

How to respond to COVID-19 in the grains, pulses and oilseeds sector

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The global outbreak of the COVID-19 virus is having a major impact on international trade. The effect on the grains, pulses and oilseeds sector is generally smaller than on other agricultural sectors. Still, companies are facing considerable challenges. This study provides you with a step-by-step plan, from meeting your business' most immediate needs to managing the medium- and long-term effects of the crisis.

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1. The effect of COVID-19 on the grains, pulses and oilseeds sector

The market for grains, pulses and oilseeds is one of the largest agricultural markets in the world and in Europe. It includes major commodities such as rice, wheat, maize, soybeans, sunflower seeds and groundnuts. These commodities are used for food, feed and, increasingly, biofuel.

The sector also includes smaller commodities, such as sesame seeds, kidney beans, lentils, and speciality products such as ancient grains like quinoa, teff and spelt. Also included are high-value nutritious seeds like pumpkin, hemp and chia seeds and 'ethnic' peas and beans like mung beans and adzuki beans. The ethnic label is used to refer to commodities that are not traditionally used in Europe. [Developing countries have a good position in the European markets](#), with shares of 73% in grains, 48% in pulses and 53% in oilseeds.

Big traders dominate these markets, especially for the large commodities. However, small and medium-sized enterprises (SMEs) have a good position in the smaller products and market niches.

Varying impact per product type

COVID-19 has had many effects on this sector. However, [the impact is generally smaller than in other agricultural sectors](#). The other sectors either require a lot of manual labour, deal with perishable produce, or primarily serve the foodservice sector. Demand has remained largely intact, as the supply of food and feed is vital for any society. These products are essential ingredients for the human diet and for animal feed.

In fact, [the main factor weakening demand is the drop in oil prices](#). Maize is used to make ethanol, a biofuel that is also an important component of gasoline. As oil prices dropped, [demand for ethanol, and thus for maize, became weaker](#). However, [domestic and regional prices for some commodities increased in April 2020](#). This was due to restrictions on internal logistics and panic buying.

The supply side in this food sector is affected, but less than in sectors that require a lot of manual labour, such as horticulture. Still, the availability of workers is a challenge. Food companies in Palestine, for example, mention that their workers could not come to work. Agricultural production in grains, pulses and oilseeds is generally highly mechanised. It is thus less dependent on a large labour force. Products are typically collected with combine harvesters, and not by hand.

For individual products, however, the situation can be quite different. Sesame seeds, for example, are a notable exception, as in many countries they are harvested by hand.

Logistics and quarantine measures

The main impact on the availability of products comes from logistical restrictions on trucking and shipping, although these have generally been temporary and partial. Peruvian exporters, for example, mention that inland freight prices have hugely increased. There, trucking became more difficult and scarcer and speculation set in. Ports in China, India, Philippines, Sri Lanka and many other origins have been closed temporarily.

European buyers in the sector have expressed their surprise that products continued to come in. This was after temporary delays in shipments from China and India had been resolved. Products depending on air transport, however, have been greatly affected. The global airline industry has almost come to a standstill.

Besides the primary processes of production and distribution, the nature of doing business has also changed. Offices are closed, and staff are typically working from home. Most countries in the world have imposed quarantine measures, but with different degrees of strictness. This changes the way of communicating with customers. Sales staff and purchase managers have had to re-assess their priorities. Securing the existing flow of goods is now the highest priority, and new projects have to wait.

Trade restrictions

COVID-19 has resulted in restrictive trade measures set by governments. Some countries have even implemented temporary export bans. An example of this is the rice export ban by the second-biggest global rice exporter Vietnam. This measure caused global concern as a larger trend towards restricting trade would have severe effects on the overall food supply. However, it seems that this trend has not expanded, and Vietnam announced withdrawing the measure by June 2020.

Still, the importance of the grains, pulses and oilseeds sector for the global food supply and its economic weight makes it vulnerable to government policies. If the COVID-19 crisis increases trade tensions, the sector will be part of the discussion. Soybeans have been an important subject in the trade dispute between the United States and China.

To summarise, the sector faces extra barriers for doing business at all levels, from production and distribution to consumption. Still, none of these barriers have stopped supply chains from functioning. Government policies restricting trade remain a major focus of attention, as well as the free flow of goods, in connection to government restrictions on people and transport. The crisis has already led to significant changes in

communication, some of which may continue and become the new normal.

This study gives you a step-by-step plan to deal with these barriers and guide your business through the current crisis.

