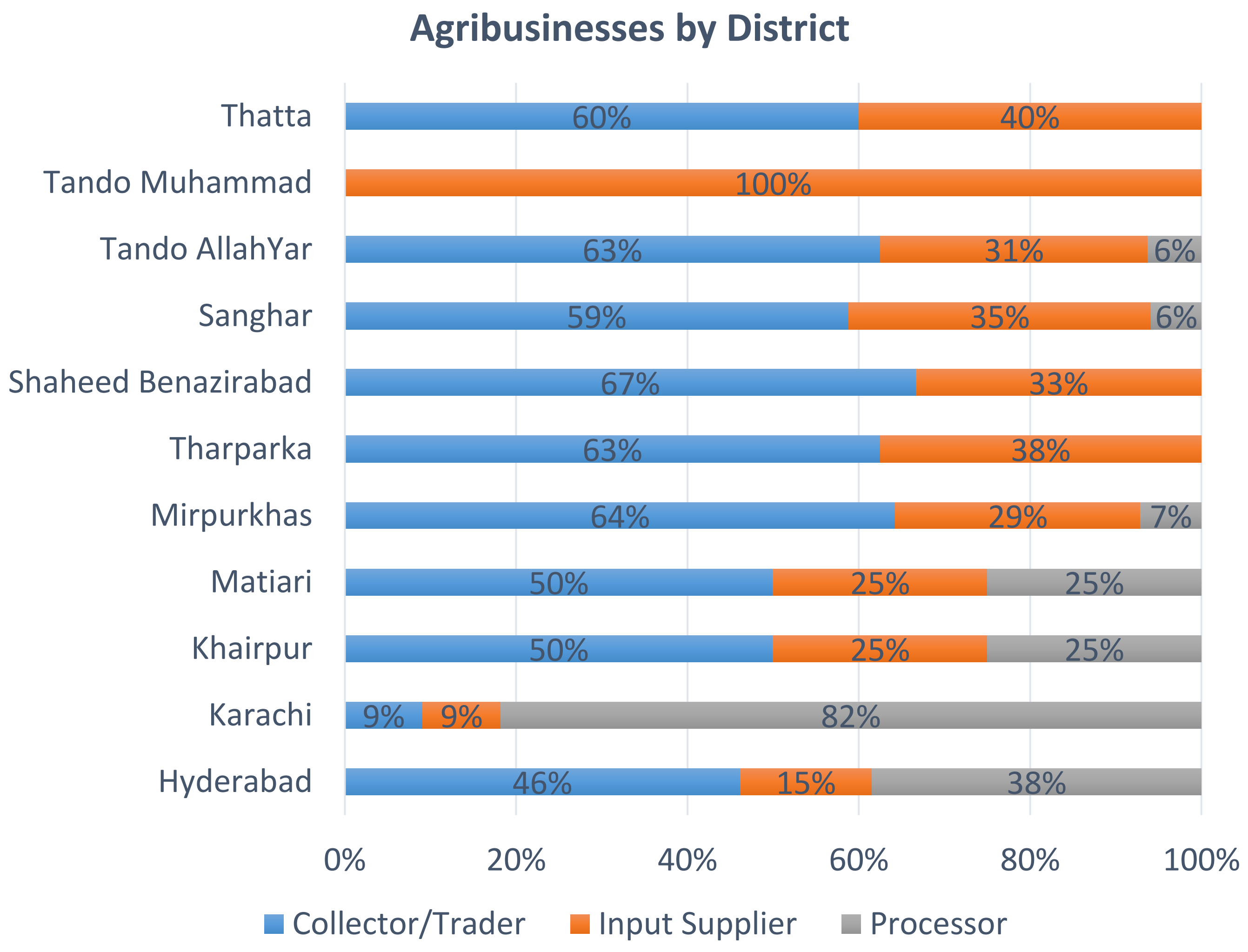
SAMPLE SIZE: 144 Agribusinesses

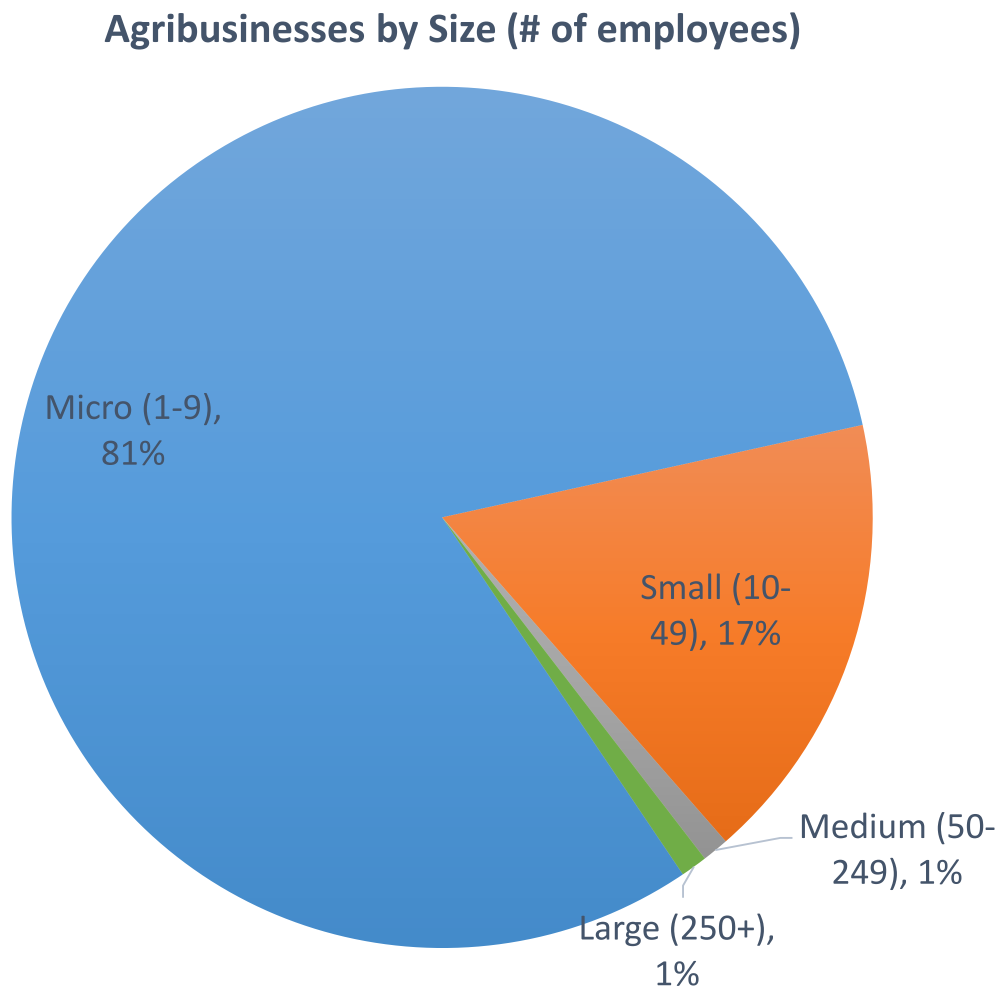


70 Collectors/Traders
39 Input Supplier
35 Processors



Agribusiness Survey in a snapshot – Sindh





Background - Farm Survey

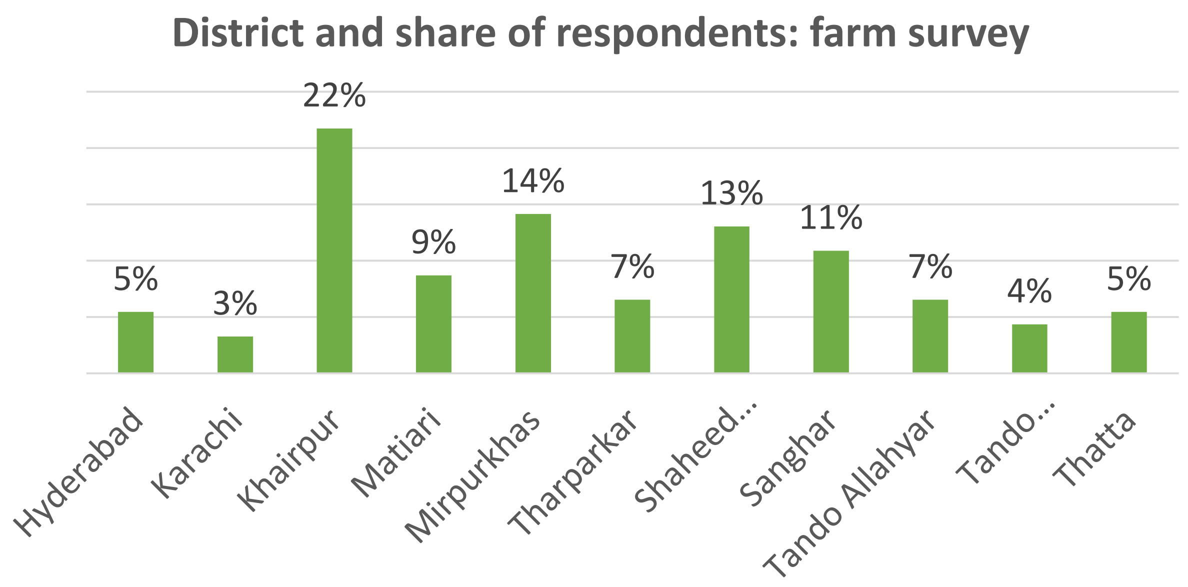
The survey contributes to gathering information at farm level on production, access to markets and inputs, identifying main challenges, and assessing knowledge and practices in areas relevant to the GRASP programme, such as climate change and gender issues

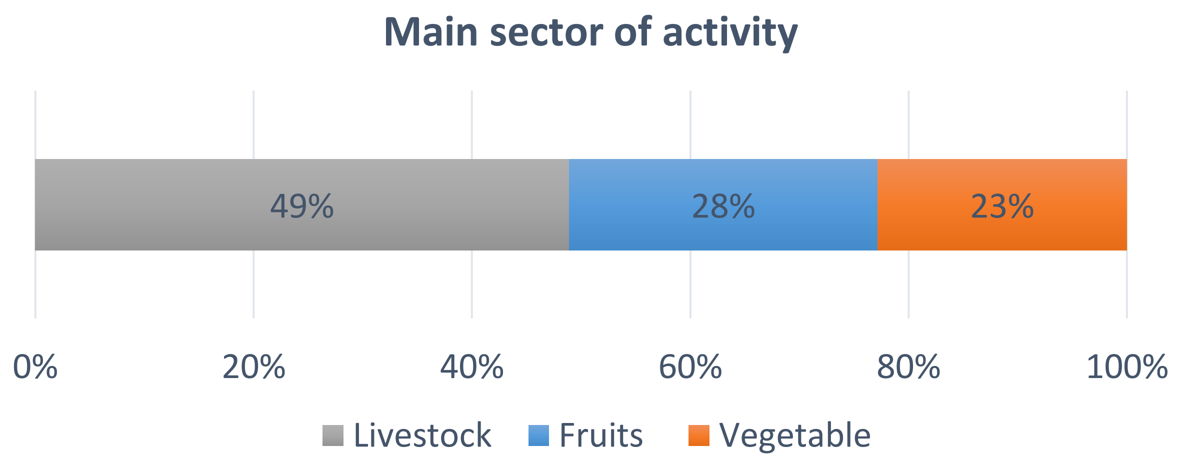
Objectives

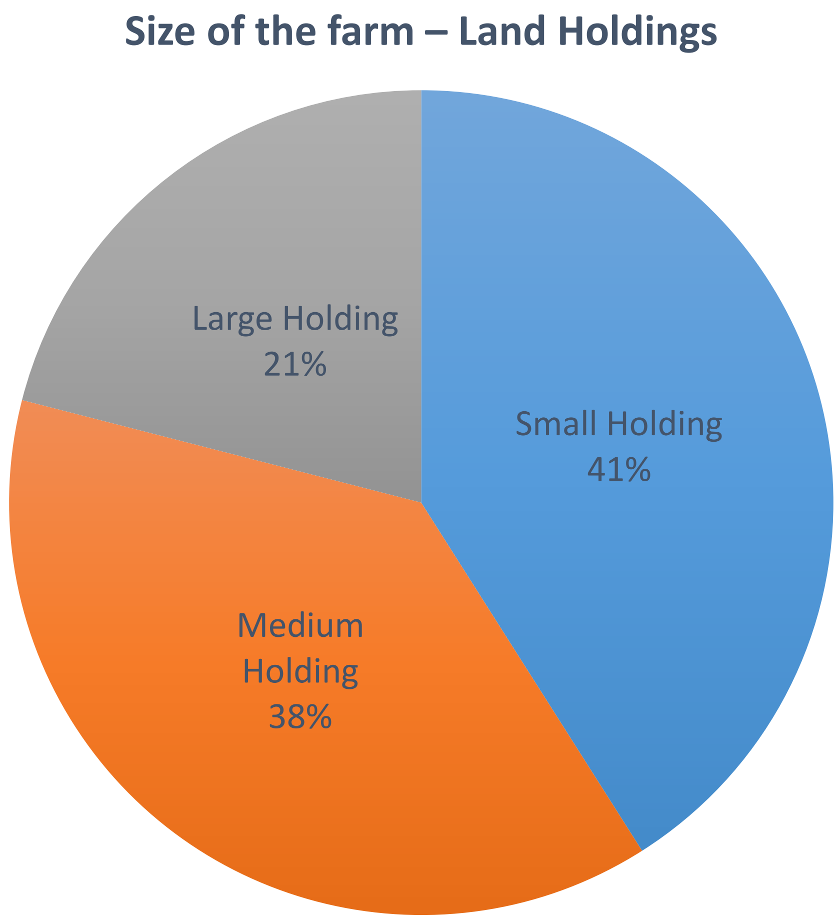
- To gain an understanding of the characteristics and performance of primary production in select value chains from a farm-level perspective.
- To identify, deepen into and validate main challenges faced by farmers and farmer groups when engaging in the production, value addition and commercialization of select products.

