



KHPT conducted an industry survey from April-June 2020 to understand the overall impact on production as well as fortification on the edible oil industry, milk dairies and wheat flour mills due to COVID-19-related restrictions. This project is supported by funding from GAIN, the Global Alliance for Improved Nutrition.

Structure

The survey was conducted in two phases, first quantitative, followed by qualitative interviews with those who participated in the quantitative phase. Industry participation was through invitation, however, a few voluntary responses were also received from the edible oil industry.

Phase I (Quantitative)



12 states



129 edible oil industries



52 milk dairies



37 roller wheat flour mills spread across 12 different states

Phase II (Qualitative)



8 edible oil industries



4 milk dairies



5 wheat flour roller mills

The proportion of edible oil and milk industry units with fortified brands in open market is significant in comparison with the wheat flour industry, which has very few. The wheat flour industry mostly provides dedicated supply of fortified flour to state government. Among those who participated, 62% of edible oil industry representatives and 44% of milk industry representatives were reported to have fortified brands, while a majority of wheat flour industry (30 of 37) were reported to be supplying fortified flour to the government.

Impact of the COVID-19 lockdown



Operational challenges

The temporary suspension of operations due to the COVID-19 lockdown was highest in the edible oil industry, with 49% edible oil industry with fortified brands reporting temporary shutdown. However, the milk industry, due to the perishable nature of the product, and the wheat flour industry as a major supplier to government, reported fewer shutdowns. Even though all three staple industries are categorised under essential services, the flexibility allowed for their operation differed on ground. The impact was severe during first few weeks of lockdown, and things gradually settled down after various issues were sorted out with the local government.



Workforce management

All three industries reported challenges due to the absence of employees. Movement of labour and the fear of COVID-19 restricted employees' attendance. However, industries took measures like arranging accommodation, additional pay, providing meals etc. to encourage employee attendance. Similarly, all three staple industries reported disruption in payment receivables and consequent challenges in cash flow during this period.



Disruption in ancillary services

Reduced logistic services including transportation had high impact on all three industries. Milk industries were the worst affected as they had to continue operations due to the perishable nature of their product. The initial confusion in categorising support services as essential services resulted in disruptions in operation. Inter-state transportation was hugely affected, especially during the initial lockdown period. The milk industry again reported losses due to spoilage of raw material, more than edible oil and the wheat flour industry. All three industries reported challenges in machine maintenance and repairs due to shut down in operations.



Impact on retail production

Retail production was strongly affected in all three industries; significantly, 77% of milk industries which are not fortifying their product reported the highest impact, followed by 60% of non-fortifying wheat flour mills. However, milk industries which are fortifying milk faced a moderate impact of less than 25% reduction in retail production. Since the wheat flour industry supplies primarily to government, retail production was not affected. Among the edible oil industries, 42% of non-fortifying industries reported high impact and about 47% reported moderate impact in retail production.



Increased costs

All three industries reported an increase in production costs. Over 70% of the milk industry and more than 50% of both oil and wheat flour industries reported an increase in production costs. High labour costs, adopting COVID-related safety measures at plants, increased transportation costs and the increased cost of procuring packaging material contributed to increased production costs.



Fortification process

The fortification process was largely unaffected in all three industries. However, 30% of edible oil industries reported shortages in the supply of premix. A few industries reported challenges in accessing NABL-accredited laboratories for quality assurance testing. However, these challenges were addressed in due course as transportation conditions improved. Industries reported they utilised the existing stocks of premix during this period and continued the fortification process. The cost of premix remained the same, with over 50% of all three industries reporting no change in premix cost.

However, 26% of edible oil industries, 30% of milk dairies and 35% of wheat flour mills reported there was increase in premix procurement costs. An analysis of industries which reported increases in production costs showed that less than 30% of industries which reported an increase in production cost also reported an increase in premix procurement cost, suggesting that an increase in premix cost had less impact on the overall production cost. The association of industries reporting increased production cost was high with those also reporting increased transportation, reduced demand and logistic supply cost, especially with the milk industry.



Demand for fortified products

These industries did not report any significant change in the demand for fortified products, despite increased demand for immunity-boosting products due to COVID. All three industries reported high awareness about the importance of fortification in the context of COVID, with 56% of the milk industry, 44% oil and 42% of the wheat flour industry acknowledging the role of micronutrients in maintaining immunity and fortification in ensuring the same.



Key learnings

Industries reported several key learnings during the period, including the importance of local technical support services like machine maintenance, availability of trained staff, and maintaining minimum stock position of essential input material to be better prepared in the event any future adverse events.

Government agencies at different levels actively worked with all stakeholders to address the bottlenecks and pave way for the resumption of routine industrial activities. The importance of involving all stakeholders in managing adverse situations by government was highlighted by many industries. There were several instances of setting joint coordination group working together to address the situation.

Several industries also stressed on the importance of increasing public awareness on the role of fortified food in addressing micronutrient deficiency and boosting immunity in the context of COVID-19.



Recommendations

It is well known now that fortification is an inexpensive and efficient way to increase the micronutrient content of foods that people consume every day. Food fortification programs must be strengthened and protected during the COVID-19 pandemic to support healthy immune systems and to help shield the population from increased malnutrition due to COVID-related food production challenges and economic challenges. By acting jointly and proactively, governments, food industries and development agencies can ensure that the production, distribution, and consumption of fortified foods continues to support health and resilience to infection during and beyond the COVID-19 pandemic.

A. For the governments

- ◆ The emergency management plan for ensuring essential supplies and services should include critical supportive services and must consider involving industry representatives in managing the situation.
- ◆ Take measures to create awareness among general public on the importance of fortified foods using different platforms like television, web, and social media communications.
- ◆ Set up mechanisms for inter and intra state transportation of essential material during emergency situations, besides sensitising local law enforcing authorities on creating an enabling environment for industries to operate in crisis situations.

B. For the food production industries

- ◆ Develop and adhere to Standard Operating Procedures (SOPs) to manage crisis situations. Develop local alternative options to reach out in case of requirement in crisis situations.
- ◆ Ensure fortification quality assurance in line with national fortification standards.
- ◆ Continue efficient production and quality assurance systems with a very well trained workforce to ensure sustained production and distribution of fortified food products.
- ◆ Ensure a definitive and affordable premix supply in order to sustain production even during unprecedented times.
- ◆ Invest in marketing and advertising to inform consumers about the health benefits of fortified foods.

C. For the development agencies

- ◆ Establish connections with the industry to understand evolving situations, identify challenge areas and facilitate stakeholder interactions to improve the situation.
- ◆ Build the capacity of the industry to adopt safety protocols, develop and share education material and support cross-learning among the industries.
- ◆ Sensitize the industries about the importance of food fortification and provide them technical trainings to adopt fortification.

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