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COVID–19

Agricultural market failures and implications on food security

Food security at stake

The study aims to shed light on the agricultural market failures through disrupted supply chains and the possible consequences of COVID–19 on national food security.

METHODOLOGY

Key Informant Interviews (KIIs) and secondary price data analysis.

Respondents

Farmers, producers, wholesalers, retailers, and input sellers interviewed for insight into market failures.

Key products for price volatility analysis

Rice (coarse Aman and coarse Boro), imported red lentil, potato, onion, vegetables (pumpkin, bottle gourd, cucumber, green chilli, ladies finger), poultry, dairy.

16 Districts covered: (Two from each division)

KEY FINDINGS

Phase by phase

Price of agro products increased during onset of pandemic (March and early April):

Panic buying, stock piling by wholesalers, large quantity procurement by local government organisations, NGOs, and private individuals for relief contributed to the rise in demand and increased price of rice and lentils.

April lockdown– Low purchasing power and initial confusions:

Decreased demand for agricultural products, reduced transportation cost, high stock– faltering price of non–relief items and forced selling at losses resulted in price decline.

Breakdown by sector

Agricultural product

- Coarse rice and lentils in March– Price increased by **30%**

- Faltering price of non–relief items during April.
- Price recovered in May during Ramadan.
- Wholesalers and retailers had to sell at a loss due to low purchasing power.

KEY FINDINGS

Breakdown by sector

Poultry, dairy and fish

Low demand since the beginning of lockdown till April end and price situation improved during May.

Poultry

Largest consumers (restaurants) of poultry and eggs closed during lockdown and misconceptions about raw chickens carrying the virus reduced demand.

Dairy

Closure of confectionary and sweet shops declined demand by **33-60%.**

Price declined by **12.5%** at the retail level.

Farmed fish

Low purchasing power coupled with decreased demand due to restaurant closure caused reduced production and supply for wholesale market.

End of April: Demand and price slowly increased.

Agro Producers – the net losers

The initial decline in price reduced the production capacity of agriculture, poultry, dairy and fish farmers.

When both the demand and price began to increase, farmers did not have any capital to further invest into production.

The increase in price benefitted only the wholesalers and retailers since price in the farmers' end remained unchanged.

MAJOR RECOMMENDATIONS

Incentivise the input suppliers, agro–allied sectors and provide agro–processors with working capital to enable them to support the farmers. Make quality seeds and other agricultural inputs available to farmers to retain their productivity in the next season.

Remove all tariffs/ para–tariffs from the imported feed and other poultry and livestock inputs.

Develop a guideline and technical support mechanism to implement the Fish Feed and Animal Feed Act, 2010.

Develop a farmer–friendly credit disbursement system and engage NGOs and MFIs in the disbursement process.