Farm Survey in a snapshot – Sindh

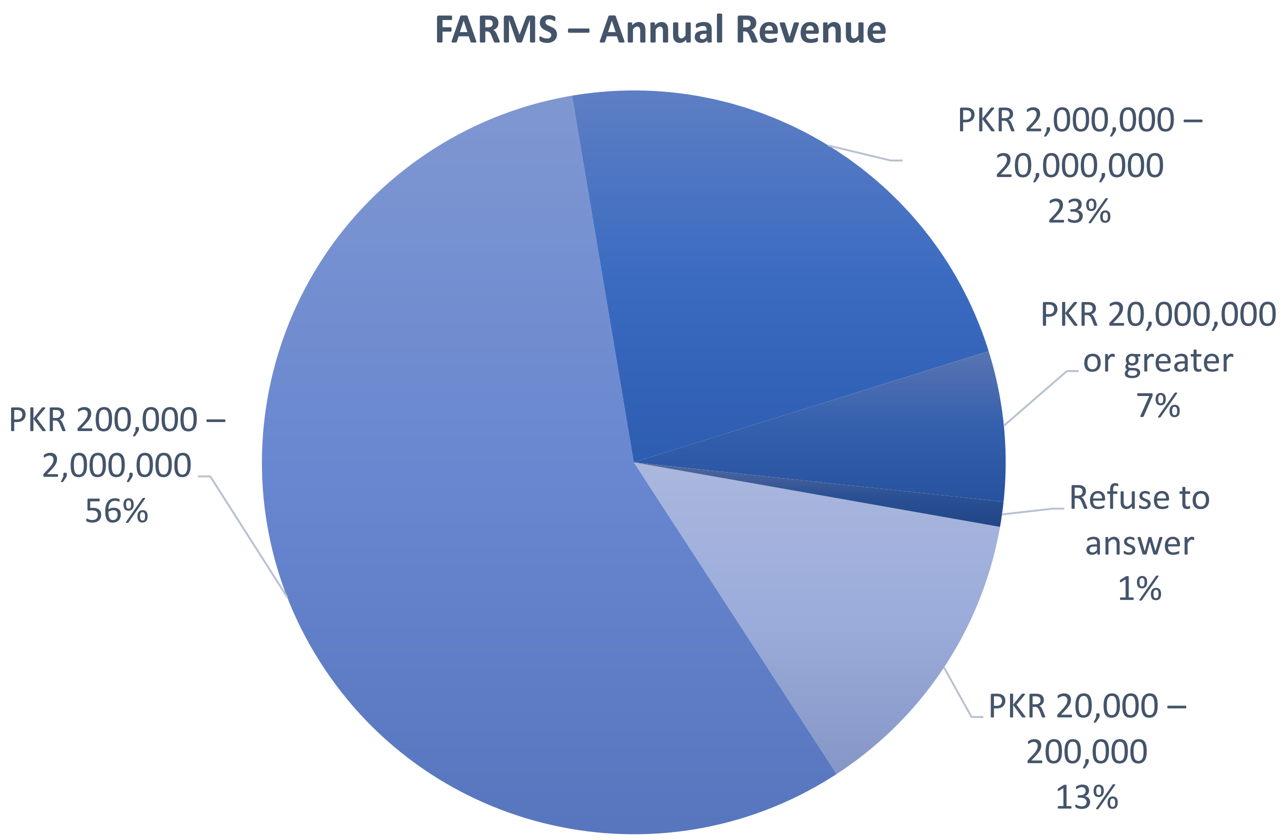
SAMPLE SIZE: 92 Farmers

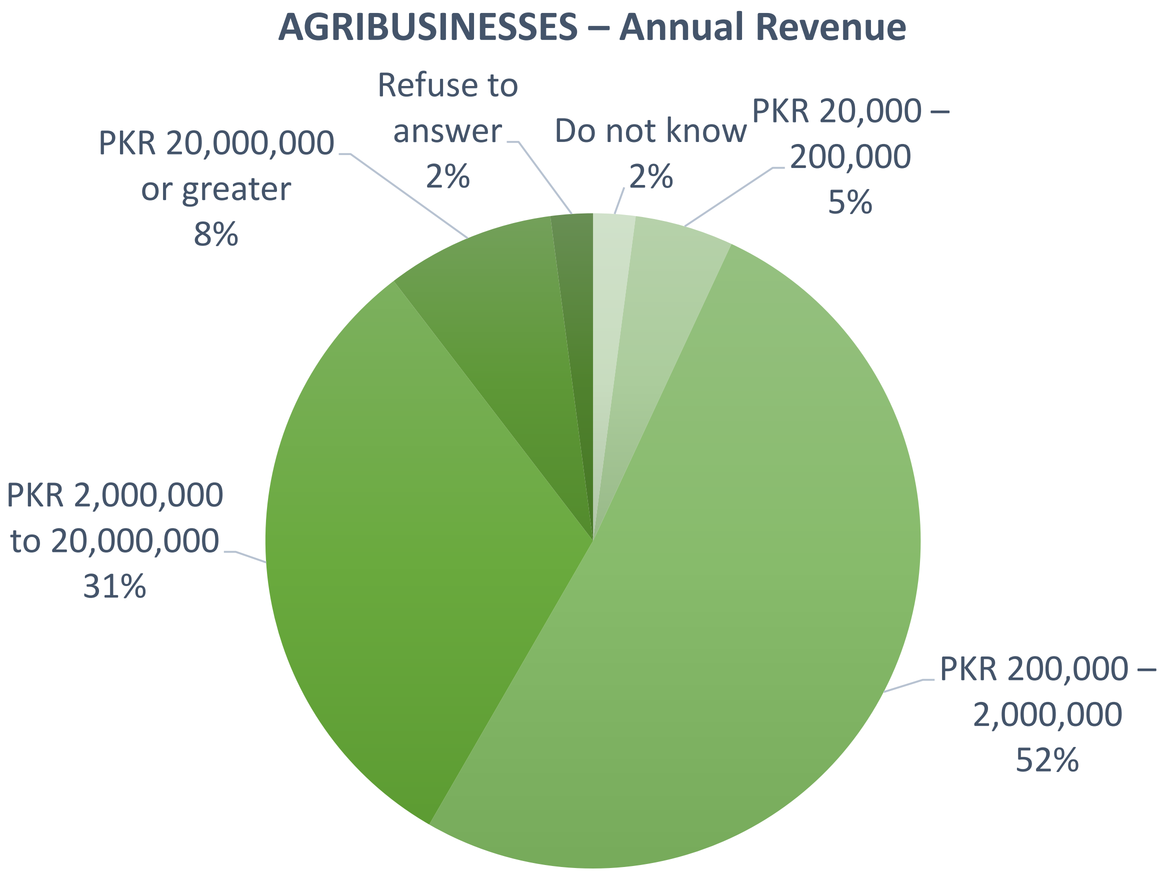






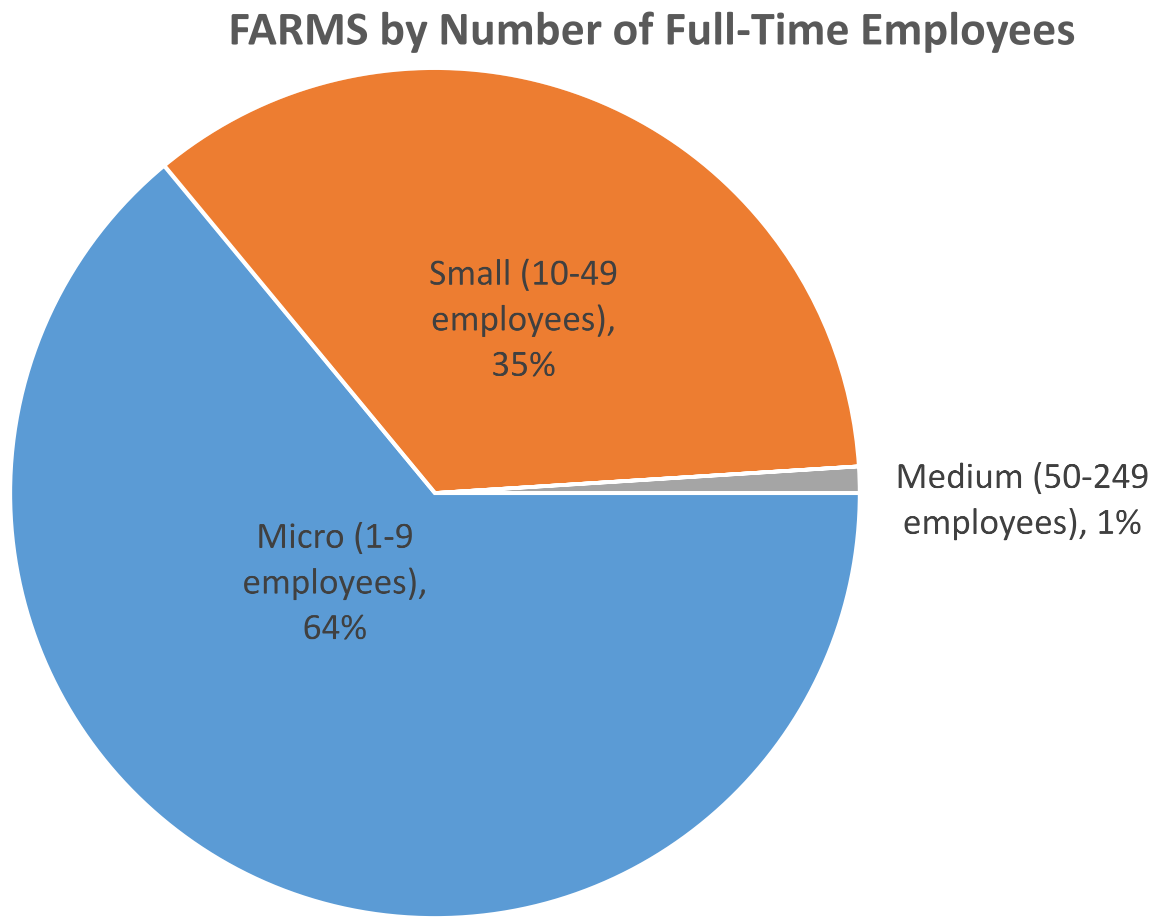
Annual Revenue*

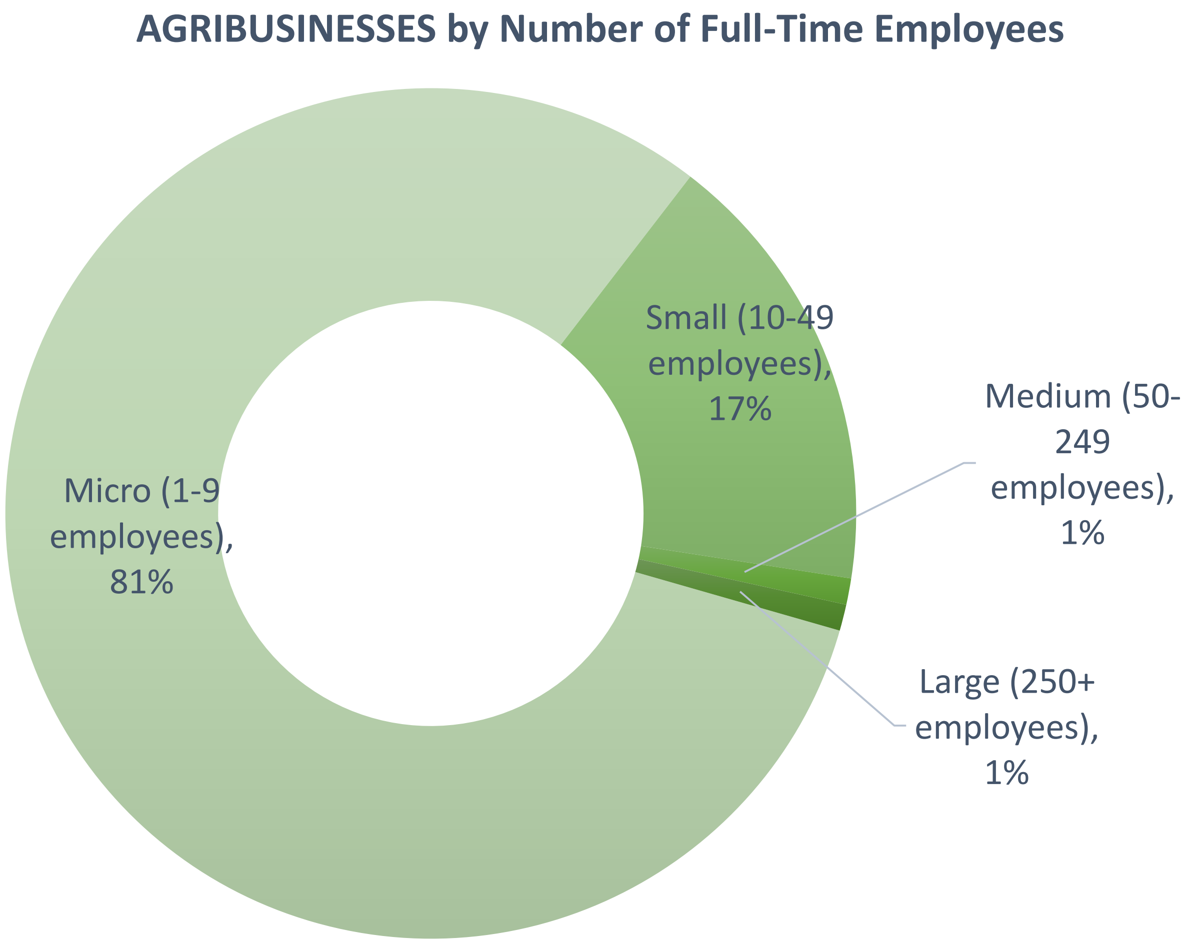




***Annual Revenue from Sales**

Number of Full-Time Employees*





FTE* = 40 hours/week is referred to as one FTE (2,080 hours/annum)

Climate Smart Agriculture

Environmentally Sustainable

International Trade Centre

AGRIBUSINESS SURVEY:

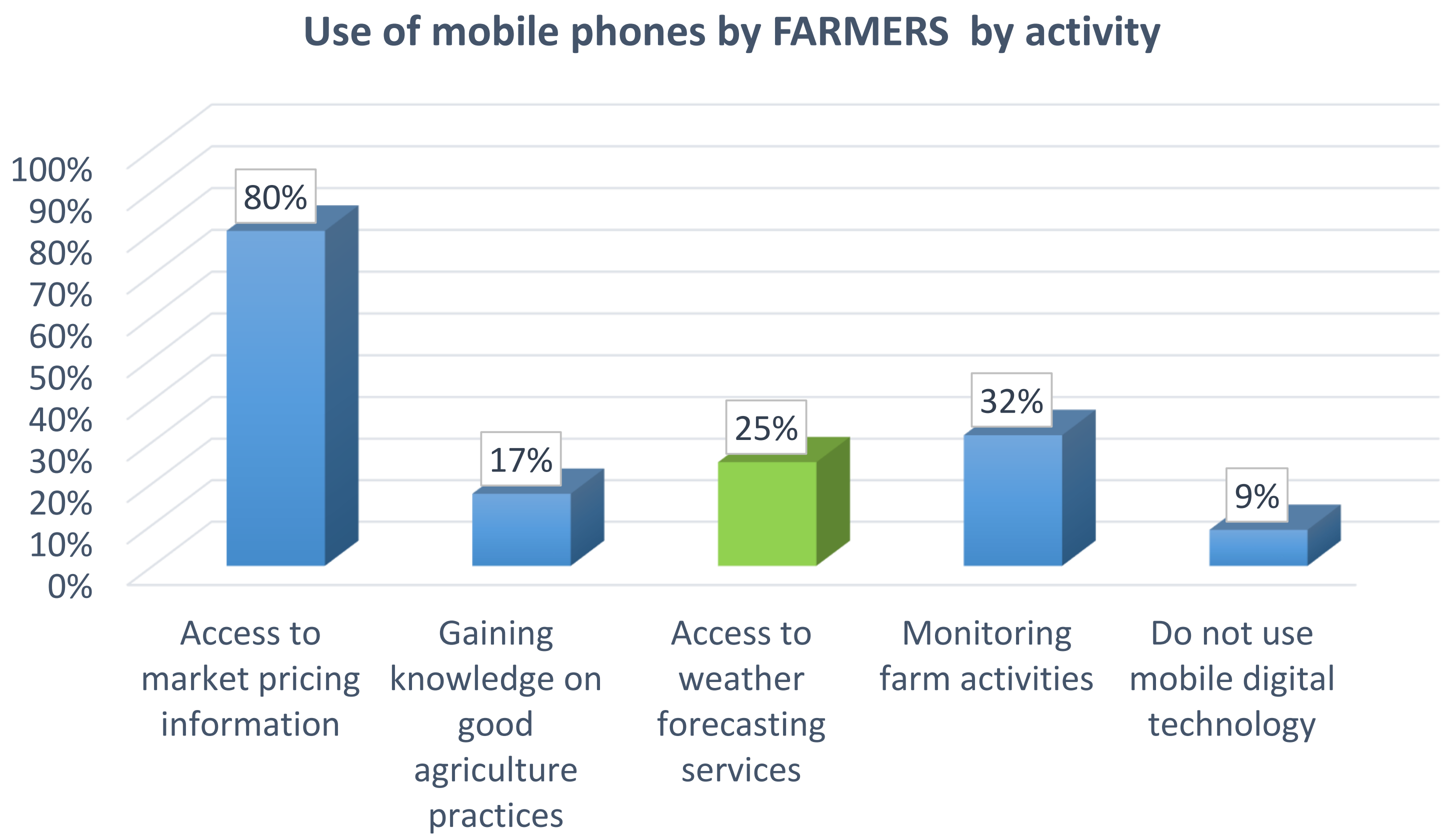
- **Only 1 agribusiness out of 144 reported that it has an environment certificate**

FARM SURVEY:

- **Just 1 of the 92 interviewed farmers implemented new technique/technology of water management practices in the past year**

- **Only 5 of the 92 interviewed farmers had adopted water and soil conservation measures. Out of the 5:**
  - **2 did Flood prevention**
  - **1 did Water conservation,**
  - **1 did Overgrazing prevention**
  - **1 followed Out-migration, i.e. leave and settle elsewhere**

Access to Climate Information



Agribusinesses needing help with environmental issues

International Trade Centre

Number of agribusiness firms saying they need help to deal with specified environmental issues

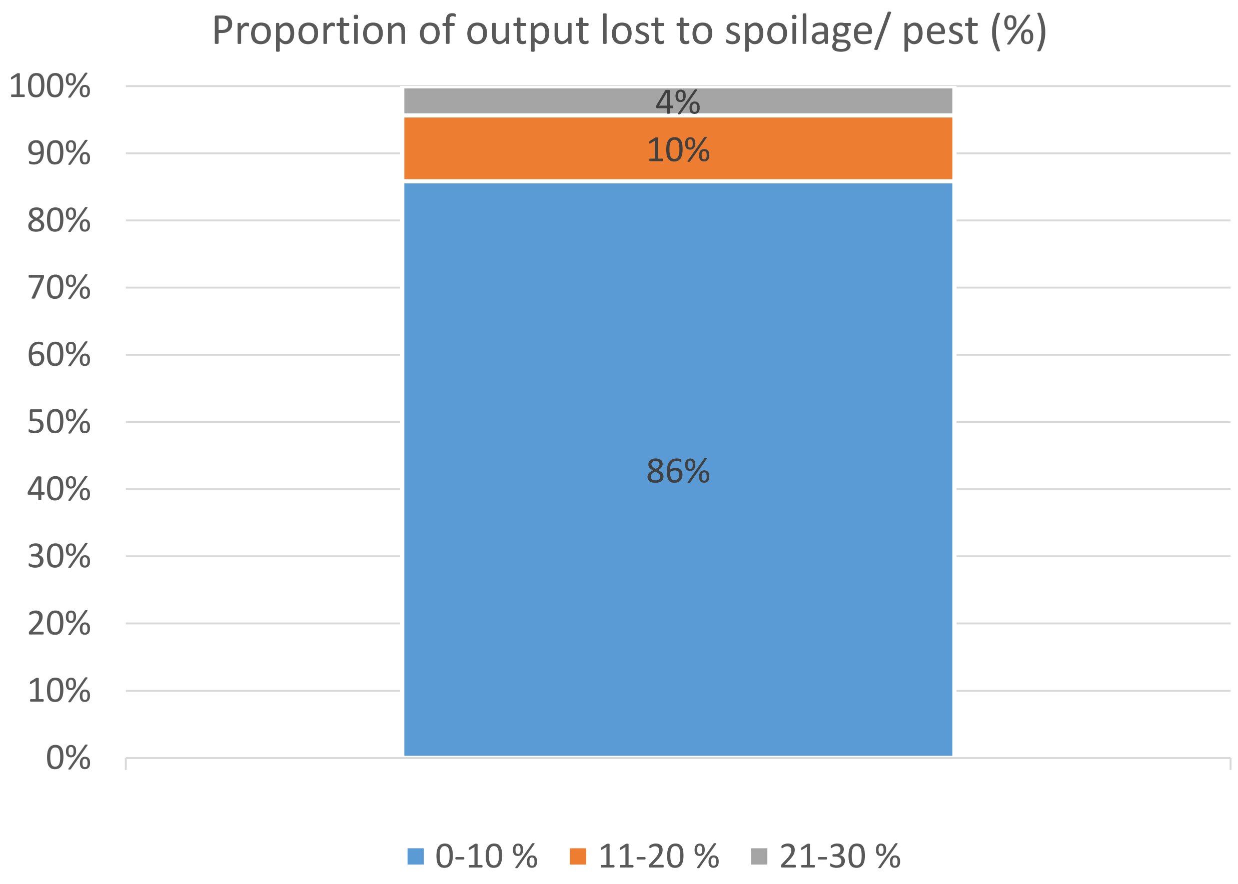
46% of the respondents mentioned that access to finance is one of the top three key indicators they would be interested in receiving assistance in to deal with environmental issues

Value Addition

Respondents reporting post-harvest losses

FOR AGRIBUSINESS: Only 2 firms out of 144 reported inadequate post-harvest handling was a top constraint for them

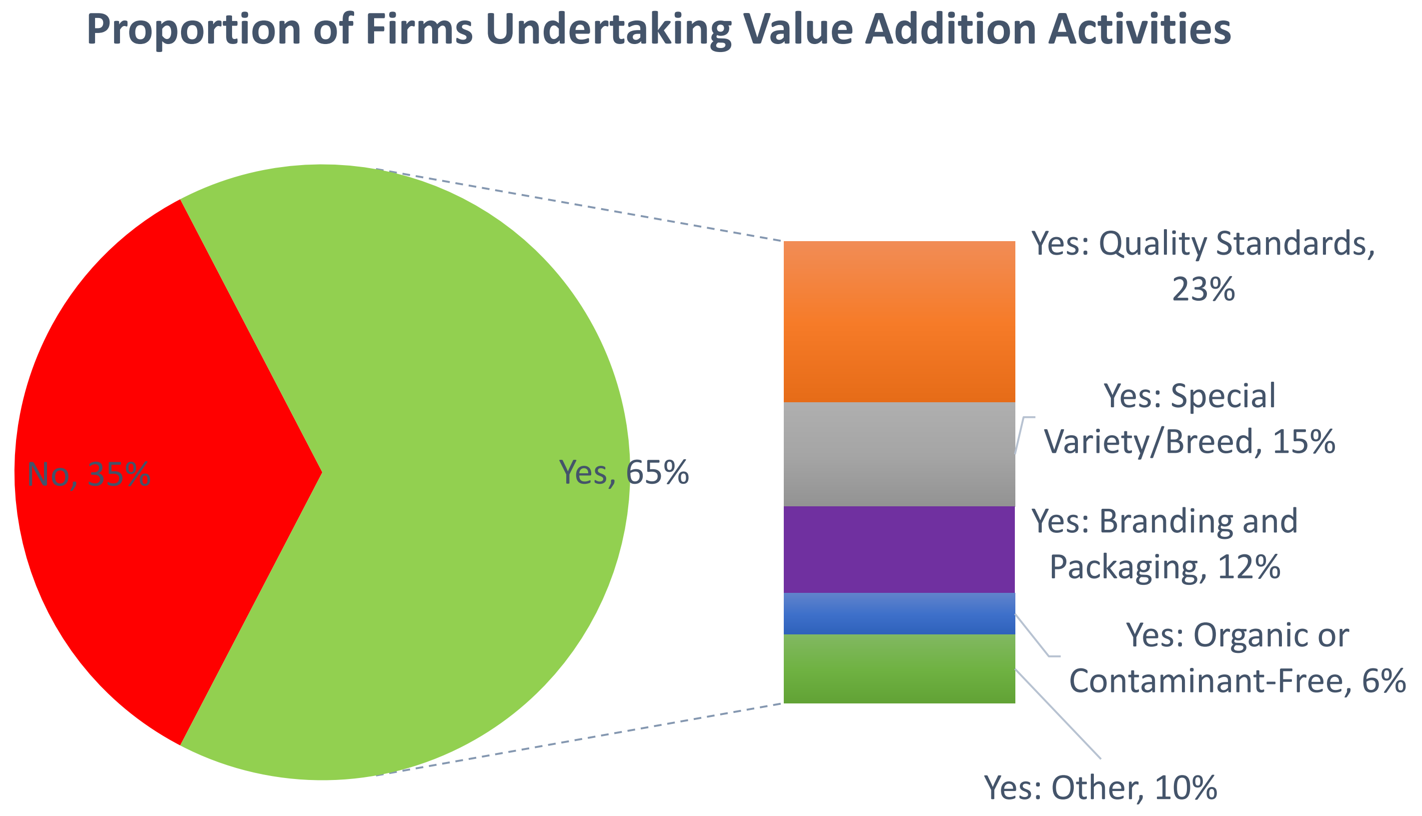
FOR FARMERS:



- 86% of the surveyed farmers lost 10% or less of their output to spoilage and/or pest
- 10% of the farmers lost between 11-20% of their total produce to spoilage and/or pest
- While, a 4% of the 92 farmers surveyed lost nearly a substantial amount (21-30%) of their produce to spoilage and/or pest

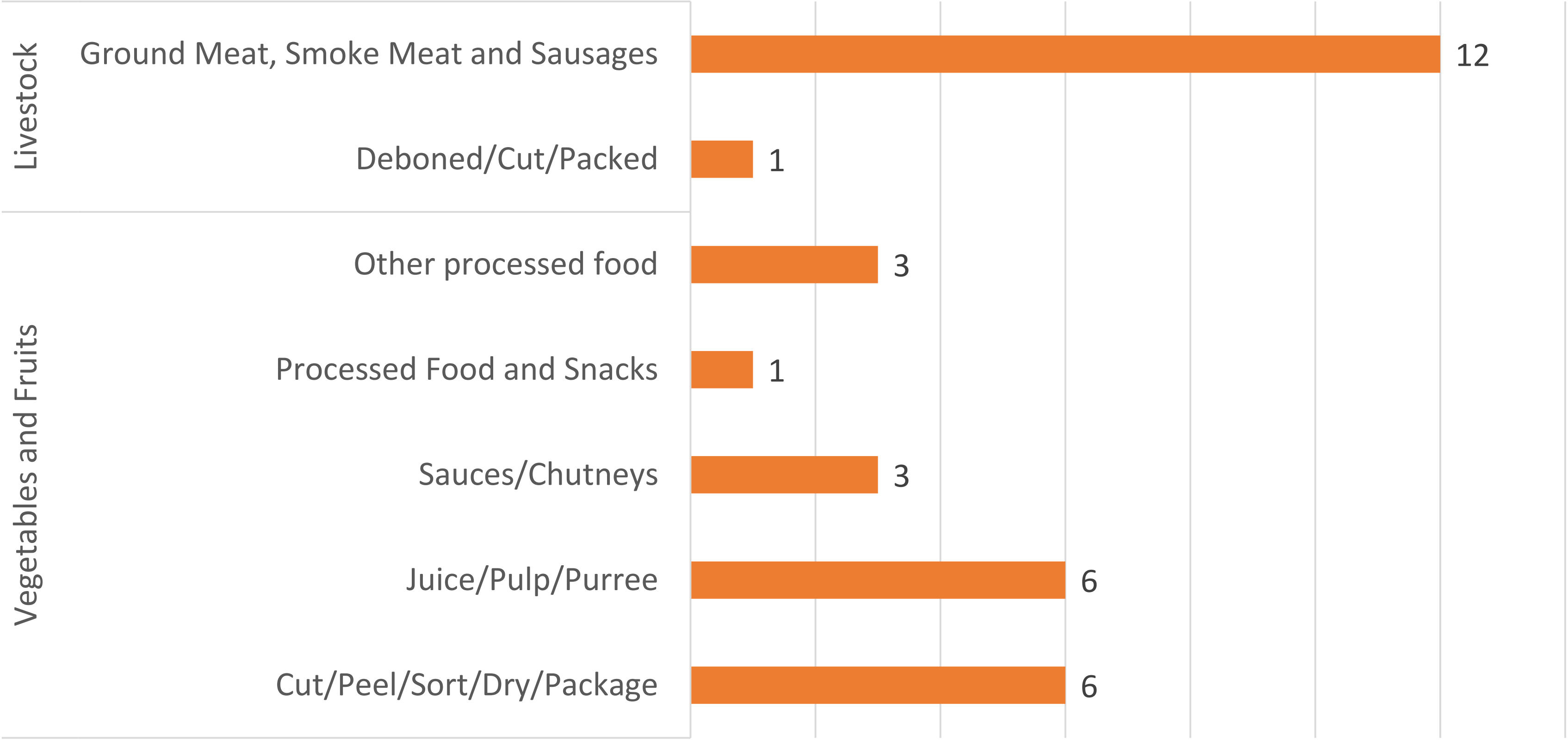
Firms involved in Value Addition - Agribusiness

More than half of the firms reported that they were involved in value addition. Quality Standards was the most popular value addition activity taking place, followed by firms adopting special variety seed or breed.