2. Assess the situation and decide your immediate response

The COVID-19 crisis has an impact on almost everyone in the world. We have discussed how it affects the grains, pulses and oilseeds sector in general. But how does it affect your own company and subsector? A useful tool for this assessment is [Porter's value chain model](#). This model lists the primary activities and supportive activities of a company. Primary activities include inbound logistics, production, outbound logistics, marketing & sales and service. Supportive activities include procurement, technology development, human resource management and firm infrastructure.

After doing this analysis, some companies found that they had to close their company temporarily. If quarantine rules are very strict, there is simply no way to continue operations. However, in most countries, food companies can continue operating, but with restrictions. You may have to scale down operations as you are preparing safety measures in your factory and offices. Yet, your sales and purchasing staff may even be busier, as they start reaching out to your relations.

Tips:

- Analyse your internal business processes and find out how much they are affected.
- Decide on your immediate approach in this crisis and what it means for each area of your company.

3. Secure the critical processes

Depending on the outcome of the analysis, one or more of your activities is most affected. And it may prove critical to continuing your operations. These critical processes are not just your primary activities discussed in Step 1. They are any process that risks stopping your business. This includes supportive activities, such as human resource management and finance.

If your government has imposed a total lockdown, your staff is not allowed to go to your factory, and you will need to organise working from home. For that, your human resource staff is vital. Your technical staff will be needed to set up the workplaces at home with good computers, software and connections.

Also, you may need to invest in other tools or systems to enable distance working. For these, your procurement and financial staff may be needed. If there is a total lockdown, you will not be able to operate your factory. However, in many countries, vital industries such as food are exempt from the lockdown. You will need to get permission from the government to continue working, at least in a minimal way.

Tips:

- Prepare to adapt all critical processes to the new situation.
- Make sure your management and office staff can work safely, probably from home. For guidance, see the British government's [working safely during coronavirus \(COVID-19\)](#) for offices, contact centres and similar indoor environments.

4. Create safe working environments

Exporters of grains, pulses and oilseeds often operate a factory for processing and grading. They may also manage an out-grower scheme, contract farming, with farmers. Farmers, farm labourers, factory workers and office workers each have different safety requirements. While office workers can often work from home, farm and factory work can only be done at the farm and factory.

Many farms depend on seasonal labour. These labourers are particularly vulnerable to contracting the virus. This is because they are often living in basic conditions and may share temporary housing. For each area under your control or influence, you will need to develop appropriate measures. These should be based on social distancing and avoiding infection. It is especially important that staff know that they can take sick leave, and do not come to work sick because they are scared of losing income.

Tips:

- Secure safe working conditions for your factory workers. For guidance, see the British government's [working safely during coronavirus \(COVID-19\)](#) for factories, plants and warehouses. Also, watch UNIDO's webinar on [ensuring industrial safety and security in times of COVID-19](#).
- Secure safe working conditions for your farm workers, including seasonal labourers. For guidance, see the British government's [working safely during coronavirus \(COVID-19\)](#) for outdoor working environments such as farming and agriculture, including seasonal labour.

5. Make sure your products are safe from COVID-19

Food businesses are already familiar with hygiene and food safety measures for keeping their products safe. COVID-19 is now resulting in an additional risk that needs to be addressed. You will need to avoid the risk that consumers or other operators contract the virus through your products. Although [there is currently no evidence of COVID-19 spreading through food](#), you should be extremely careful.

Most companies can incorporate these measures into their [Good Manufacturing Practices and Food Safety system](#). How exactly you should do this is perhaps not yet clear. Still, hygiene and sanitation procedures are even more important now. You will also need to ban sick people from working in your factory and packing station.

Tip:

- Analyse the risks of spreading COVID-19 through your products and take appropriate measures. See the Questions & Answers on [Food Safety and the Coronavirus Disease 2019 \(COVID-19\)](#) from the American Food and Drug Agency (FDA) for guidance.

6. Reach out to your buyers and suppliers and adapt to the situation

The crisis is likely to affect both your purchasing and sales contracts. Perhaps shipments are being cancelled or delayed, and transport or warehousing costs have increased. The availability of your products for selling may be affected if you cannot process or do not have the raw materials. Your buyers may also have questions about the safety of your products regarding COVID-19. Communicate the measures you have taken and try to reassure

them.

