

IMPACT OF COVID-19 ON THE AGRICULTURAL, FORESTRY AND FISHERIES SECTORS

COPA AND COGECA ASSESSMENT

1st-7th April 2020

Please take into account that this note provides an update to the Copa and Cogeca assessment COV(20)2195(rev.1) that was published on 3rd April. Copa and Cogeca members, please regularly check the COV section on Agri-Info. The following analysis reflects the developments across the agri-food chain. This document is a non-exhaustive compilation of contributions from Copa and Cogeca national member organisations in the EU-28.

Introduction

The outbreak and spread of COVID-19 and the subsequent measures implemented by governments to contain it have resulted in an abrupt closure of many channels for agri-food products. This in turn has had a marked effect on the suppliers of services across the agricultural sector.

The sector is currently facing unprecedented circumstances caused by factors beyond the agricultural sector's control. An increasing number of agricultural sectors are showing clear signs of market disruption. Based on this information, several letters have been sent to the European Commission calling for specific market measures to be put in place. We are disappointed that no decision in support of the agricultural sector was taken at this stage. In these times that are difficult for all of us, European farmers and their agricultural cooperatives, together with our partners in the agri-food chain, have been able to maintain a stable supply of high-quality, safe and affordable food to millions of EU citizens during the recent COVID-19 outbreak. We are also very committed to this in the future. This is European food security in practice.

While we recognise the European Commission's and Member States' efforts to ensure that the internal market functions smoothly, we reiterate the need for targeted market measures in the agricultural sector, including exceptional measures, financed outside of the CAP budget. Copa and Cogeca sincerely hope that the European Commission, supported by Member States, will seriously consider the necessary measures needed to safeguard these high-quality European livestock sectors.

- **Ensuring a well-functioning single market:**

For the moment, the supply of agri-food products remains stable. The implementation of the Commission guidelines on border management as well as on the free movement of workers has resulted in some improvement. However, we maintain our call for the European institutions to continue implementing the necessary measures so as to ensure that the single market, and, in particular, EU agriculture continue to function smoothly. In addition, we appreciate Member States' actions to improve the mobility of agricultural seasonal workers, inputs and agri-food goods, which we also see as recognition of the importance of European food production.

We call for all agricultural workers to be acknowledged as essential workers so as to avoid unfair movement restrictions within the same sector. In addition, further guidance on non-EU seasonal

workers is needed to coordinate Member States' actions. In this regard, we appreciate national efforts to improve labour mobility.

- **Sectoral analysis:**

Flowers and ornamental plants:

The ornamental sector is undoubtedly the agricultural sector that has been impacted the most. Indeed, it is suffering from a direct collapse in demand and consumption in the majority of EU Member States and at international level. This is due to the widespread closure of most sales channels and due to distribution disruption. Preliminary figures provided by our members suggest that the demand for flowers and ornamental plants has dropped by up to 80%. This crisis could not have come at a worse time of year. Indeed, spring (March to May) represents the period when the sector generates most of its turnover. The total value of the sector is €48 bn. Unfortunately, no other outlets can provide an effective alternative in the short term. Therefore, exceptional situations call for exceptional support measures, which in this case means investing in the continuation of business and the maintenance of jobs and agricultural production. We call for extraordinary crisis management measures to be activated. In addition, the Commission should evaluate the following measures that have not yet been adopted in the current legislation, which can guarantee liquidity to businesses and compensation for loss of income:

- A measure to compensate for losses in order to ensure the liquidity and continuation of the agricultural activity;
- A measure that can compensate for at least 80% of the disposal costs and production costs of the product not being sold;
- A promotion fund specifically addressing the needs of the flowers and ornamental plant sector.

Dairy

There is currently a very negative sentiment on the dairy market, which is weighing prices down at a time of year that represents peak season. The prices of several dairy products have dramatically decreased, with SMP prices sharply falling to the intervention level. This is already creating a huge amount of pressure on farm prices. We are calling for timely action to trigger the necessary measures and for private storage to be activated for all dairy products (SMP, all types of cheese, butter, and for the frozen storage of buffalo milk and/or buffalo curd). This would have a beneficial impact on ensuring year-round food security. It is also important to assess the impact that the closure of schools has had on the delivery of milk and dairy products to children in schools and to avoid unnecessary restrictions stemming from competition law in this *force majeure* situation.