Firms involved in Value Addition - Agribusiness

Number of Processors Undertaking Primary/Secondary Processing Activities



With respect to processors:

- For fruits and vegetable processors, cutting/peeling in primary processing and juicing and pulping in secondary processing are the most popular
- For livestock processors, ground meat is the most popular form of processing

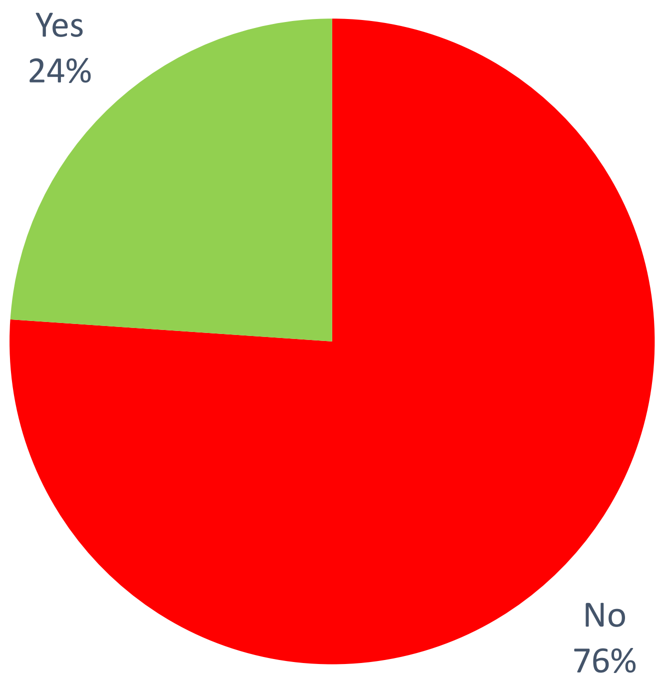
With respect to farmers:

- Only 2 of the 92 surveyed do any kind of chilling/ freezing*

Farmers involved in Grading/Sorting – Farm

International Trade Centre

Grading and sorting activities undertaken by farmers (%)



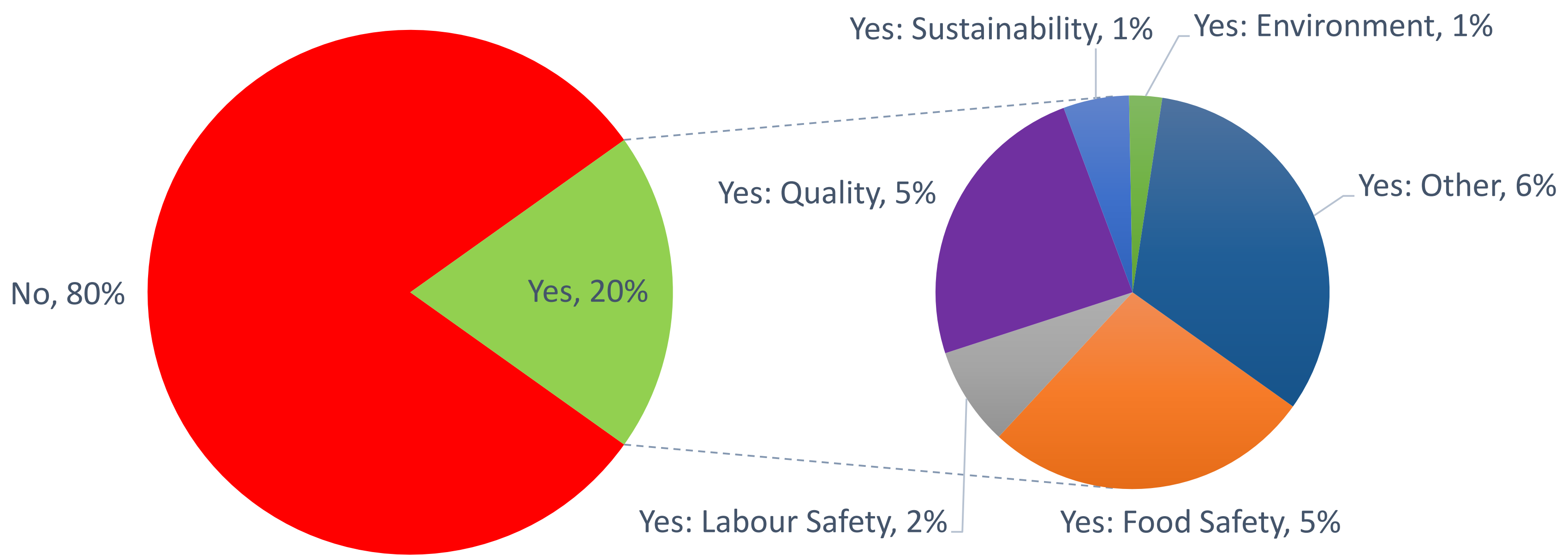
One-quarter of the farmers surveyed undertake grading and sorting activities in their farm for selling products

Quality and Regulatory Management

Certified Firms – Agribusiness Survey

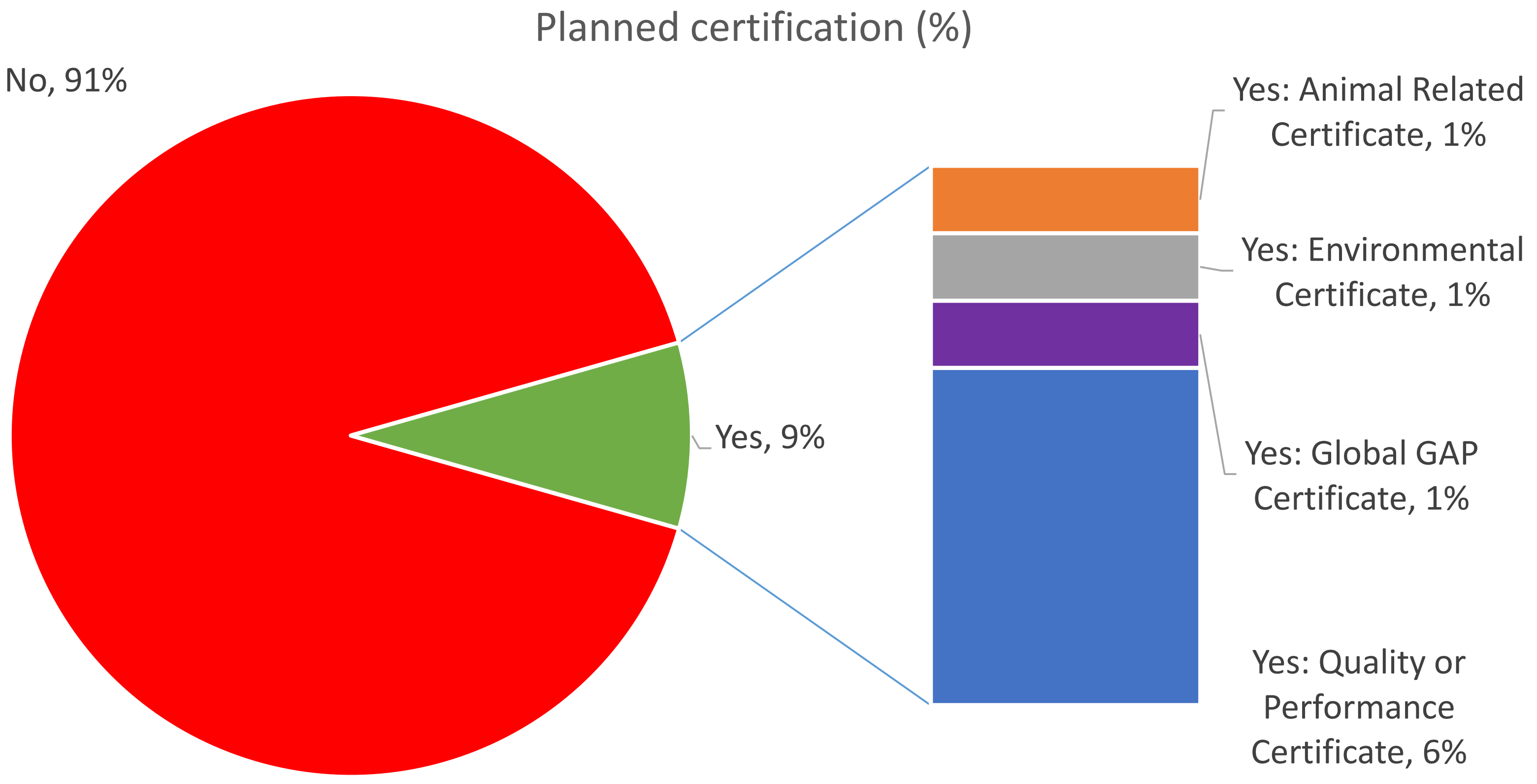
LFM Indicators: ***Intermediate Outcome 2.1 and Output 2.2.3***
Intermediate Outcome 2.1: Number of targeted MSMEs including producers reporting compliance with food safety regulations and sustainability standards
Output 2.2.3: Number of MSMEs supported to comply with food safety and other SPS measures

Number of certified firms by types of certificates



- Out of those answering the questions, 20% of the respondents reported that they have at least one type of certification.
- Between those who hold any type of certification, the most popular certification held was Food Safety, followed by Quality.

Certified Farms – Farm Survey



Only 3% of the farmers have any type of certification, but none of them internationally recognized certification*

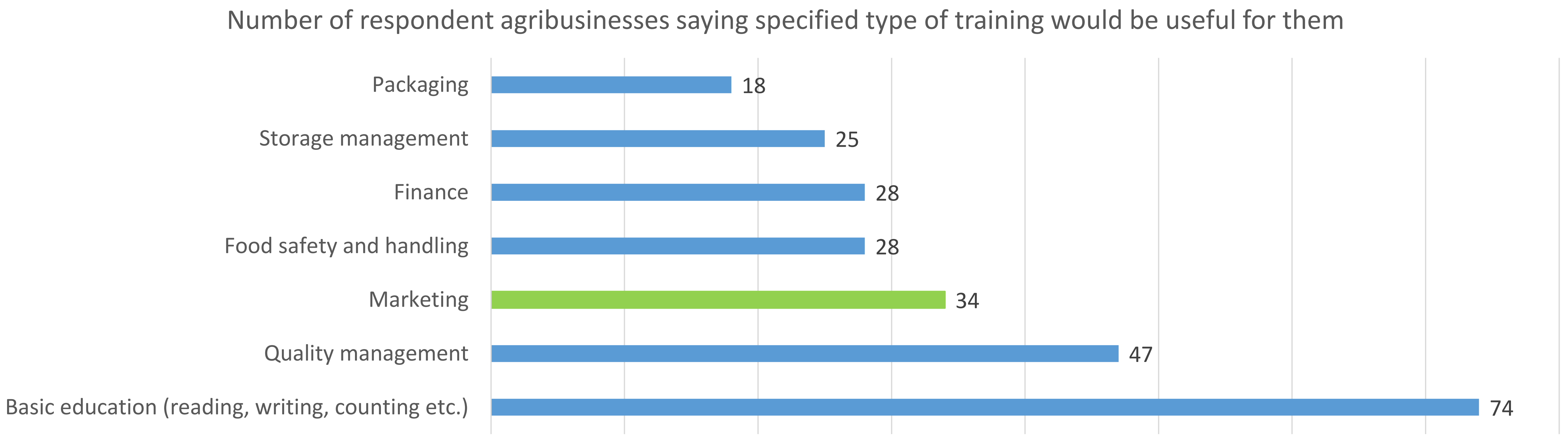
Just 9% of the farmers are planning to obtain certification

Agribusiness Management and Marketing

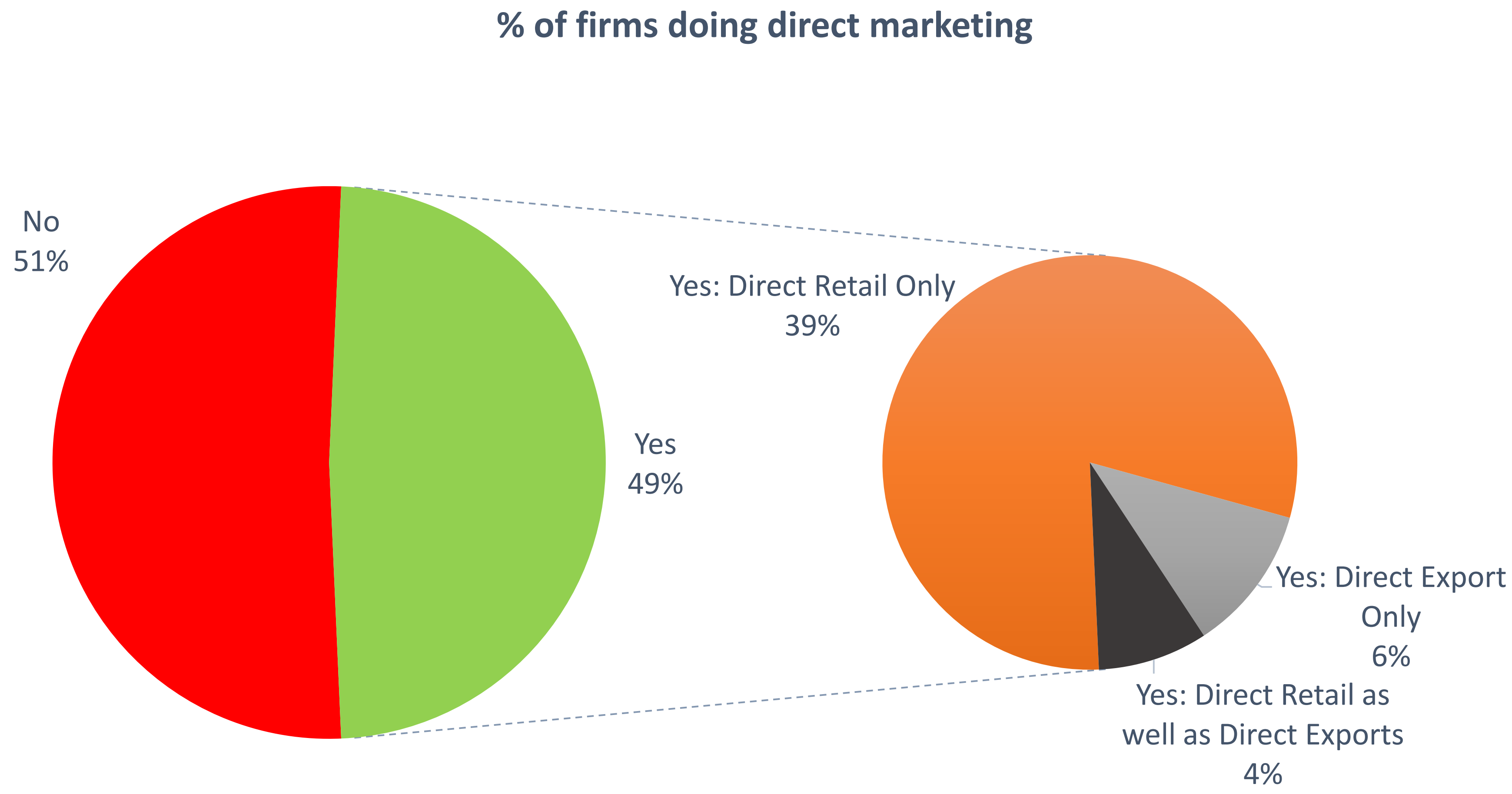
Marketing and Branding– Agribusiness Survey

54% of the AGRIBUSINESSES have a brand recognised in Pakistan; while merely **8%** have brand recognised overseas

31% of the AGRIBUSINESSES said that the training on MARKETING MANAGEMENT would useful for their business operations



AGRIBUSINESSES Directly Marketing their Produce*

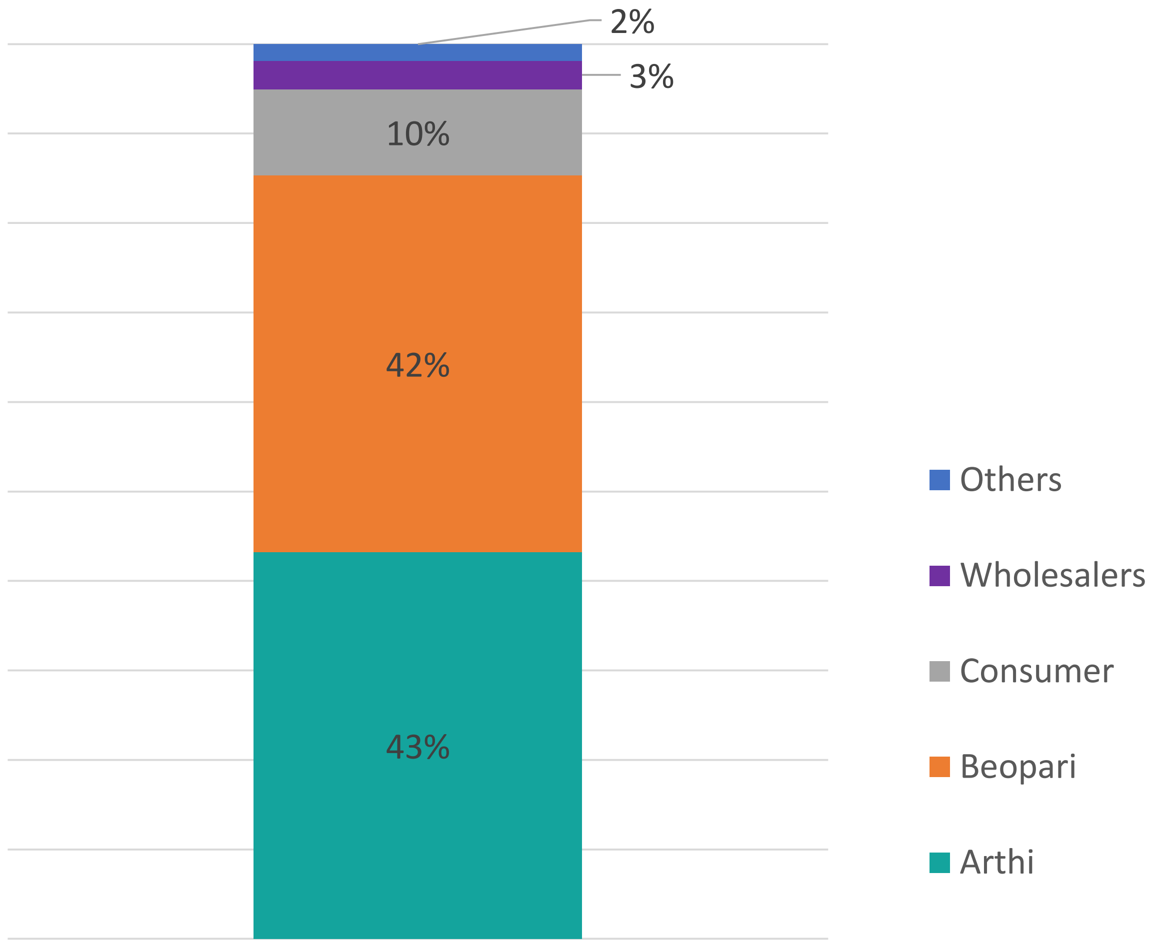


Almost half of the total respondents directly market their products either through retail or export. Out of those directly marketing, most of them (39%) choose direct retail as their market channel.