When the pandemic set in, neither buyer or seller was to blame for not meeting the contract terms. This was probably a case of 'force majeure', an extraordinary event that you could not control. For business operations to continue, flexibility is required from both sides. This could become a major test of your relationship with your buyers. If you manage to find reasonable solutions, respecting each party's interests, your relationship will become stronger, and business can grow.

Tips:

- Discuss the arrangements with your suppliers and adapt them when necessary. You will probably need to be flexible on delivery times.
- Discuss the arrangements with your buyers and adapt them when necessary. For example, you can decide on a new delivery schedule.

7. Stay in touch with other vital relations

Due to delays and restrictions or even a temporary closure of business, companies will experience cash flow problems. This means that soon you will need to talk to your bank and try to find a solution that respects both of your interests. An important asset is that your sector is vital for food security and everybody will be interested in resuming business as soon as possible. If your business was healthy before the crisis, it is likely to remain healthy afterwards. But you need to buy some time, and the bank may be able to help you with that.

In many countries, the government steps in to keep companies afloat until business goes back to normal again. Temporary relief programmes may be available for companies and workers. McKinsey's [analysis of economic stimulus measures announced by governments so far](#) finds that some developing countries, including Colombia and Malaysia, have announced packages that amount to more than 3% of GDP, while China stands at 4%. Several African countries have announced packages that add up to 1-1.5% of GDP.

Another important role of government is to ensure the movement of goods, while also imposing safety measures. In Europe, for example, limitations to border crossings that affect persons do not apply to cargo trucks. The importance of safeguarding the movement of goods cannot be underestimated, both internally and for external trade. The Food and Agriculture Organisation of the United Nations (FAO) emphasises this importance in their article on [a battle plan for ensuring global food supplies during the COVID-19 crisis](#).

Tips:

- Contact your bank and discuss cash flow solutions.
- Check with your government and/or sector organisation if support measures are available for you and your workers.
- Urge your government to allow vital functions for food supply: transport of agricultural goods, movement of agricultural and food factory workers, and trading services.

At this point, you have managed the most immediate aspects of the crisis. You can now turn your attention from the immediate needs to the medium- and long-term effects the crisis will have on your business. These effects present opportunities and threats, and they may inspire you to change your strategic focus.

8. Decide on the form and scope of your strategic planning

While the crisis goes on, it may not be the best time to engage in a full strategic planning process, as there are still many uncertain aspects. Still, if you make the right choices now, your company may come out stronger later.

How you organise your strategic planning will partly determine the outcome. Keep a broad view by bringing together a diverse group of people with different mindsets. Make sure you involve external expertise, either by reading or by organising video conferences. Use articles already developed for your sector discussing these topics. Professional websites like [Food Navigator](#), [Food Ingredients First](#), [Mintel](#) and others provide insights and analysis on COVID-19 in your sector.

To cope with the uncertainties, consider using scenario planning. Your scenarios should ideally cover the widest possible diversity of outcomes of the crisis.

A good example is the [scenarios developed for the Dutch food sector after COVID-19](#). These have two main variables: the degree of change towards a healthier lifestyle, and the degree of government intervention in food and agriculture. This author uses the four-layer institutional economic model by Oliver Williamson (2000). This does not just consider markets and their governance, but also government policies and, at the most fundamental level, cultural change in the population.

Tips:

- Decide on your process of strategic planning, involving external expertise and a diverse group of 'brains'.
- Use scenario planning, especially if there are large uncertainties about your subsector and markets.

9. Improve your communication with customers and prospects

If you have always wanted to improve your communication with customers, this is the time to do it. Communication is completely online for the foreseeable future. This means your online presence and your other communication tools are more important than ever. Many SMEs in this sector focus on their core business of selling quality products for a good price. But they forget the soft aspects of communication. The value of your products increases if you add a bit of storytelling.

There are many good examples of storytelling:

- [Olam Rice](#) shares detailed information about the rice projects and their sustainability, up to the farm location;
- [Cargill](#), the multinational agriculture and food company, has a specific section on their website called Thrive Stories. There, it shares some of its social responsibility initiatives;
- [Andean Valley](#), a Bolivian quinoa exporter, provides attractive information about their supplier programme, underlining their social impact.

Most important is to inform your relations about the continued availability of your products and your terms of sale. Many buyers also like to know more about the origin of the products and the social impact they generate when buying them.

Tips:

- Publish news updates for your customers and group of core prospects. You can use many platforms like your website, social media and email newsletters.
- Write your news updates with the needs of your audience in mind, but do not underestimate their interests. Many business relations like to hear about social impact stories and information about the production area. But they also like more traditional information about properties, applications and benefits of the products.