Beef and veal

With the loss of the food service and catering channels, EU high-value cuts, including veal, have lost their market outlets and have experienced serious drops in demand. This has led to increases in costs and to detrimental consequences for prices. The high-value cuts currently represent 30% of the total carcass value, particularly those carcasses coming from the EU specialised herd. Despite these extreme difficulties, cheap cuts are still imported from Mercosur countries. We believe that exceptional circumstances call for exceptional measures. We are therefore calling upon the European Commission to immediately decide on a more targeted TRQ management. EU imports of high-value cuts need to be reviewed, without penalties. Moreover, the activation of market measures needs to be examined (including private storage aid for specific high-value cuts and veal, as well as exceptional measures permitted under the CMO regulation).

Sheep and goat

Sheep and goat meat have always been consumed during festivities (Easter). The seasonal nature of this production means that this cannot be pushed back to another time of the year. The consumption of sheep and goat meat and milk is already severely impacted by the closure of the

hotel and catering sector. There is a downward trend for prices at a time when there would usually be an upward trend. At the same time, imported products are still coming onto the EU market. We call for immediate action to alleviate the difficulties in this sector. We urge the European Commission to look into the TRQ management, to examine the activation of private storage for sheep and goat meat, to consider the activation of exceptional measures to cover the costs of keeping animals on the farm, and to put in place a private storage scheme for sheep and goat cheese, curd and milk powder. Certain CAP flexibility (on productivity rate and livestock density) would need to be looked at. The EU retail sector should be encouraged to promote EU lamb and goat meat to support the EU sheep and goat sector in these difficult times.

Pigmeat, poultry and eggs

The closure of the hotel and catering channel is leading to the collapse of many specialised producers, such as those producing suckling pig, duck, pigeon, quail, rabbit, guinea fowl and goose meat. In addition, a large part of the egg and egg product market has disappeared, which is creating a surplus in the EU market. Alternative markets are very limited due to logistical bottlenecks. The hatching sector has been hit hard by the closure of airfreight operations; exports of hatching eggs and day-old chicks are challenging. At this stage we call for the following actions:

- a specific private storage scheme for suckling pig. We also fully support all EU action to limit the spread of the ASF in certain parts of the EU;
- the reintroduction of processed animal protein for non-ruminants so as to reduce production costs;
- a more targeted TRQ management for poultry products.

Fruit and vegetables:

The situation in the fruit and vegetables sector is similar to last week. There are still concerns about the availability of seasonal workers for harvesting and planting vegetables (lettuce, cabbage). Uncertainties over and threats to the functioning of the EU food supply chain and single market remain. Compared to last week, exports seem to be decreasing slightly. In particular, high airfreight prices are a serious problem. For example, it has become extremely expensive to transport bell peppers to the United States. We need affordable and sufficient airfreight capacity. Perishable products should therefore be prioritised. Customs procedures at third country borders must be sped up by using digitalisation, as is done at EU borders.

While the situation for demand and prices varies a lot according to the product and the region, it seems fairly stable. The sectors most negatively affected are strawberries, asparagus, rhubarb, watermelons and early peaches. However, the situation is positive for carrots, courgettes, citrus fruit, apples and pears, and garlic. In particular, an increase in European garlic consumption and a decrease in exports from China due to the COVID-19 crisis is propping up garlic demand. Cooperatives are unable to meet almost all demand due to lower crop yields resulting from labour shortages in picking and to higher garlic demand.

Cereals and oilseeds:

The situation for cereals and oilseeds is similar to last week. Wheat, soya bean and rapeseed prices are fairly stable compared to last week. However, spot prices in some regions are not reflecting the global upward trend. Similar to pasta, demand for flour, especially organic flour, is rising sharply in some regions. The supply of organic milling wheat is not sufficient to meet demand and in some regions this will not be achieved until the next harvest. Some flour millers have mentioned difficulties in obtaining packaging material and with the solvency of buyers in North Africa. The closure of large breweries is resulting in lower demand for malting barley. While large breweries have both can and bottle lines, they do not have the capacity to handle the additional volumes or the markets to place them on.

EU biofuel production has dropped by 30-60% for ethanol and by 70% for biodiesel. This situation has affected the availability of non-GM feed such as dried distiller grain and solubles (DDGS) and rapeseed meal, as well as the demand for grains in some regions. Biofuel blending

obligations as well as the anti-dumping and countervailing measures against imports of biodiesel (B99) originating from the USA must be maintained beyond September 2020.