***Firms that directly market more than or equal to 5% of their produce**

FARMS Directly Marketing their Produce

Mean share of the buyers of the main product (%)

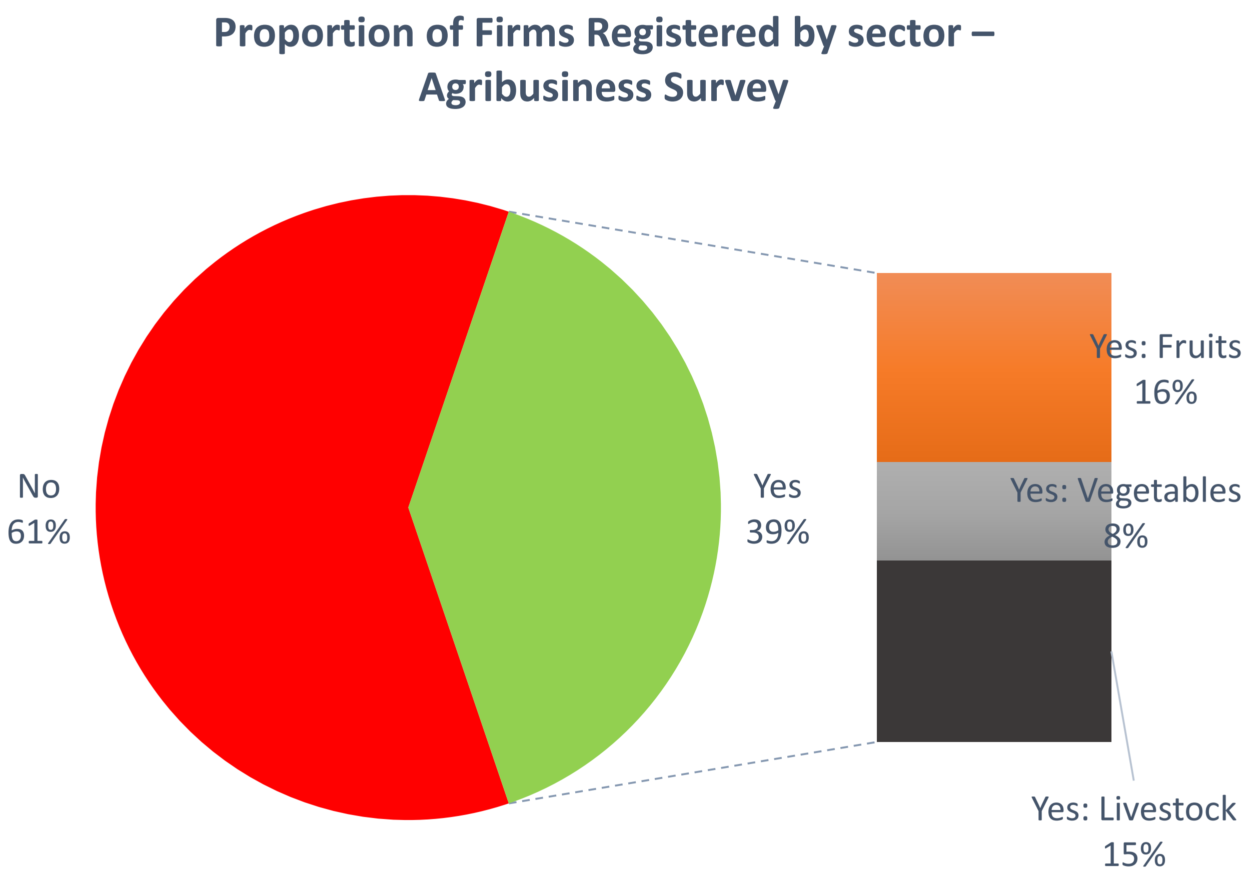


In the past year, on an average, among the surveyed farms responses:

- Less than 1% of the average sales was to processors and retailers combined
- Nearly 3% was sold directly to wholesalers and
- 10% directly to consumers
- However, an overwhelming majority (85%) sell indirectly through middlemen (Mainly Arthis, and Beoparis)

Note: **"Others"** category was excluded from this assessment

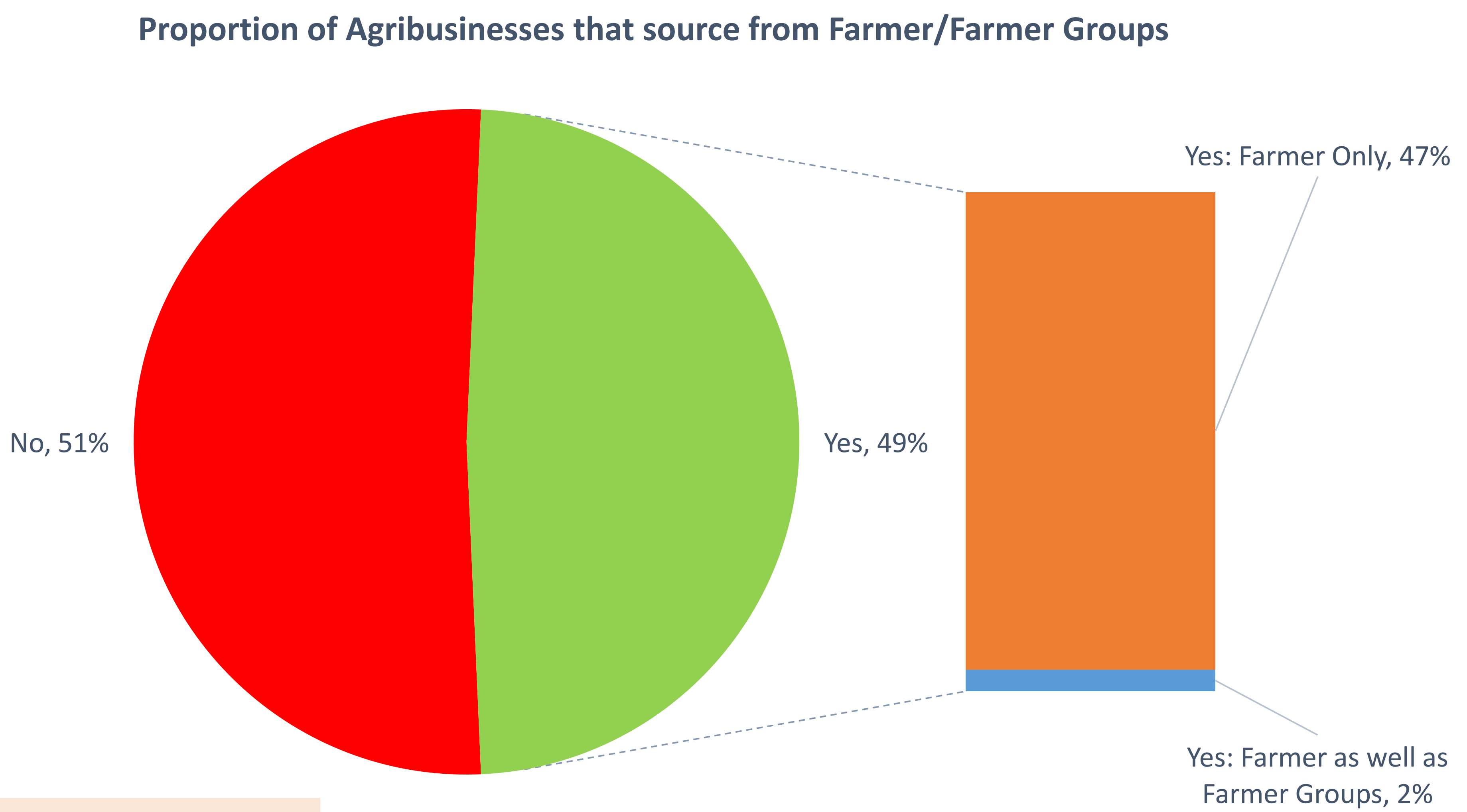
Registered Agribusinesses and Farms



- 39% of the respondents were registered firms.
- The highest rate of registration was found in livestock firms, followed by fruits firms.

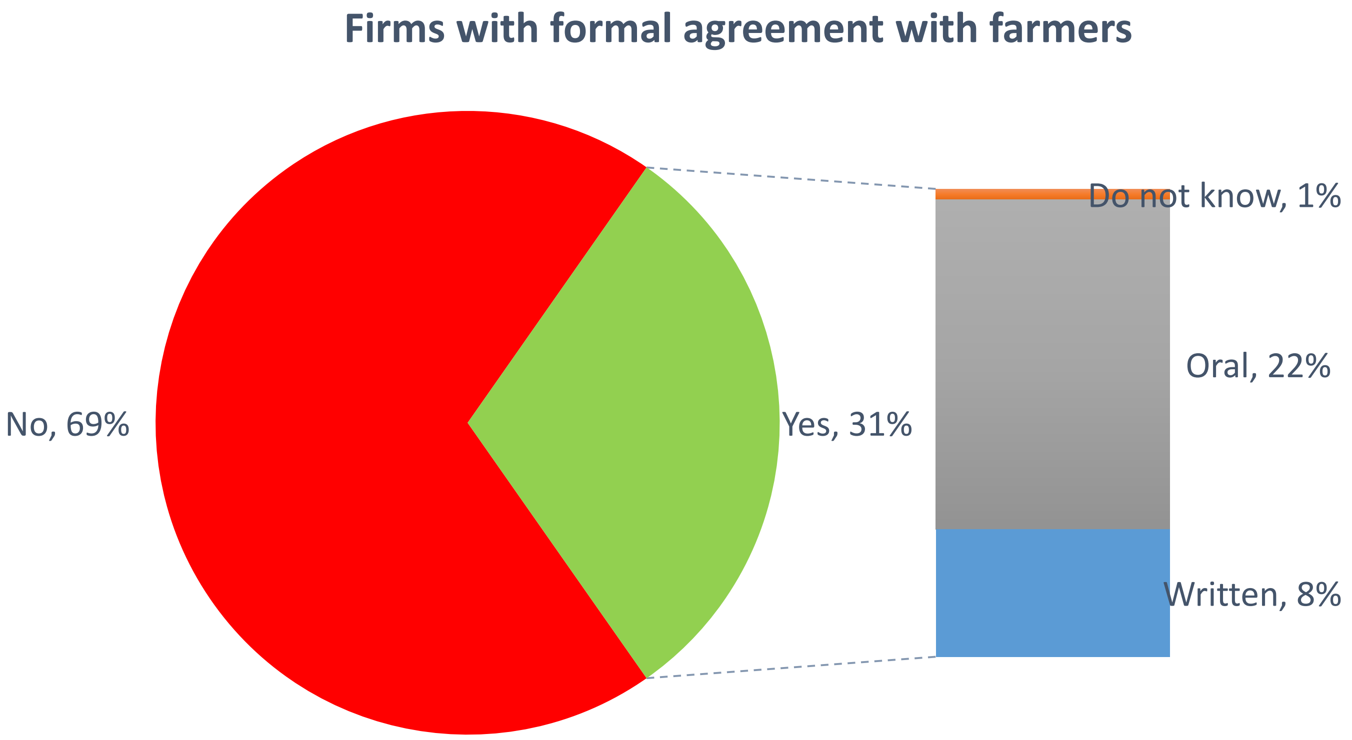
- 68% of the farms interviewed had a registered their property.
- A quarter of the 92 firms interviewed had not registered.

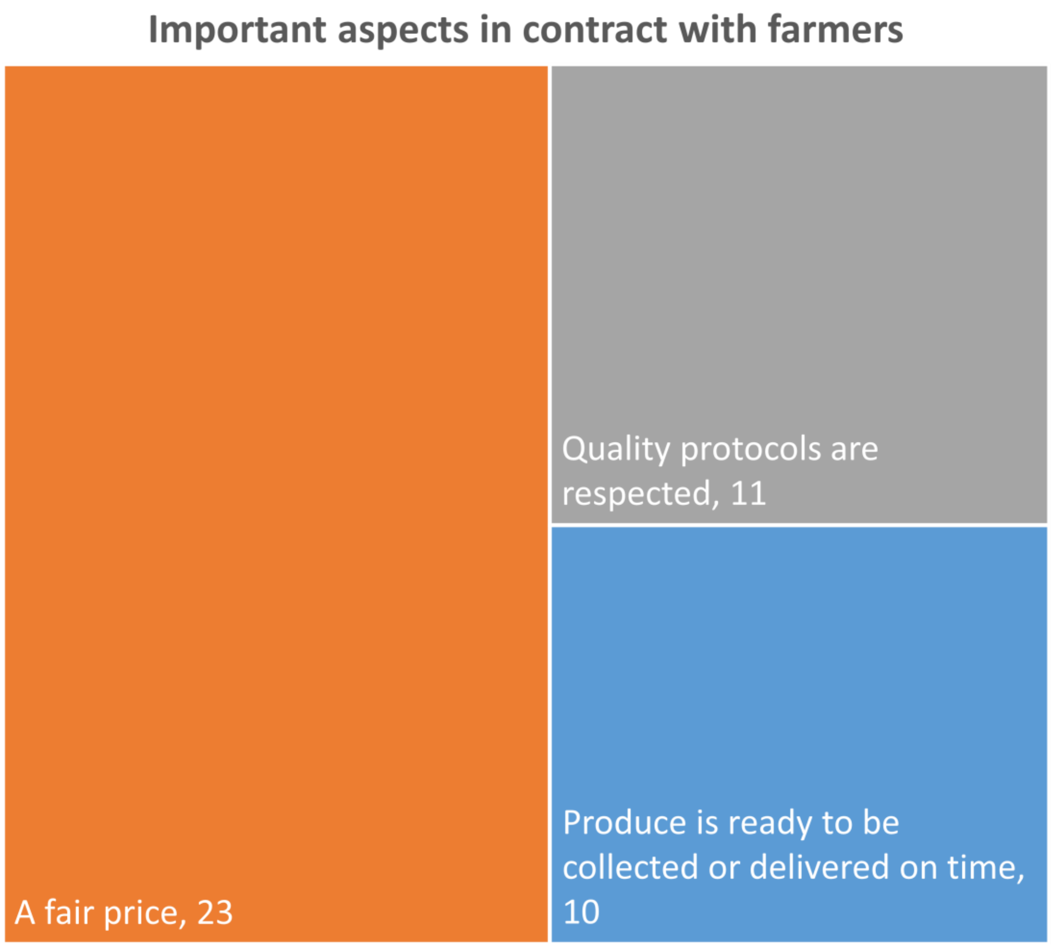
Firms-Farm Linkages



Almost half of the firms source from farmer or farmers groups

Firms-Farm Linkages

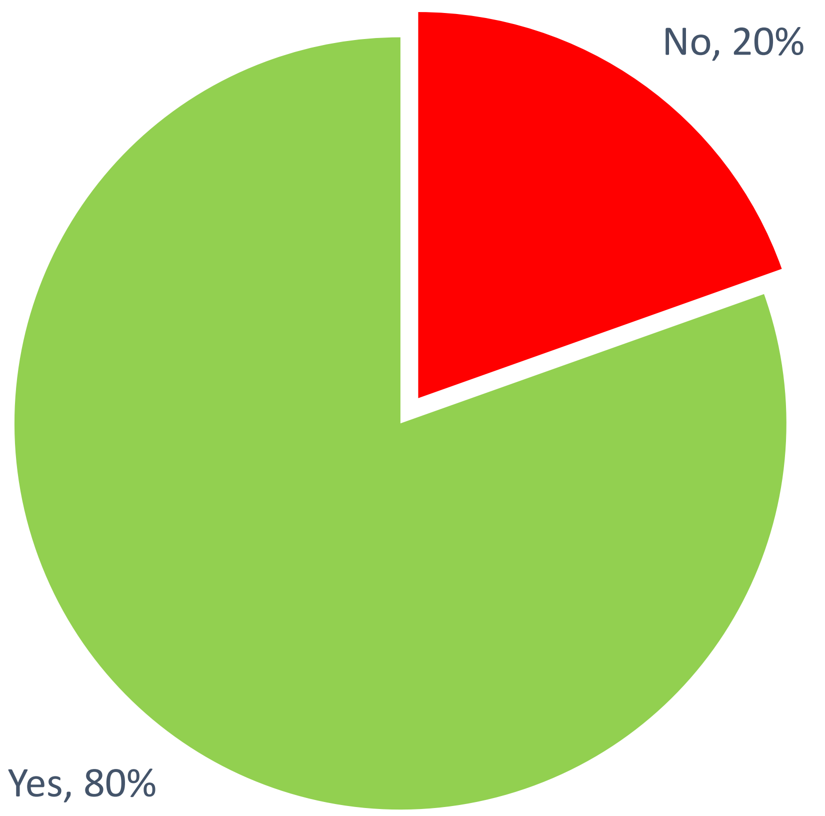




- Most of the firms do not have a formal agreement with farmers/ farmer groups.
- Most of those who do have contracts, the nature of their contracts is oral.

Access to Market Information

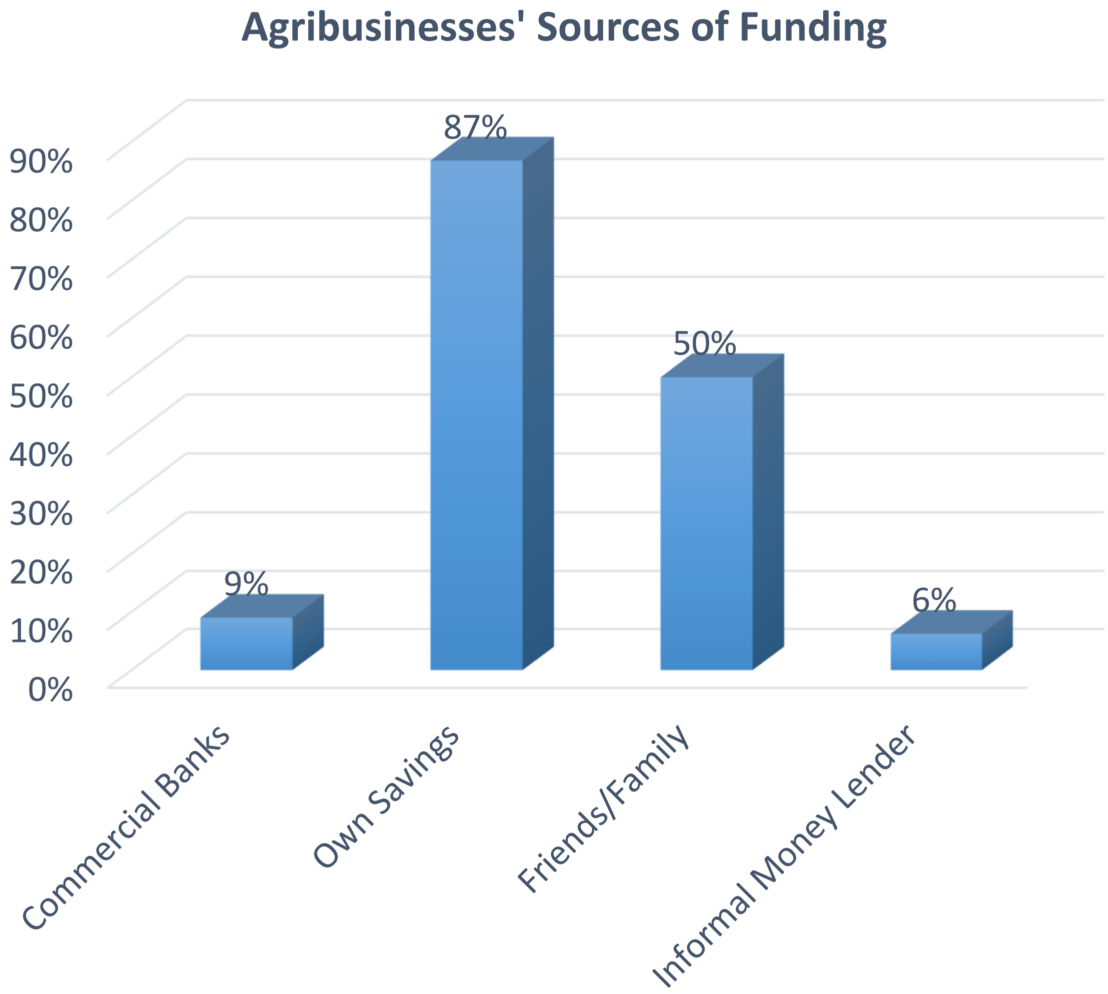
Use of mobile by FARMERS to access market pricing information

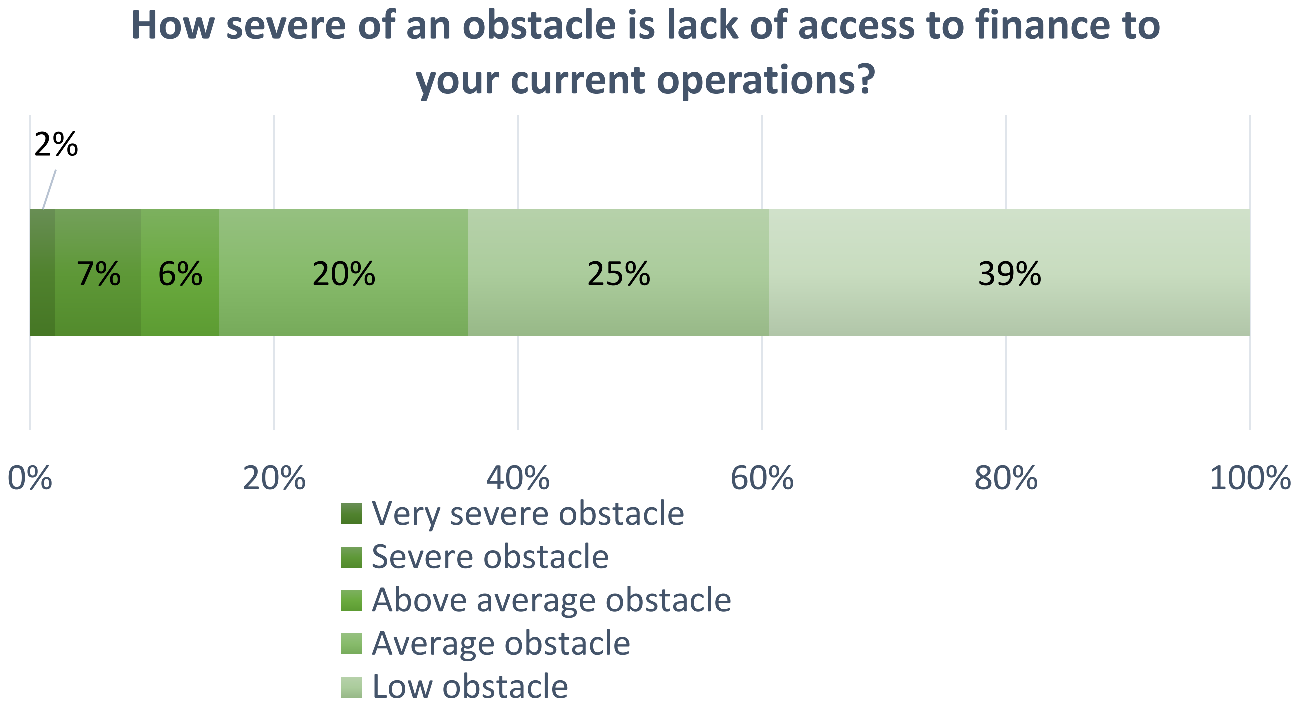


8 out of 143 AGRIBUSINESSES responding said that Dissemination of Market Information is amongst the top 3 constraints faced by them

Access to Finance

Firms' Access to Finance – Agribusiness Survey

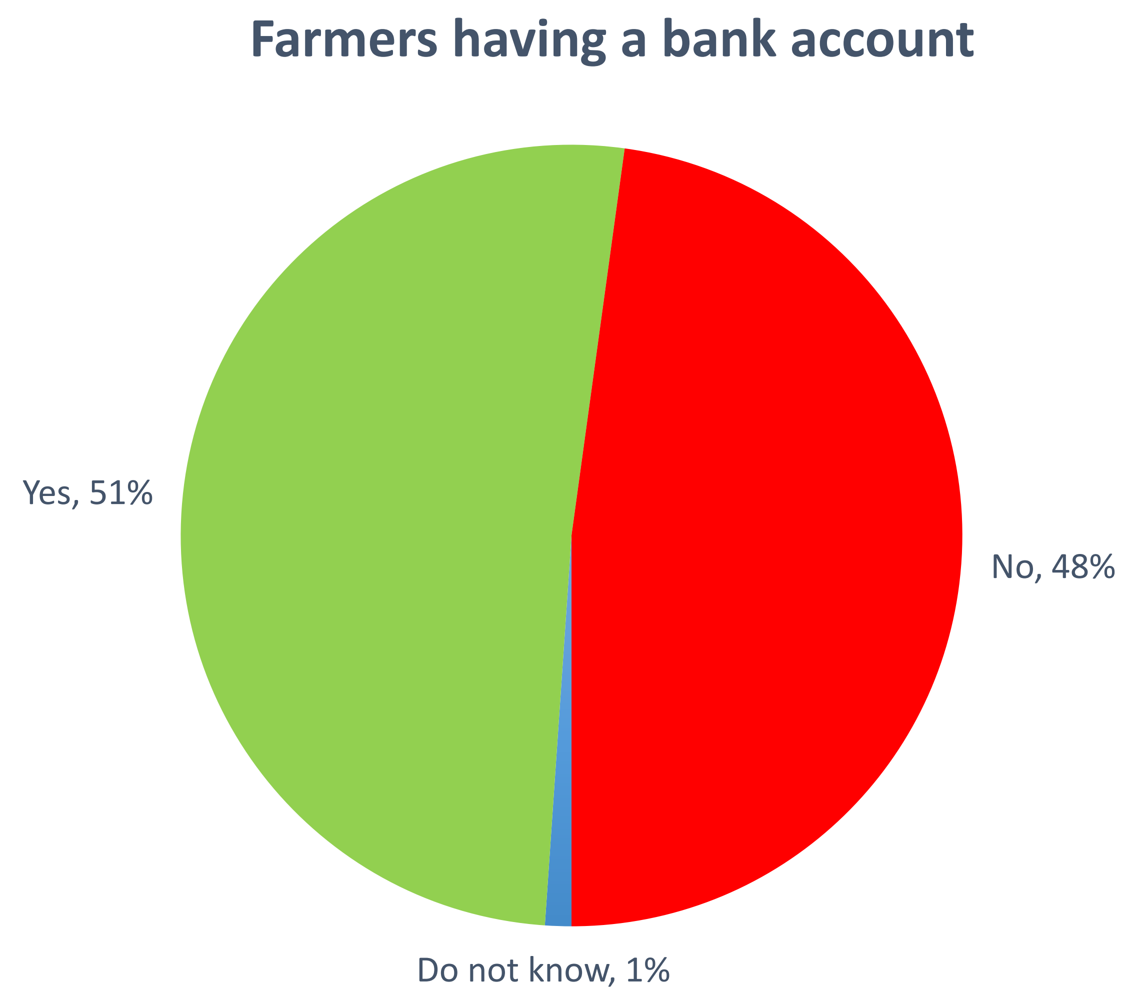




- Most of the firms face some degree of obstacles due to the lack of access to finance.
- Firms usually source from their own savings or friends or family. Very few turn to commercial banks.

