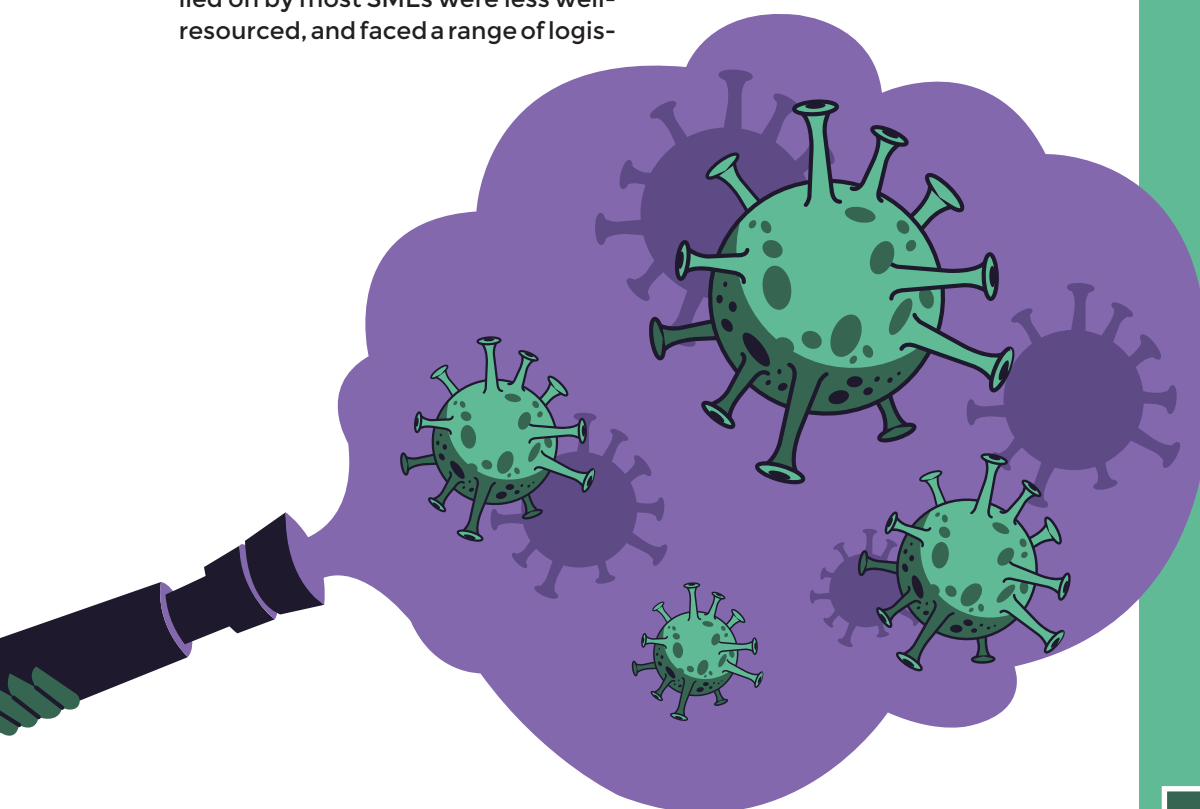


routes and therefore increased their vulnerability.

What we found

During lockdown, supermarkets sophisticated distribution systems enabled seamless operations. Panic-buying also diverted sales towards large retailers with higher stock levels. However, our qualitative research interviews found that the retailers relied on by most SMEs were less well-resourced, and faced a range of logis-

They would also have had to meet higher standards for product quality, packaging, hygiene and traceability. SMEs would have had to accept the mainstream supermarkets longer repayment periods, and often onerous rebate and returns policies. Government's emergency food parcel schemes meanwhile had been sup-



tical and operational setbacks, with financial strains resulting in increased defaults on payments to suppliers.

The SMEs reliant on non-retail sales channels were the worst affected. The cessation of school feeding schemes and closure of hospitality and catering had devastating effects on suppliers. All dairy processing SMEs interviewed suffered major sales reductions, of between 20% and 66%. Some millers reported lower revenue, with some closing down entirely.

Switching to supplying mainstream supermarkets was not a feasible alternative. It would have pitted SMEs against large companies.

plied by large firms, reflecting longer-standing challenges for SMEs with public procurement.

Perishability of raw materials and close links to farming were a further complicating feature. This was particularly common in the dairy sector in instances where SME processors were backwardly integrated into milk producers. Some started selling surplus raw milk to rivals or plan to retire herds because their normal routes to market were cut.

Milling SMEs faced severe difficulties sourcing raw material. They were also exposed to maize price volatility and the adverse rand-dollar exchange rate movement, given their

20% & 66%

Sales reductions
Percentage suffered by all dairy processing SMEs interviewed. Some millers reported lower revenue, with some closing down entirely.