10. Adapt your sales and marketing approach

Pre-COVID-19 sales and marketing typically included trade fair participation. Trade fairs allow high-quality personal interactions between buyers and sellers. However, this will not be possible in the short and medium-term. This may be the case until a vaccine is available and used effectively.

At the lower end of the spectrum, email campaigns and phone calls to buyers were used. However, such campaigns are much less effective. They are often not targeted enough and do not involve the personal interaction generally required to build trust with business buyers. So, how can you make sure that the right group of prospects receives the correct message – that you are a reliable and trustworthy supplier? There is no single answer to that but consider the following tips.

Tips:

- Make sure your online presence accurately reflects your capabilities and offering. Helping buyers find you, rather than you having to find them, makes your life easier.
- Follow up on enquiries with personal and professional communication. You can use online video calling for this.
- Do not expect trade fairs to reopen soon. Be cautious with organisations claiming otherwise. Be aware of signals that authorities are allowing trade fairs again. You can stay up to date on what authorities in Europe do by using the sources in our news article about how [COVID-19 disrupts supply chains for grains, pulses and oilseeds](#).
- Look at whether part of your sales and logistical activity can be moved online. In business-to-business (B2B) in the grains, pulses and oilseeds sector, such platforms still only represent a minority of the trade. Examples are [Mundus Agri](#) and [Alibaba.com](#), where the category agriculture includes grains and beans.

11. Take responsibility for your staff, workers and external partners

In such a severe crisis, people depend on their networks. Your workers depend on you for their income, and so do your suppliers. Perhaps they have been severely affected by the crisis. Can you continue to support them? Do you feel responsible for their wellbeing?

Your suppliers of raw materials are essential for your business. They determine availability, quality and ultimately, the reliability of your business. If they trust you, it will be easier to do business with them. Your workers and staff are essential for you too.

Tips:

- Think of ways to improve your relationship with your suppliers. Do they need support that you can provide from a mutual interest point of view?
- Be aware of how the crisis has affected your workers and staff. Are the conditions you offer still current? Perhaps now is a good time to discuss the working conditions in an open manner and develop proposals. In Northern Europe, this is a very common approach. In the Netherlands, all companies have staff and worker representation. Representatives have regular meetings with company management to improve the working relationship.

12. Adapt your products and services to the new normal

It is hard to tell how the demand for grains, pulses and oilseeds will change as a result of the crisis. Will we value food safety even more, as we have seen the consequences of a virus outbreak? Will products of vegetable origin continue their strong growth compared to meat? Will the health trend continue, and if so, which products will be considered healthy? Will consumers adopt a no-nonsense approach to health, following official recommendations? Or will they follow hypes and fads inspired by social media?

Unfortunately, we do not know. Many lobbyists claim that the interests they represent will come out stronger after the crisis. However, such claims are probably biased.

Trends that are likely to continue in the longer-term concern risk, rather than specific products.


- The vulnerability of supply chains is leading buyers to redesign them and be more cautious. Protectionism is now being replaced by precautionism. *'Just in time' will become 'just in case'*, according to an interview with former World Trade Organisation Director-General Pascal Lamy.
- A possible answer is for buyers to keep more stock. Or perhaps you can keep stock in your destination market and reduce lead times while ensuring that buyers still feel secure? And what about your own stock of raw materials, do you need more?
- Another answer is for buyers to diversify their suppliers. It does not feel good to depend on one big supplier. This is even more relevant if trade tensions continue.
- But as a supplier, you can also diversify your sales markets and clients. That will help you to reduce your risks.

13. Adapt your working methods to the new normal

The crisis has demonstrated, like never before, how much our habits can change, and indeed must change if it is for a greater good. Perhaps some of these changes are improvements that we wish to keep, and others we must keep, to ensure a safe working environment.

Tips:

- Think of ways to improve your relationship with your suppliers. Do they need support that you can provide from a mutual interest point of view?
- Be aware of how the crisis has affected your workers and staff. Are the conditions you offer still current? Perhaps now is a good time to discuss the working conditions in an open manner and develop proposals. In Northern Europe, this is a very common approach. In the Netherlands, all companies have staff and worker representation. Representatives have regular meetings with company management to improve the working relationship.



This study was carried out on behalf of CBI by [Freek Jan Koekoek of Mercadero](#).

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