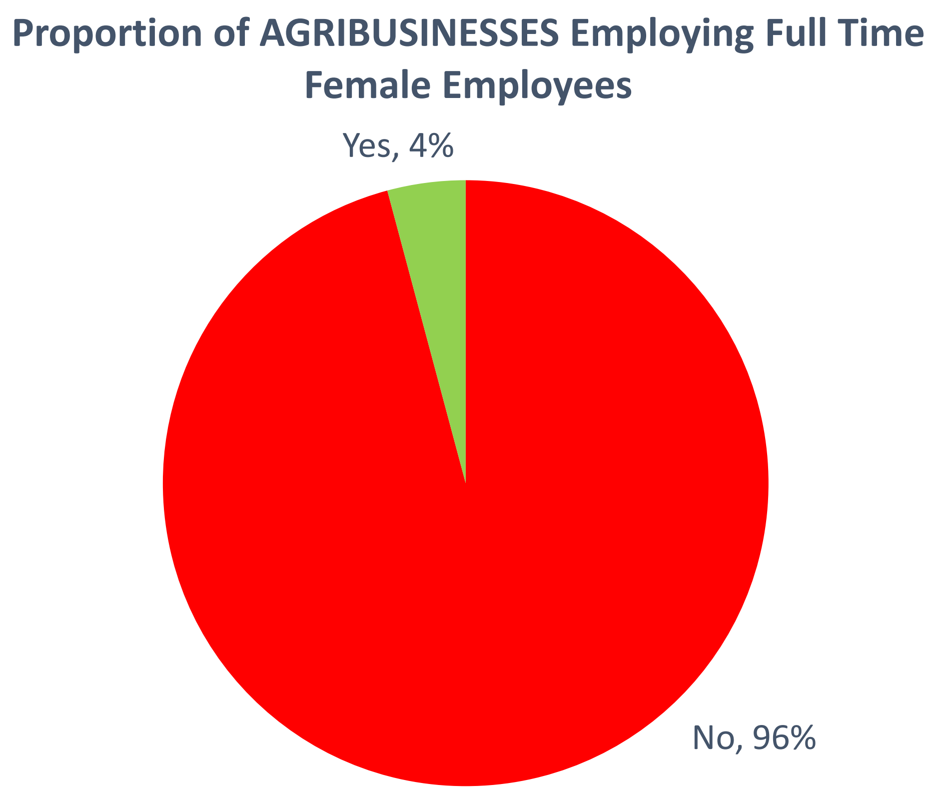
Farmers having a bank account – Farm Survey

International Trade Centre

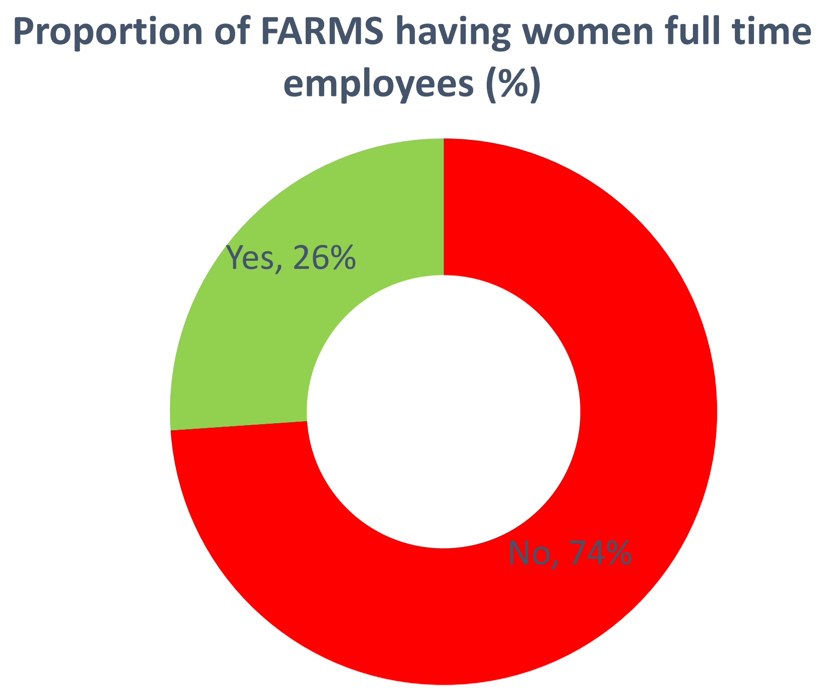


Gender

Number of Full-Time Female Employees



Only 4% of the total respondents (i.e. 6 firms) reported that they employ full time female employees. However, firms employing women reported a balanced men-women ratio

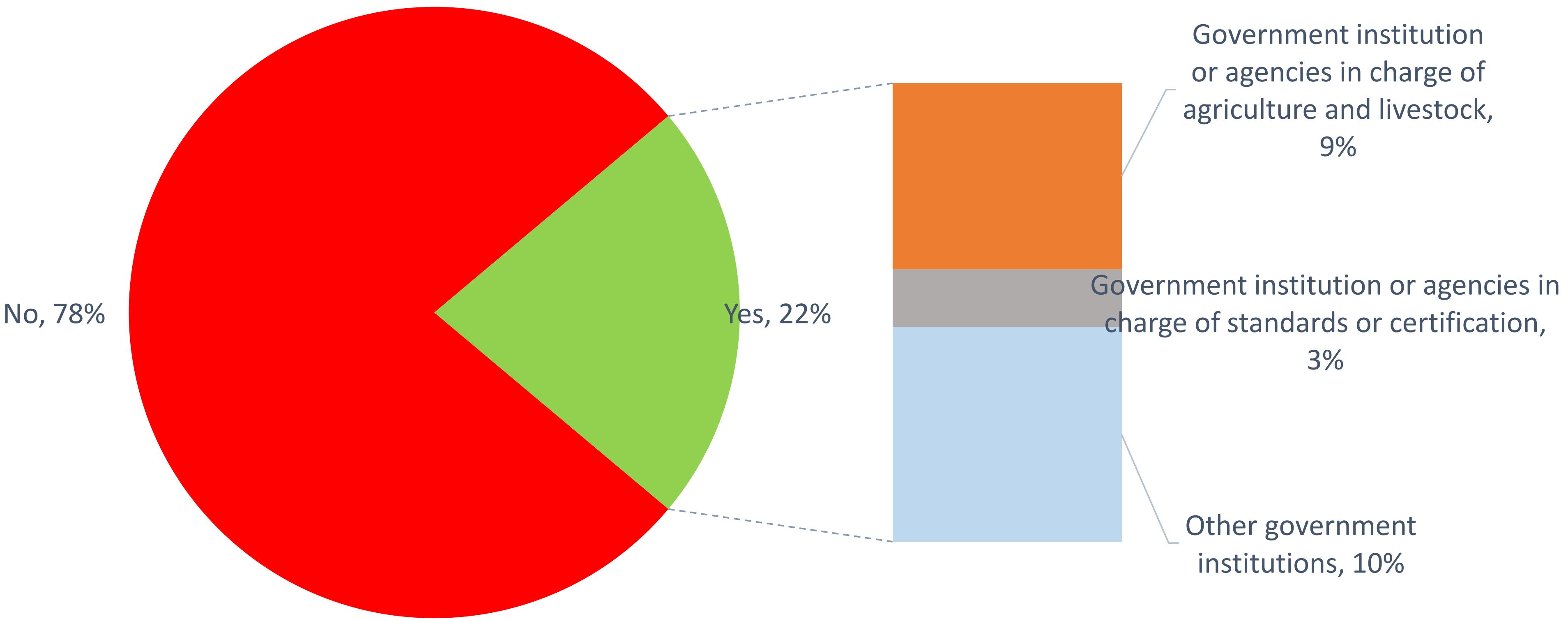


- 26% of the surveyed farms have full time women employees.
- Amongst the quarter farms that employ full time women employees, the proportion is quite substantial; on an average more than half (52%) of the farms employees are women farmers

Institutions and Support Services

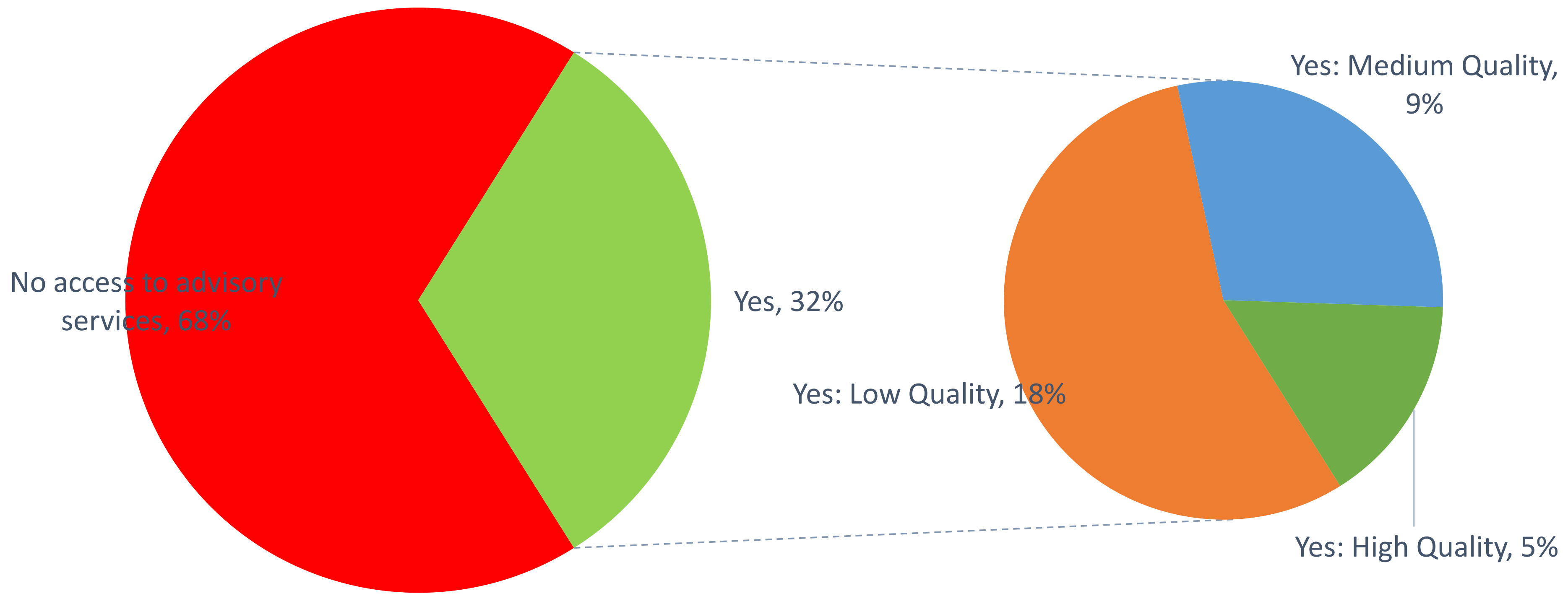
Firm-Public Institution Linkages

Agribusinesses' Linkages with Public Institutions

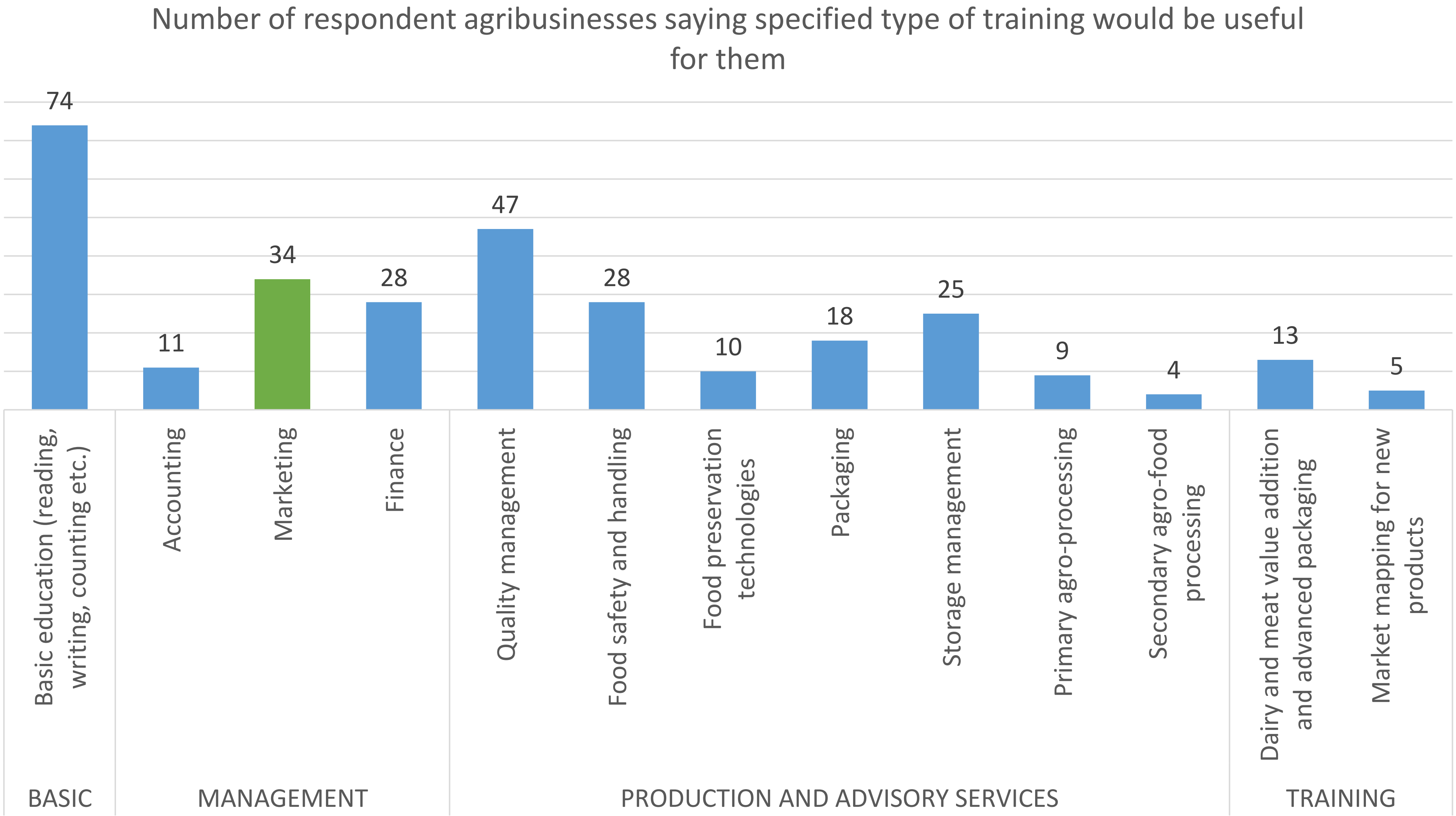


Firm-Public Institution Linkages

Access to and Quality of Advisory Services provided to agribusinesses by public institutions



Support from Public Institutions – Agribusiness Survey



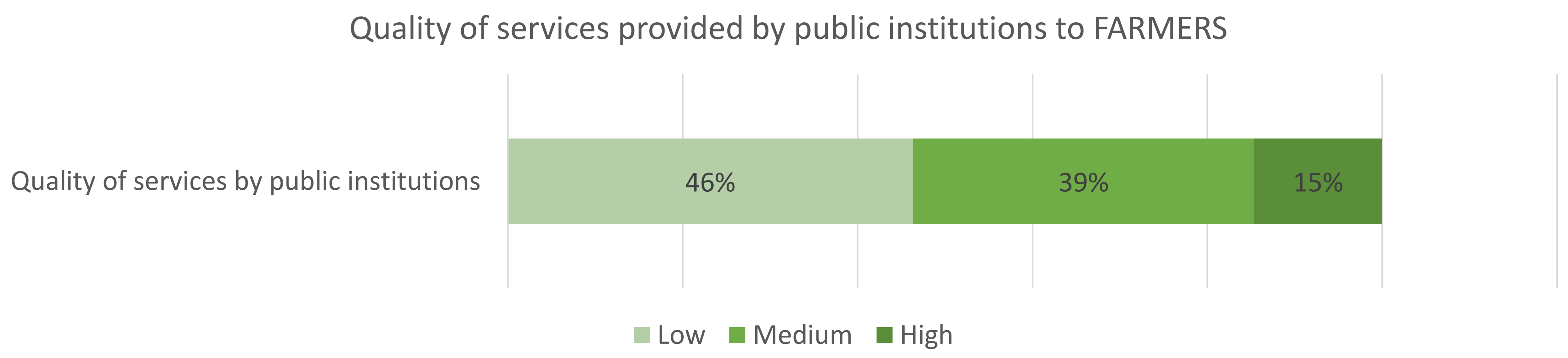
Of the total AGRIBUSINESSES, the following received support from public institutions:

9 for product development,
3 for business planning, and
2 for supply chain management.

A majority of 123 answered that no such services were provided by the public institutions

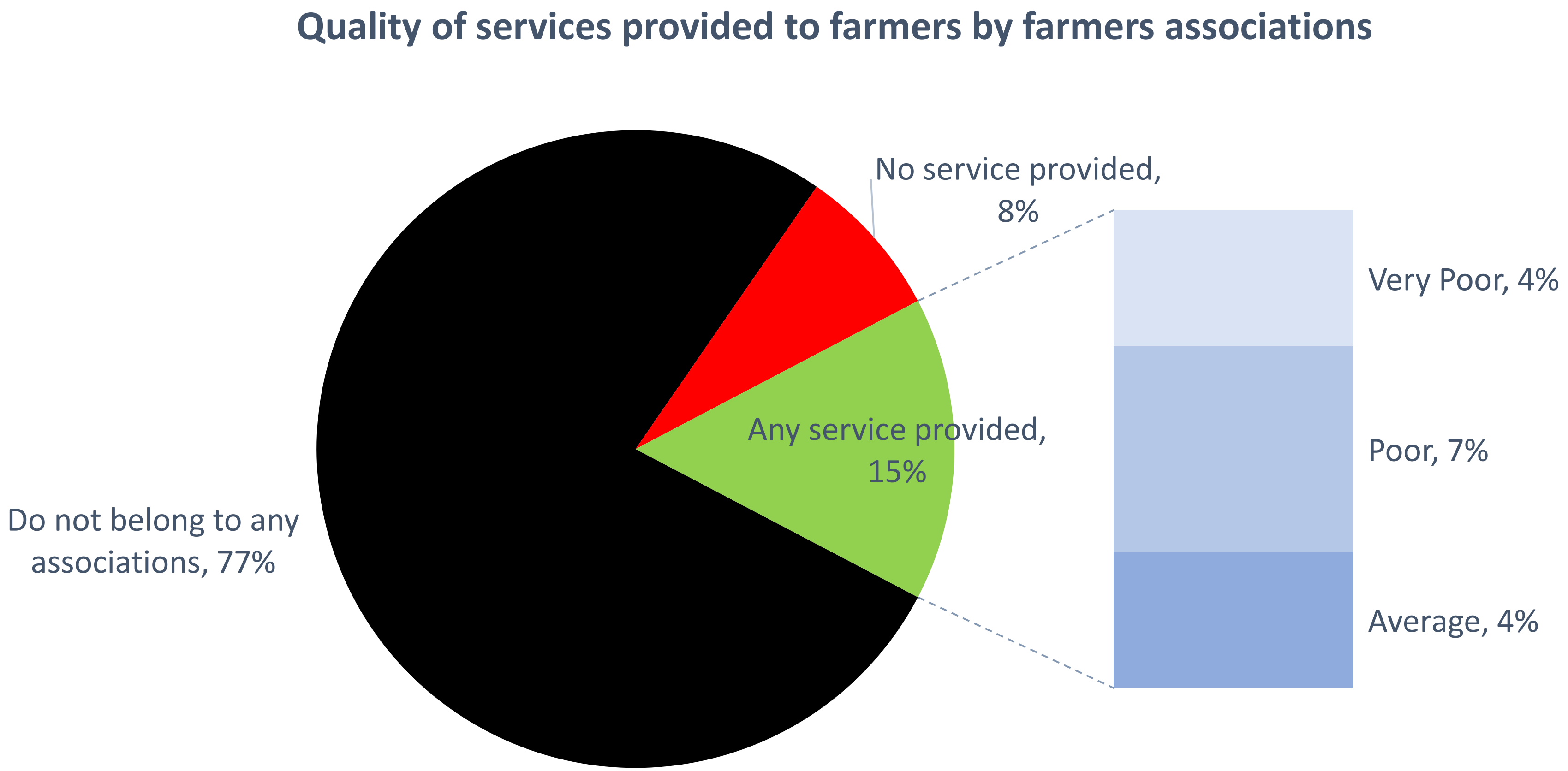
Farm-Public Institution Linkages

42% of the FARMERS said that they have never accessed any public institution service

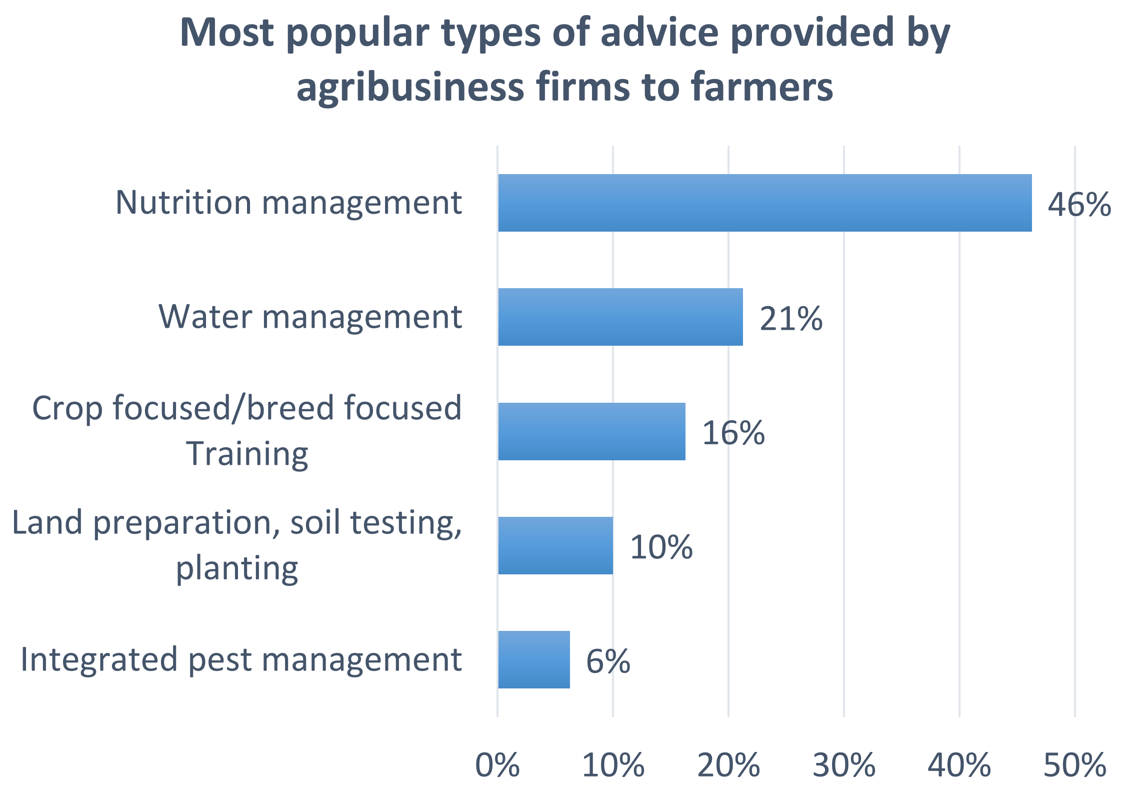


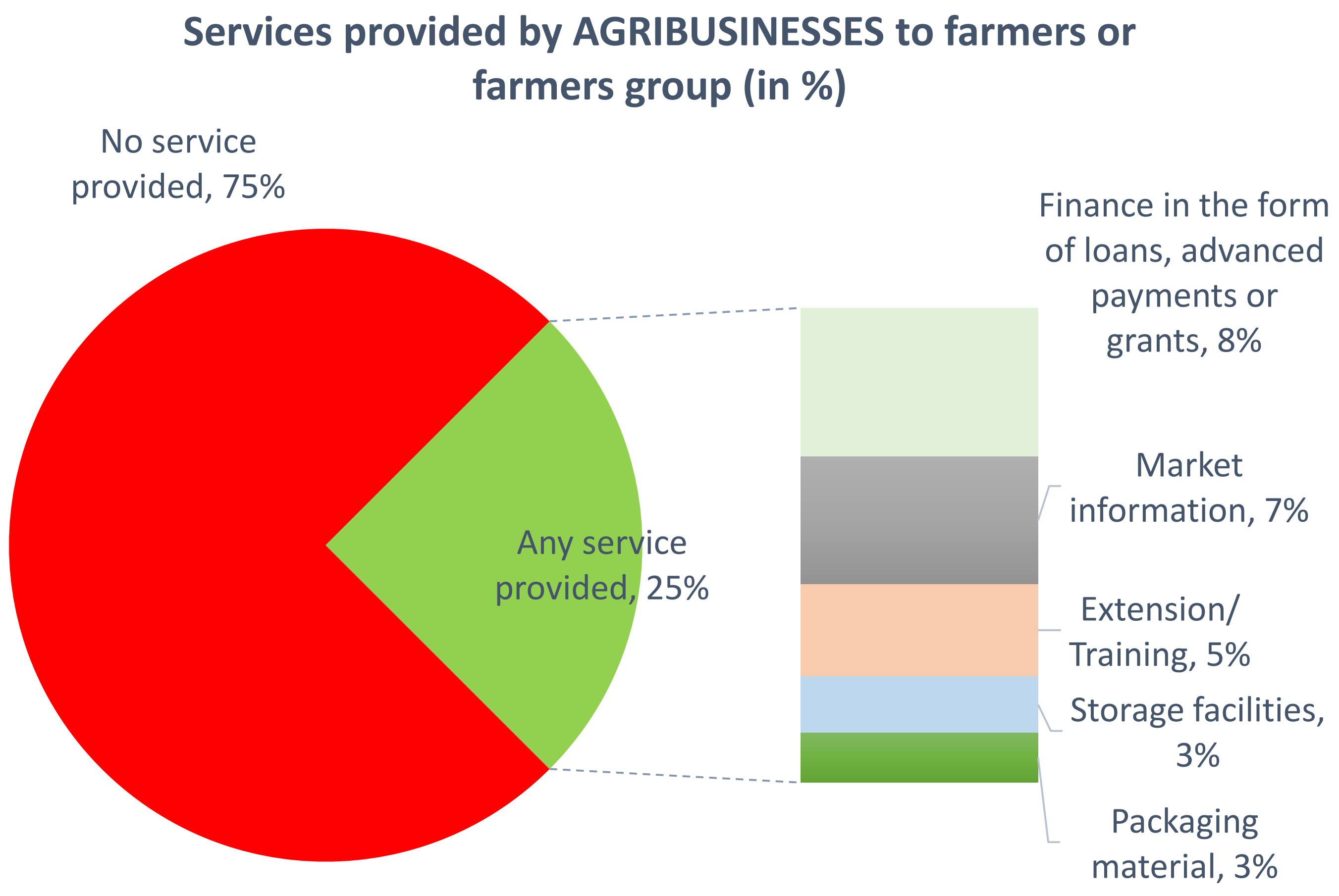
Farm-Farm Association Linkages

International Trade Centre

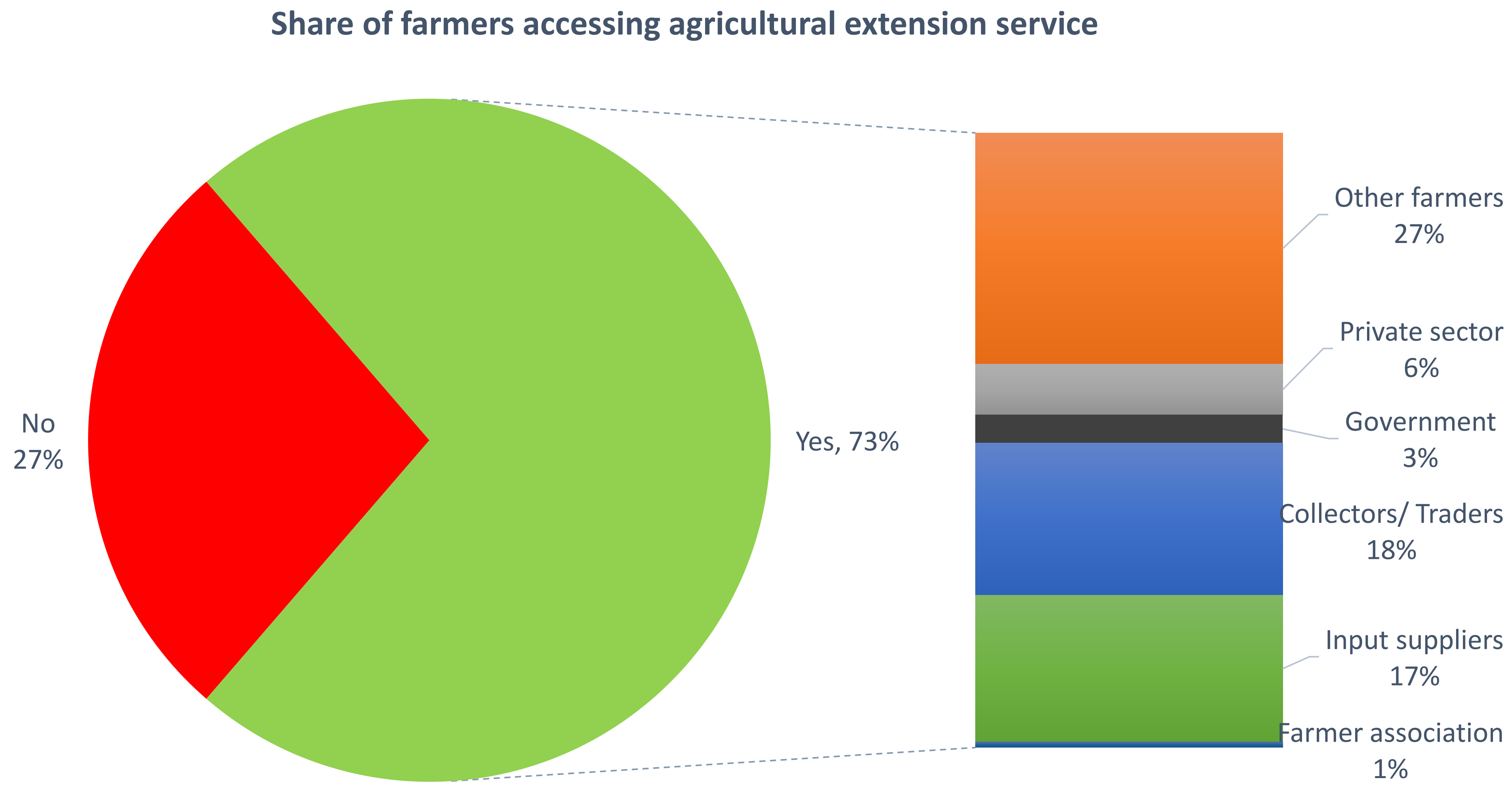


Agriculture Extension Services – Agribusiness Survey

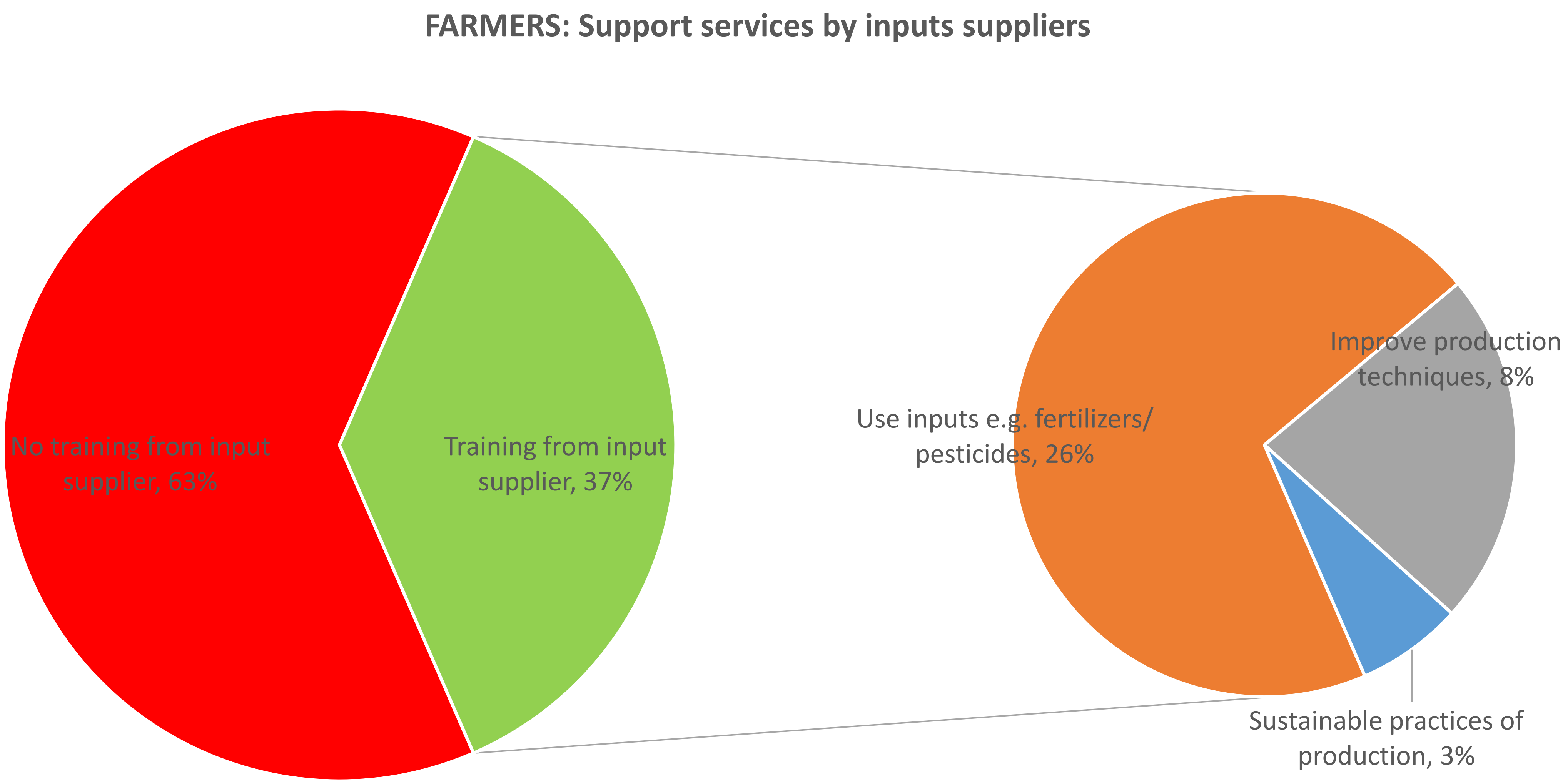




Agriculture Extension Services – Farm Survey

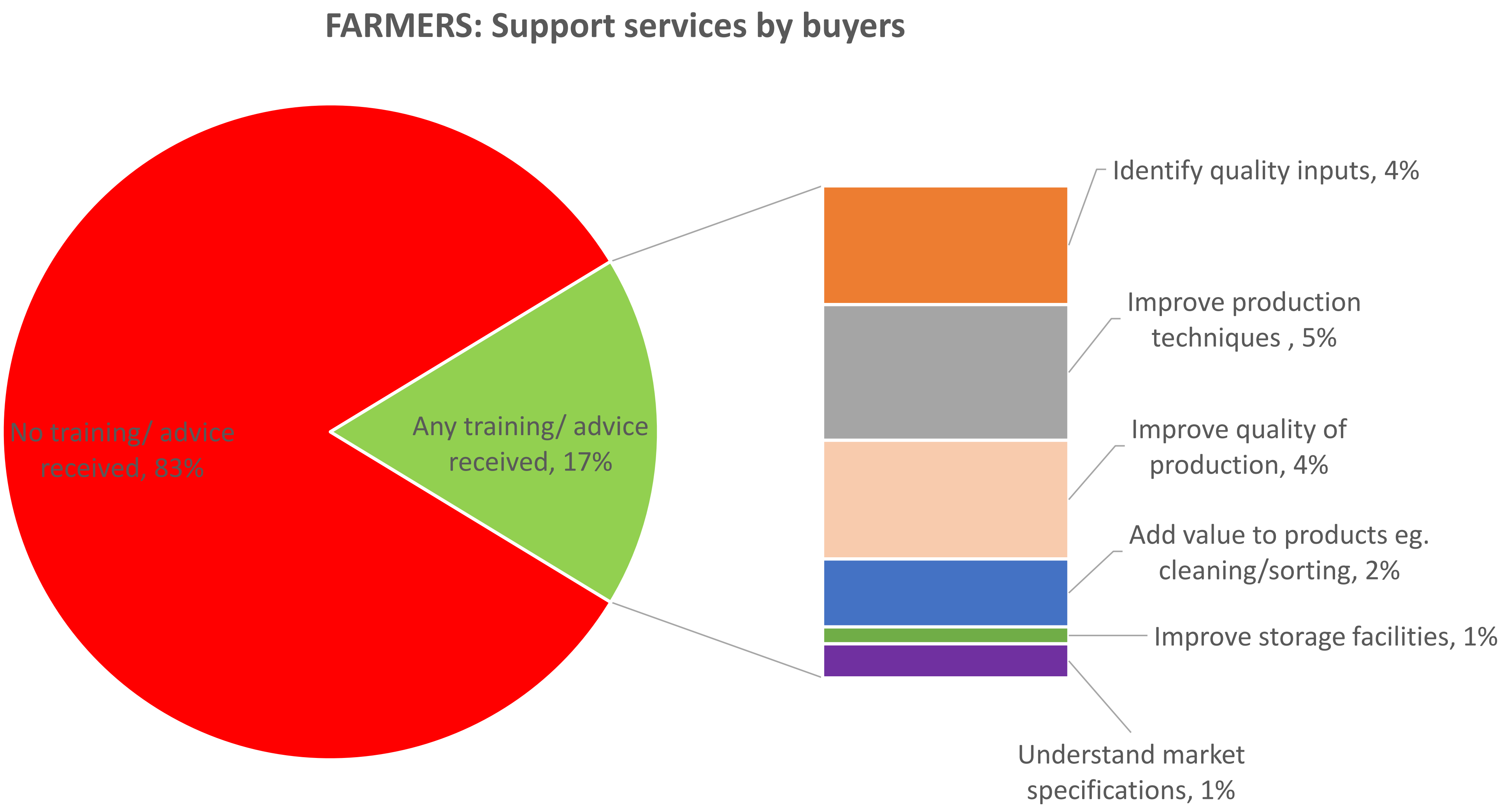


Agriculture Extension Services – Farm Survey

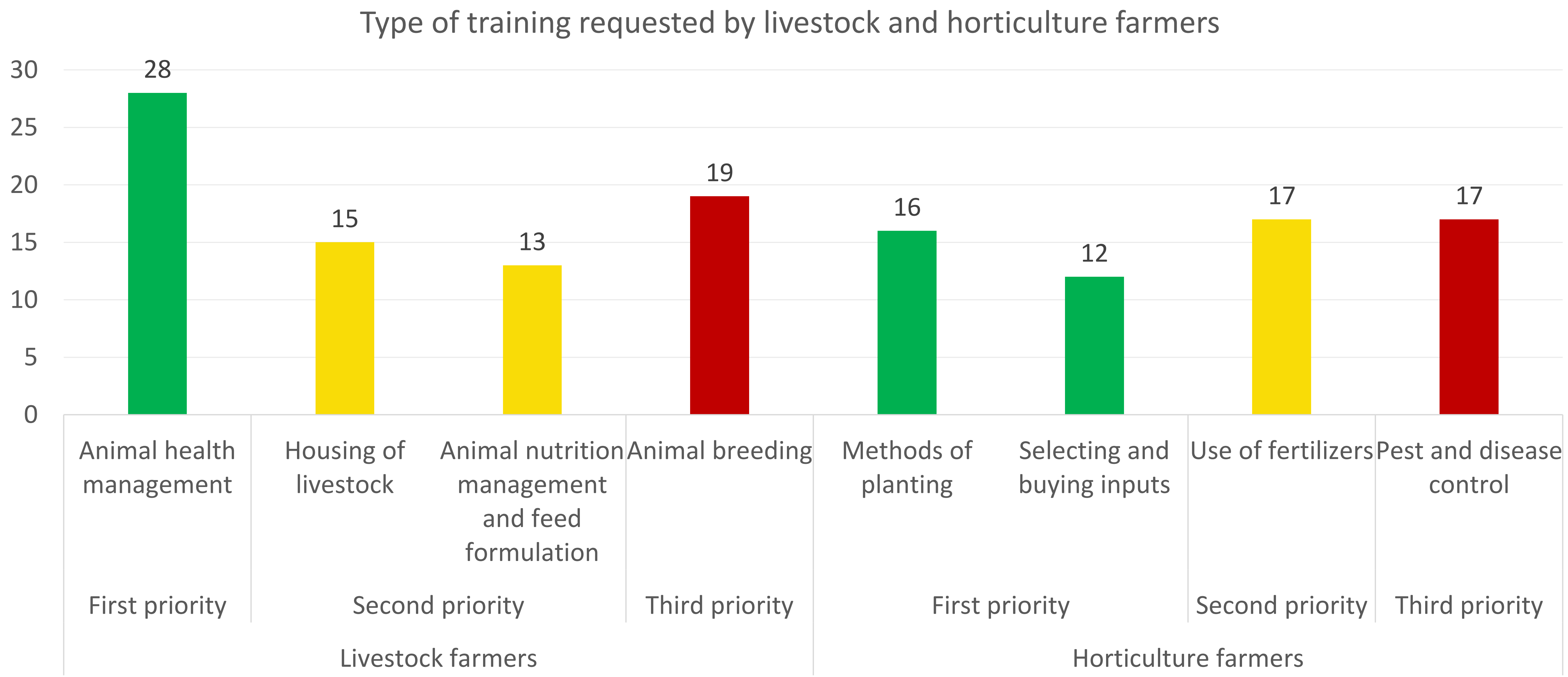


Agriculture Extension Services – Farm Survey

International Trade Centre



Agriculture Extension Services – Farm Survey



COVID-19 Business Impact

Assessing COVID-19 impact on agricultural MSMEs

International Trade Centre

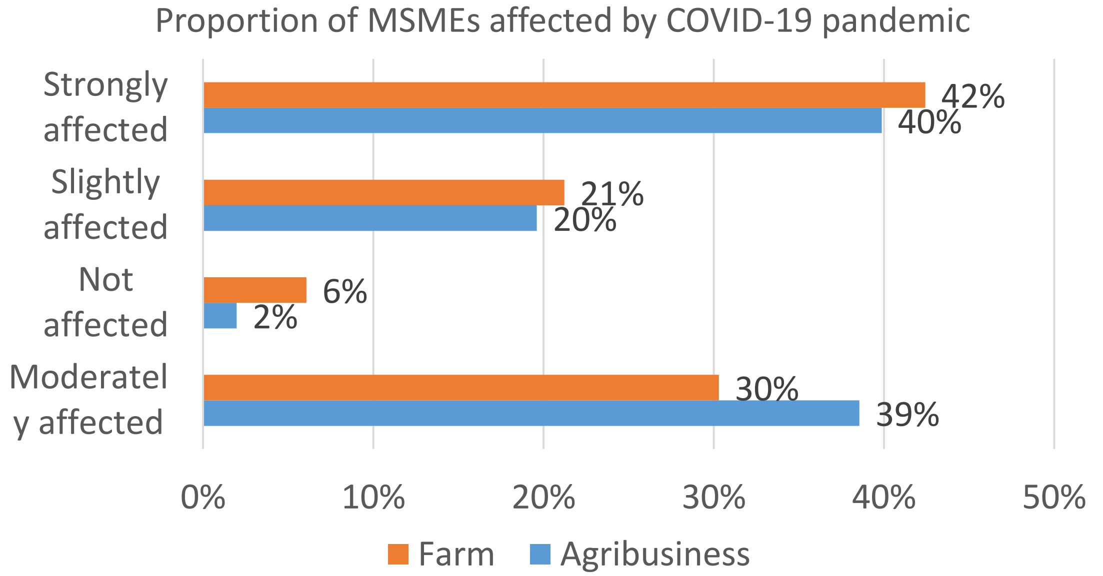
ASSESS the impact on business operations, production capacities, and market access of MSMEs in horticulture and livestock in Sindh and Balochistan, and analyse government response…

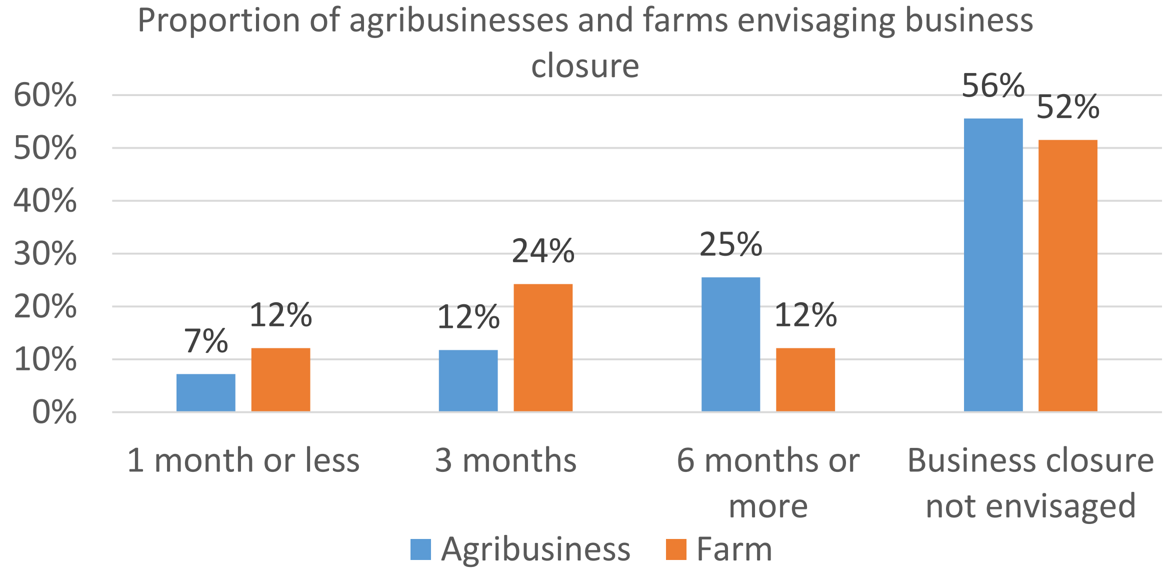
…BY generating empirical evidence

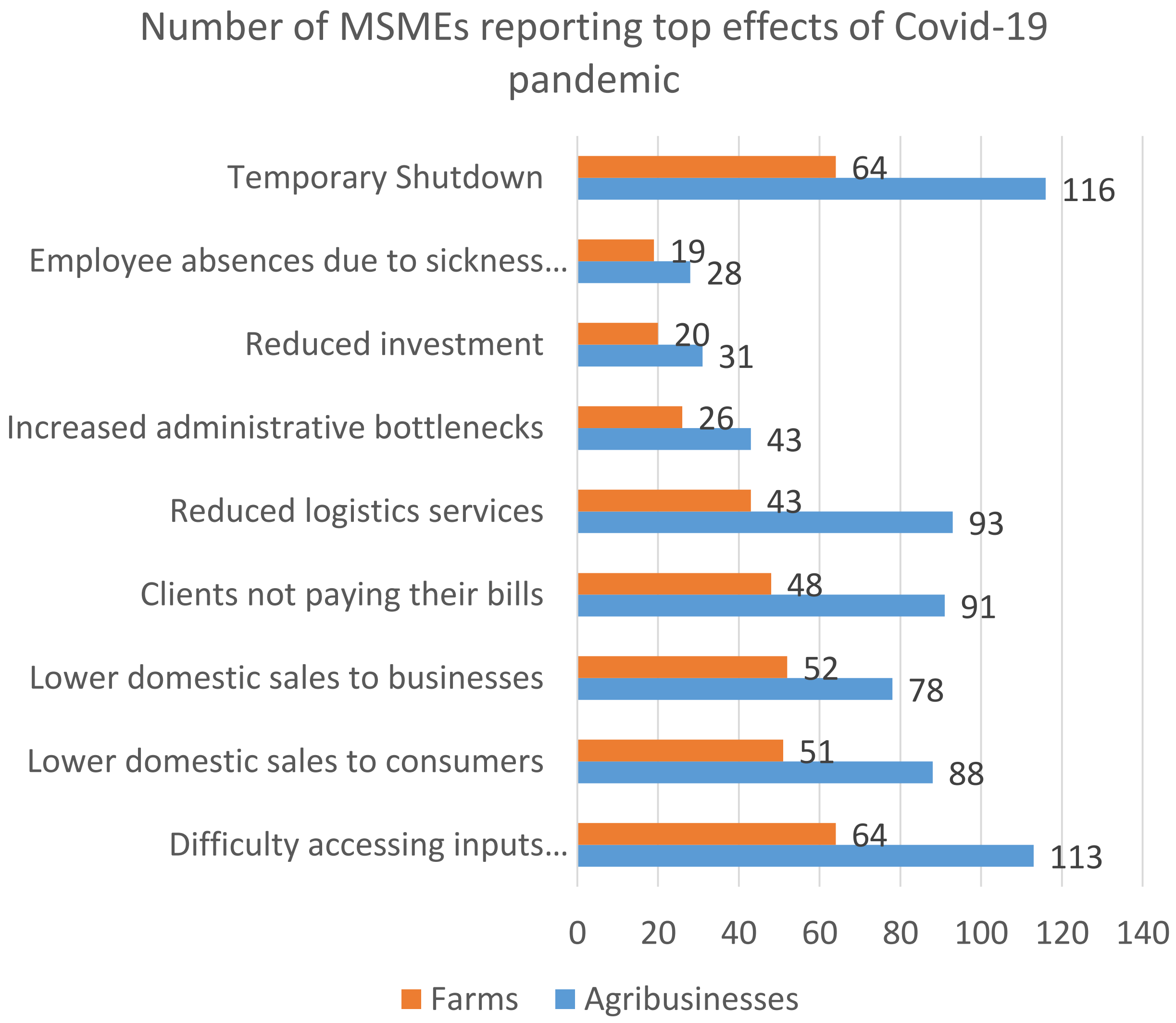
…TO feed into GRASP's Rural MSME strategies, and policy briefs, and adapt GRASP's planned support activities

153 agribusinesses and 99 farmers were interviewed

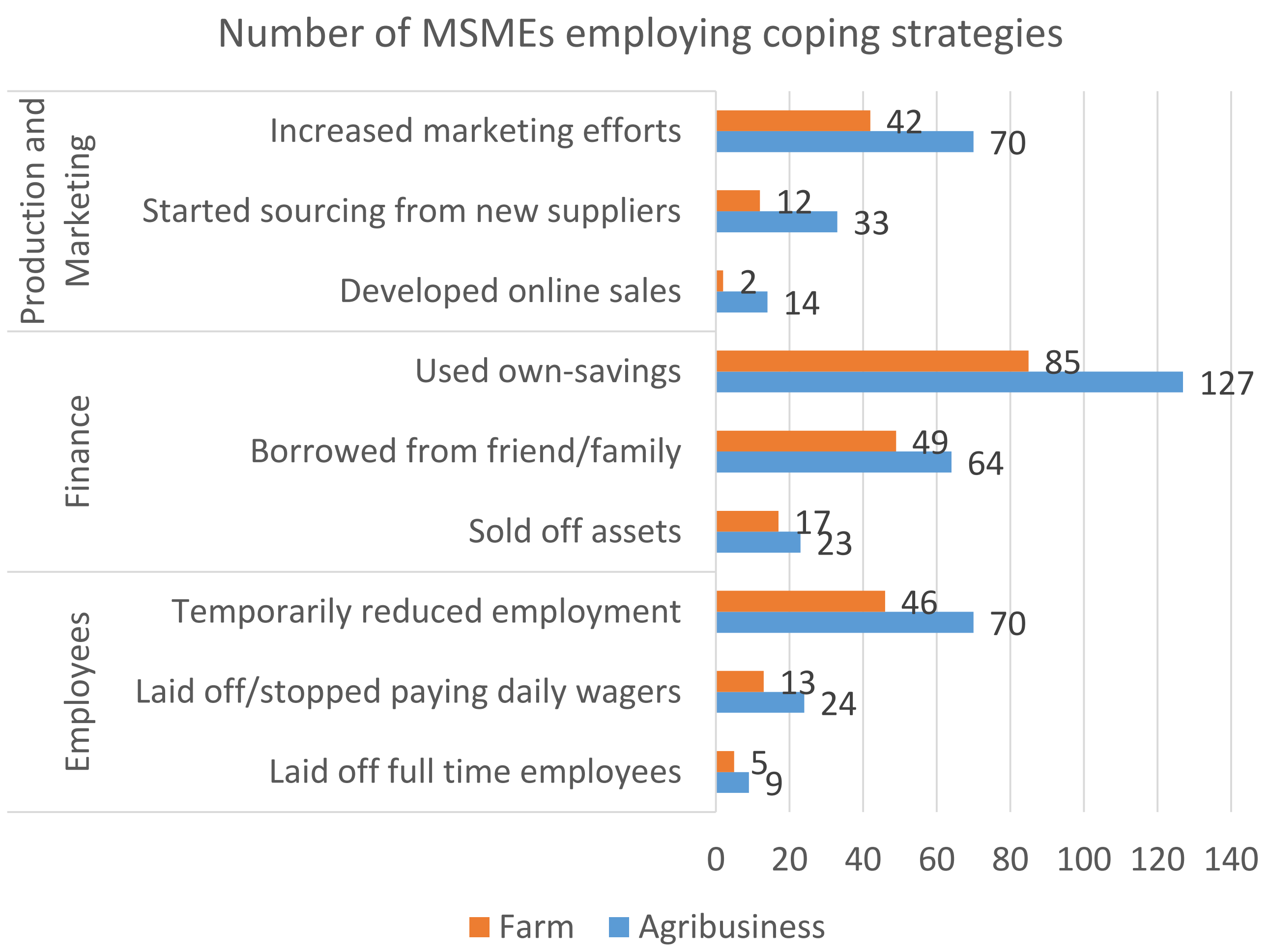
Effect of Covid-19 pandemic on MSMEs

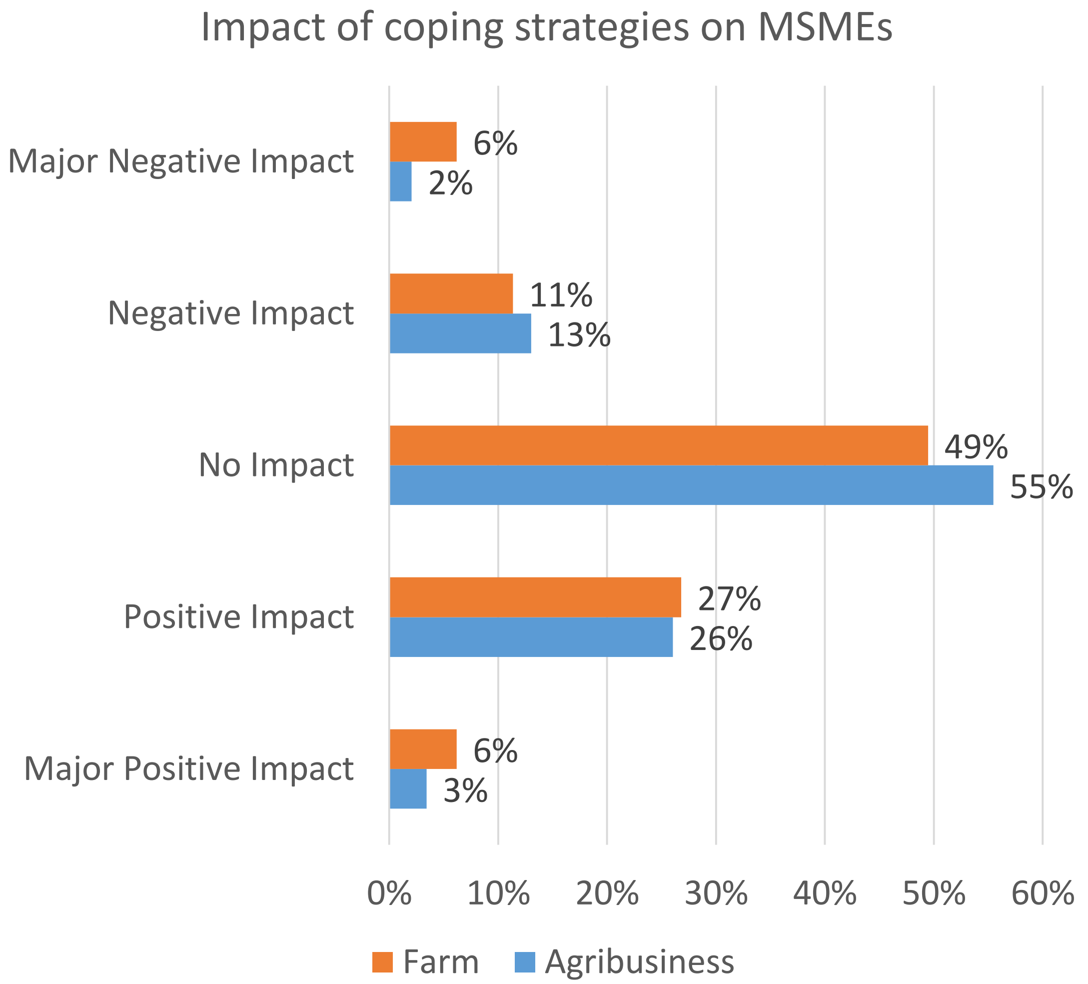






Coping Strategies Employed by MSMEs to combat COVID-19 challenges

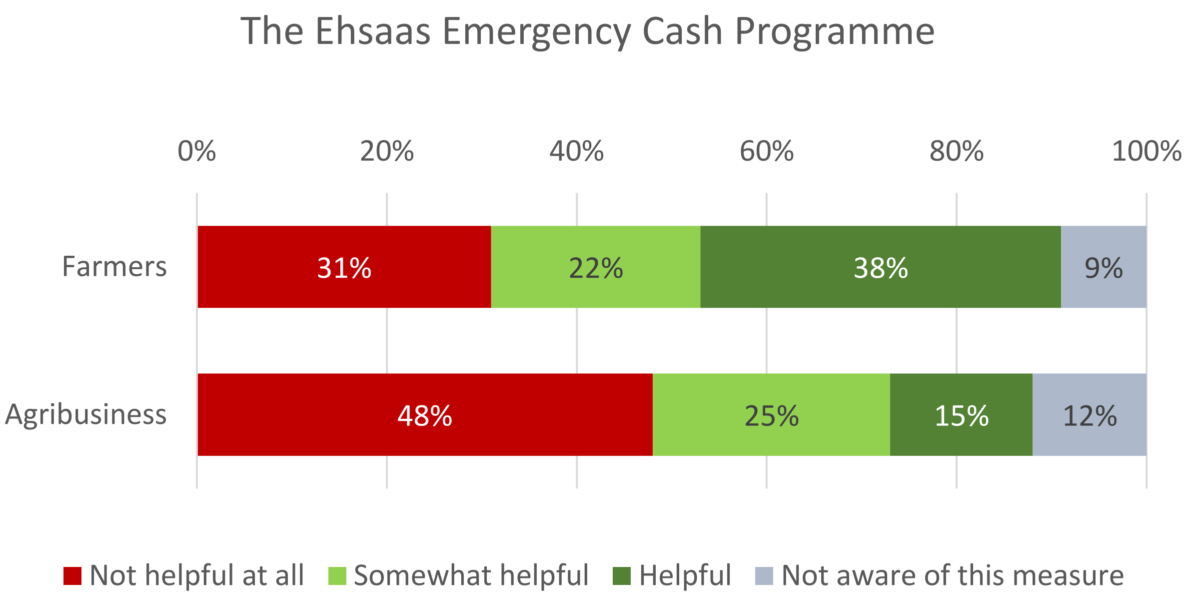


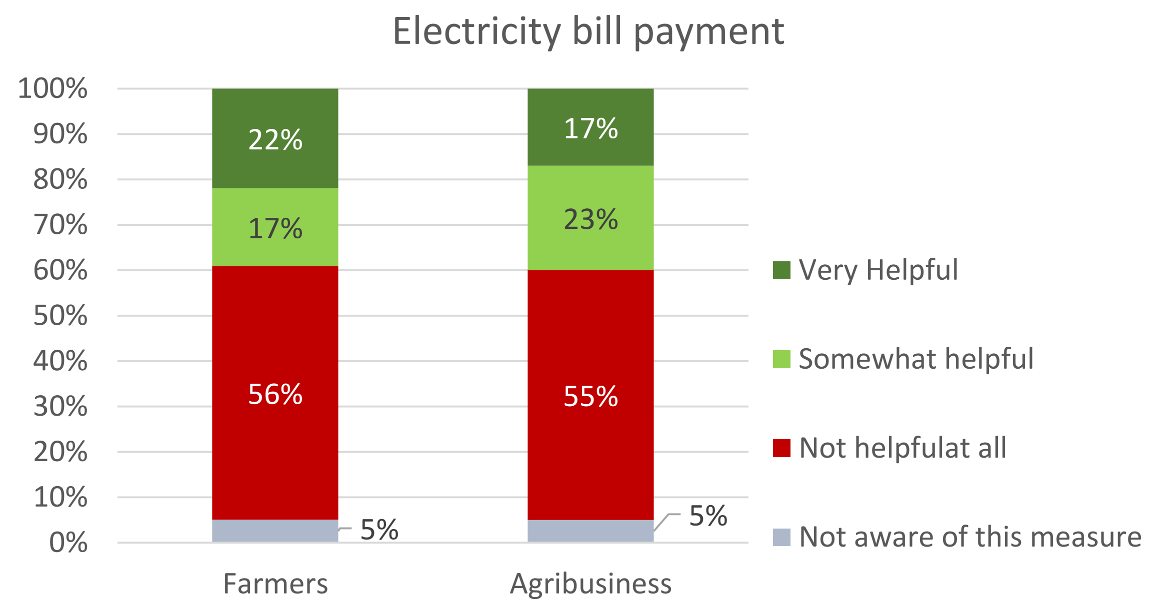


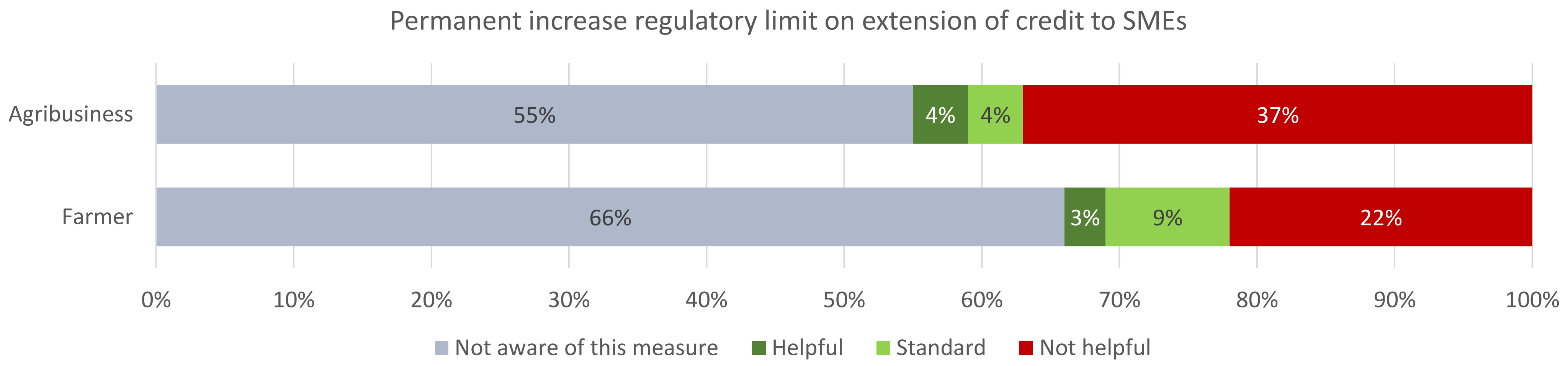
Government of Pakistan's policy response to the COVID-19 pandemic

		Not aware of this measure	Helpful	Standard	Not helpful
Relief to daily wage workers	Farmer	33%	14%	11%	42%
	Agribusiness	27%	4%	16%	53%
Accelerated tax refunds for exporters	Farmer	74%	2%	2%	22%
	Agribusiness	68%	2%	3%	27%
Cash transfers	Farmer	9%	32%	22%	37%
	Agribusiness	8%	15%	23%	54%
Financial support to MSMEs	Farmer	37%	26%	10%	27%
	Agribusiness	41%	11%	13%	35%
Relief in fuel prices	Farmer	2%	39%	25%	34%
	Agribusiness	1%	32%	26%	41%
Electricity bill payments	Farmer	5%	22%	17%	56%
	Agribusiness	5%	17%	23%	55%
Avoid laying off workers	Farmer	58%	4%	12%	26%
	Agribusiness	43%	4%	9%	44%
Permanent increase regulatory limit on extension of credit to SMEs	Farmer	66%	3%	9%	22%
	Agribusiness	55%	4%	4%	37%
Providing deferred interest payments	Farmer	41%	12%	15%	32%
	Agribusiness	35%	11%	17%	37%
Concessional Loans	Farmer	38%	22%	11%	29%
	Agribusiness	37%	14%	11%	38%
Providing reduction on interest rates	Farmer	39%	16%	17%	28%
	Agribusiness	28%	17%	15%	40%
The Ehsaas Emergency Cash Programme	Farmer	9%	38%	22%	31%
	Agribusiness	12%	15%	25%	48%

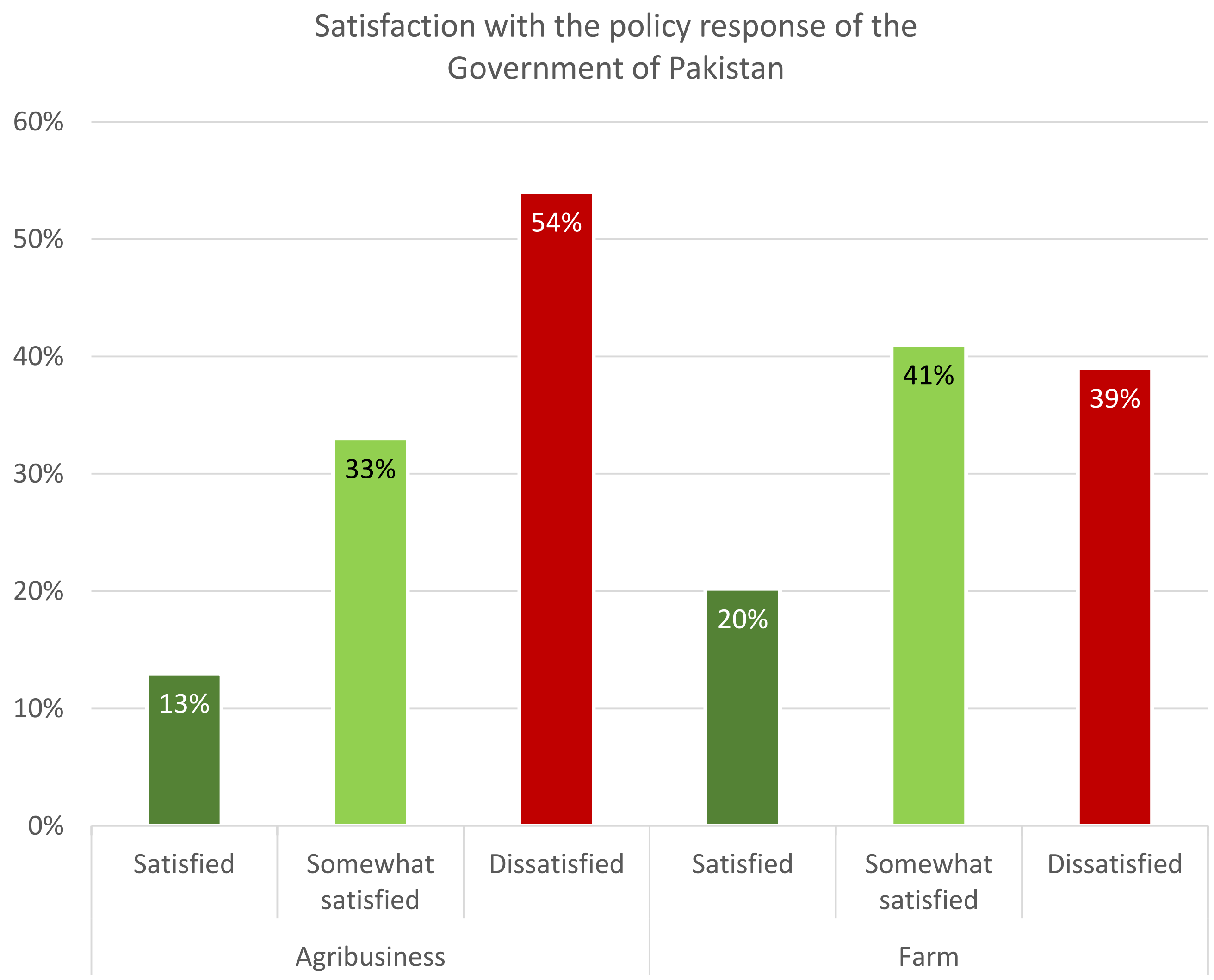
Government of Pakistan's policy response to the COVID-19 pandemic (select graphs)

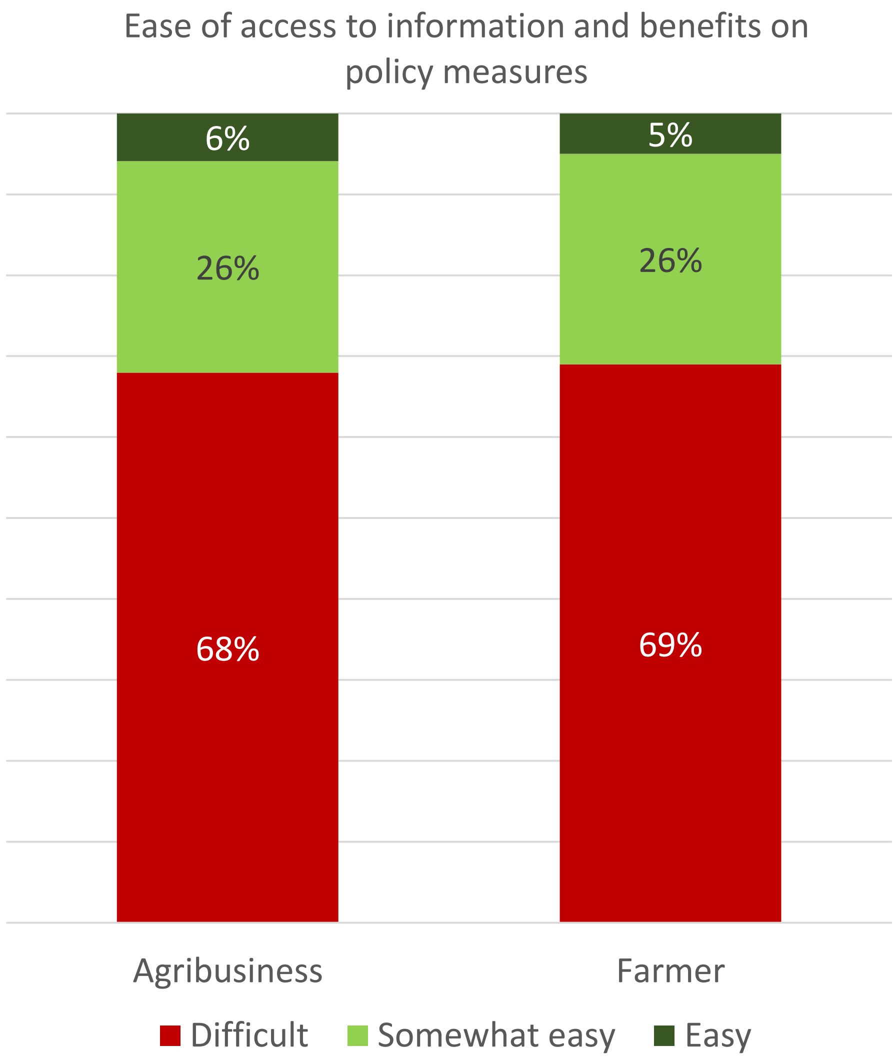




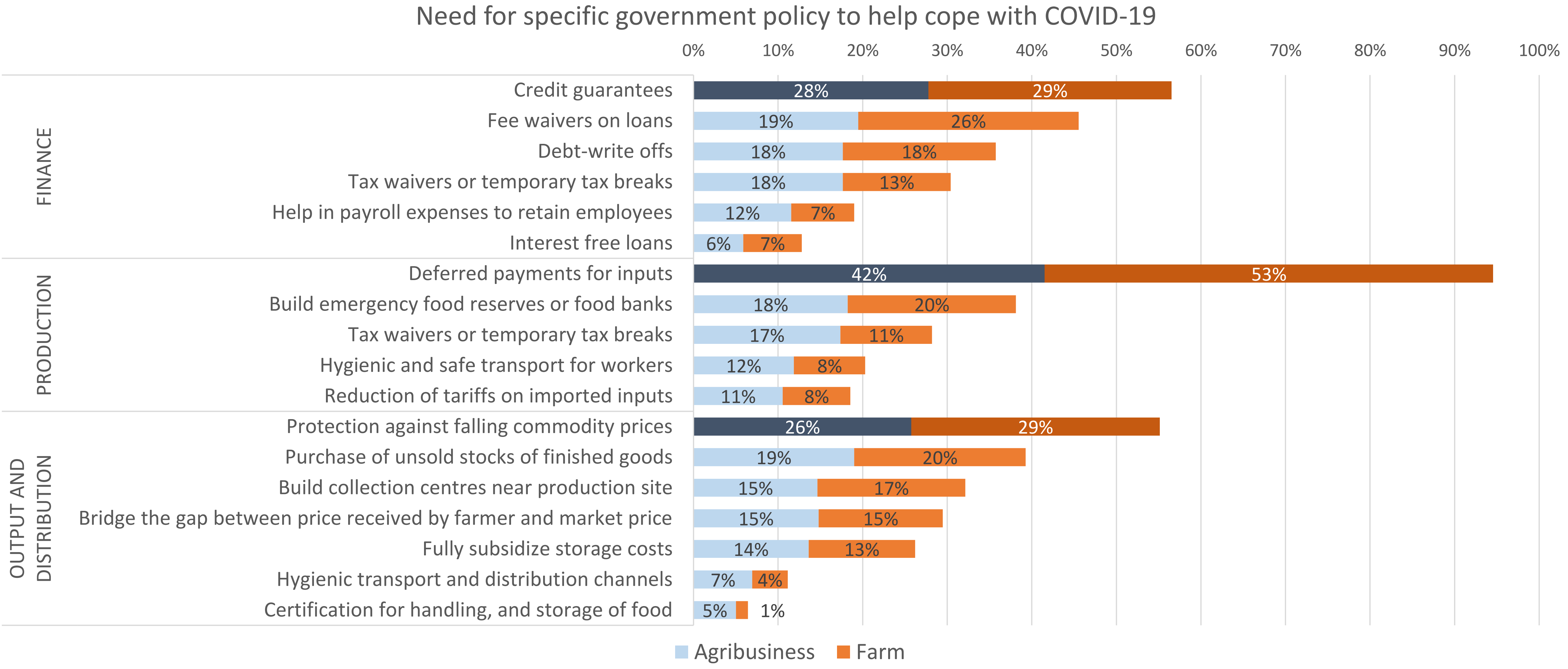


MSME satisfaction and ease of access to information and benefits





MSMEs needing specific Government policies to cope with COVID-19 challenges

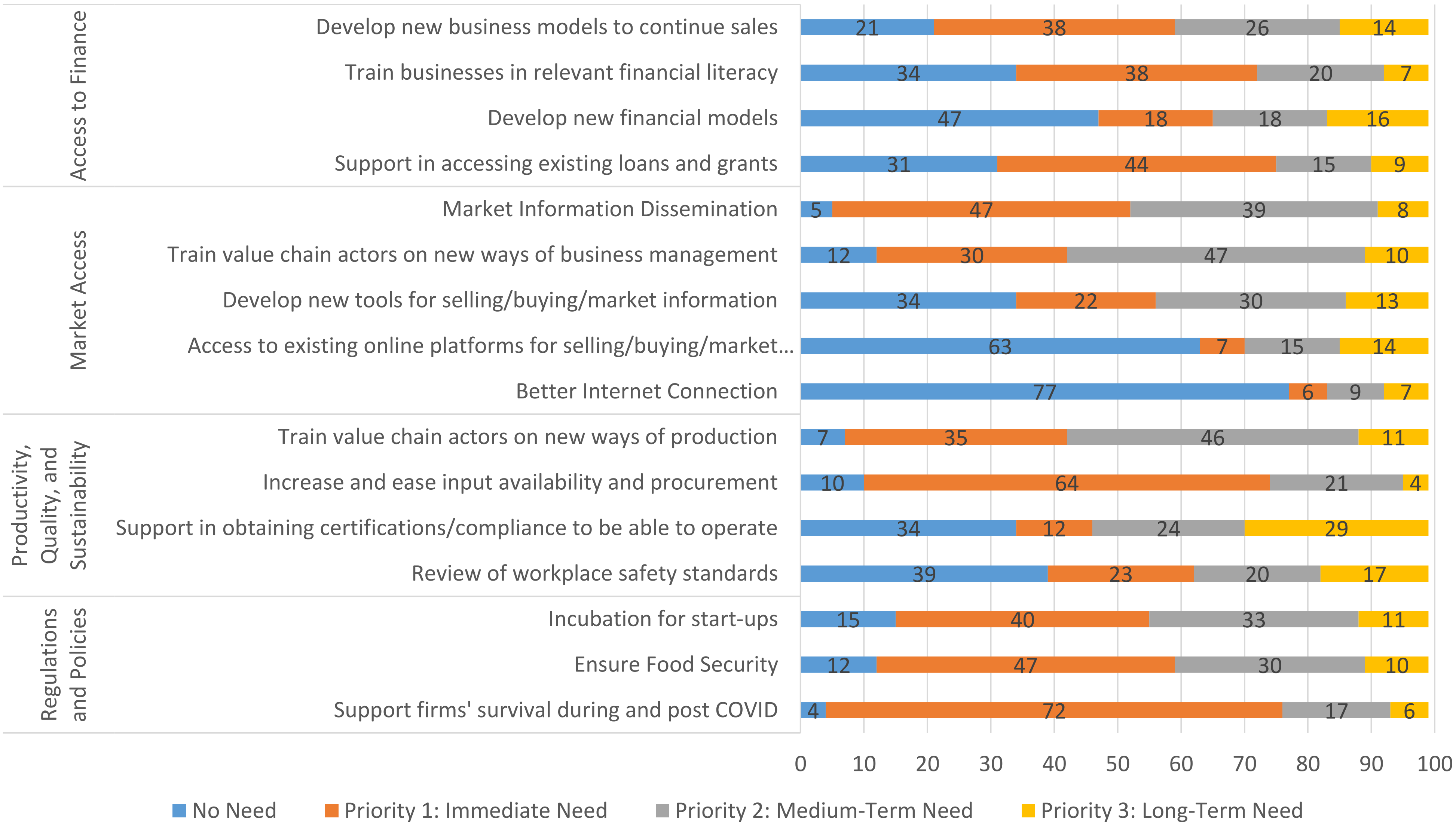


Note: This graph depicts the share of respondents over the total number of respondents per category – finance, production, and output and distribution – for both, agribusinesses and farmers respectively. The highlighted rows illustrate the most needed policy response per category.

Farms needing help from GRASP with COVID-19 challenges

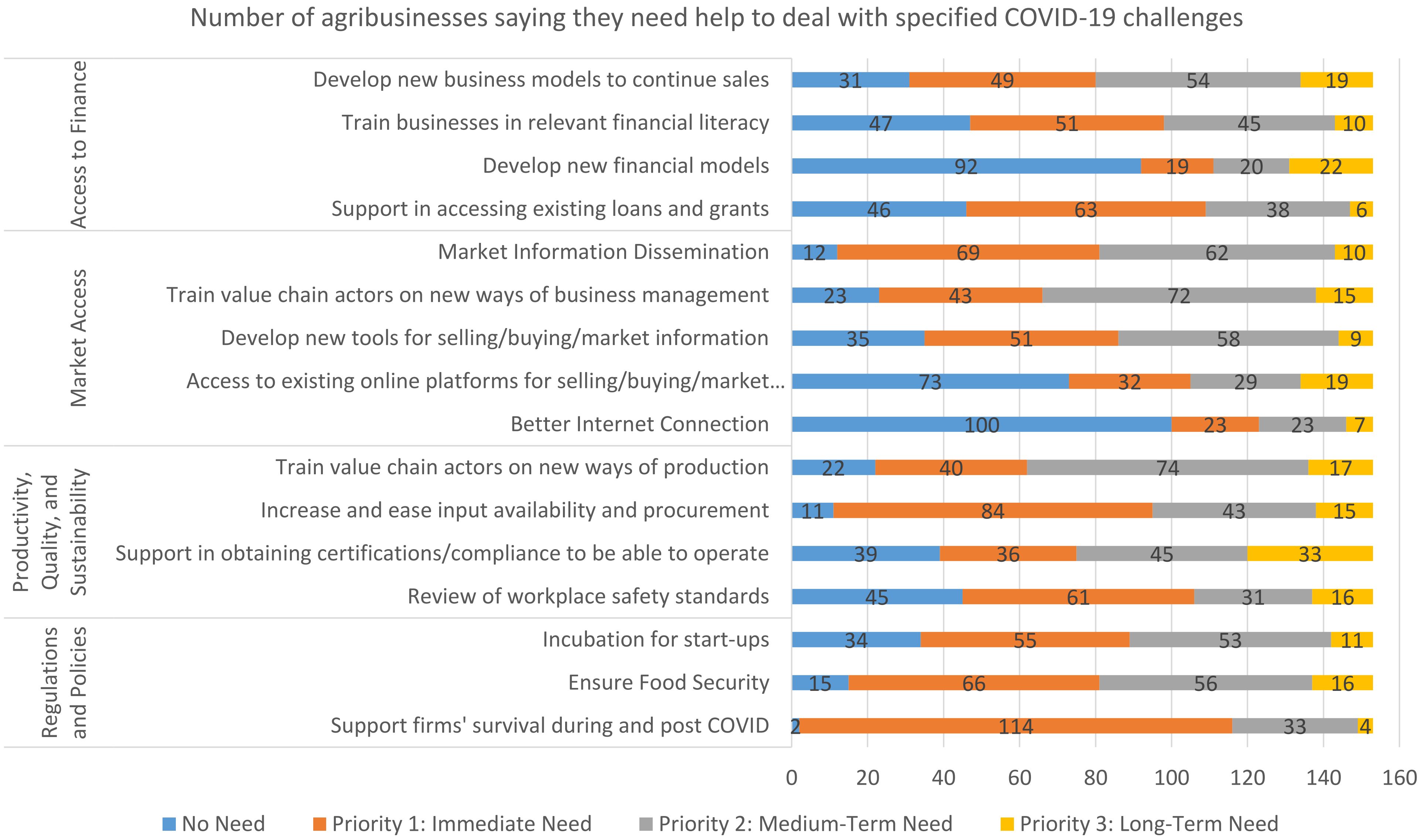
International Trade Centre

Number of farms saying they need help to deal with specified COVID-19 challenges



NOTE: Each respondent was asked to choose the urgency for each type of assistance they required from GRASP in the following categories: Regulations and Policies, Productivity, Quality, and Sustainability, Market Access, and Access to Finance. Each bar in the graphs shows the total number of respondents split into their chosen level of priority for each type of assistance in each of the categories.

Agribusinesses needing help from GRASP with COVID-19 challenges



NOTE: Each respondent was asked to choose the urgency for each type of assistance they required from GRASP in the following categories: Regulations and Policies, Productivity, Quality, and Sustainability, Market Access, and Access to Finance. Each bar in the graphs shows the total number of respondents split into their chosen level of priority for each type of assistance in each of the categories.