Seeds

The sector of seeds for hobby gardeners has been particularly affected due to sales restrictions in garden centres. Italy is a major producer of specialty seeds, such as vegetable, rice, alfalfa, and sugar beet seeds. The closure of the Italian borders could have an impact on the trade of seeds from Italy to supply other Member States.

It is essential that seed production can take place in optimum conditions this season. Otherwise, the supply of seeds for the following season could be affected, which would have a knock-on effect on the next sowing season. Imports of basic and certified seed from third countries (off-season areas) are difficult due to the elimination of flights and additional difficulties in implementing phytosanitary controls at customs.

Due to the lack of seasonal workers available to plant onion bulbs, the onion seed yield could drop by 30-40%. For grains and seeds, some operators have mentioned some difficulties in obtaining big bags coming from India.

Sugar

Some consumers are increasingly using sugar for direct consumption in the EU due to lockdown measures. Despite this, the rest of 2019/20 is expected to be negatively impacted with a decline in total EU sugar demand of 700,000 tonnes or 4%. Depressed world prices risk having a detrimental impact on European prices, even though the European market is balanced. There is currently a consensus among analysts that EU sugar prices would now move closer to the sugar reference threshold of €404/t. Therefore, there is an urgent need to closely monitor EU spot prices and take action as soon as the prices fall below the reference threshold. A third year of non-remunerative prices for the EU sugar beet sector and in particular for EU sugar beet growers would be catastrophic and unbearable.

Potatoes

The situation for potatoes is similar to last week. Demand for fresh potatoes is much higher. However, this has not made up for the huge losses incurred by the closure of food services for potatoes destined for chips.

Wine

The market situation continues to deteriorate every week, especially in the most affected regions. The Working Party on Wine is reflecting on the market measures that urgently need to be implemented.

Organic

In several countries, such as Germany and Belgium, there has been an increase in the sales of organic products, notably in retail and for cereal, potato and dairy products. In contrast, organic sales in food services, including catering, have come to a standstill (notably in Denmark). This applies to products such as high-value cuts of meat, bulk packs of chips and pre-processed leaf salads. The availability of organic soya imports for feed from China and India has decreased, but this could probably be replaced by local or EU organic protein sources (European soya, peas, beans, lupins, etc.).

Aquaculture

Due to the mandatory closure of food services and catering, there has been a major decrease in consumption. At the same time, it is not possible to decrease production, in particular for pond aquaculture (it has a three year-long production cycle). Due to the unresolved problems related to the mobility of fish products within the single market and abroad, exports have also decreased dramatically in several countries, for instance in Italy (-90%), and have even stopped in Hungary. The sector also faces a critical situation marked by a lack of access to seasonal workers. This is notably the case in Italy.

Given the specificity of the aquaculture sector, which is dependent on the natural production cycle of animals, it is essential that European fish farmers are compensated for their loss of income, rather than for the expected loss of production. This is because the production cycle cannot be stopped or slowed down. The additional costs that stock management will present, and the predicted market disturbances when market activity resumes also need to be taken into account (Article 55 of Regulation 508/2014).

While we welcome the opening of storage mechanisms for aquaculture products, it is important to expand this financial support for storage to include fish farmer associations, aquaculture producers and related companies (Article 67 of Regulation 508/2014 and Article 30 of Regulation 1379/2013).

Tobacco

Just two weeks before the intensive work on farms is due to start, the sector is concerned about the availability of seasonal workers and asks for measures to simplify the hiring mechanisms for EU and non-EU workers. Farms specialised in tobacco crops cannot switch to other crops. If the problem is not solved, several growers will not be able to harvest this marketing year and will have no income. The sector is primarily located in Europe's most disadvantaged regions where there is no alternative source of employment, be that in agriculture or any other field. The sector represents an important source of income and employment not only for the 50,000 tobacco leaf producers and their families who depend on it directly, but also for the employees working on the farms and primary processors (over 50% women).

Forestry

The situation is worsening due to three main issues: lack of workers, mainly seasonal workers (e.g. Sweden, Finland, Slovenia, Latvia), sawmills shutting down which has had an impact on demand (e.g. Austria, Hungary, Germany, Italy) and a decrease in exports (e.g. Austria, Hungary, Finland). As a result production has decreased significantly in various Members States (e.g. Slovenia, Italy, Latvia, Hungary).

International markets:

COVID-19 represents a devastating addition to the ongoing difficulties in international trade and the uncertainties regarding the Brexit process. There has been an improvement on some international markets, as Asian markets are gradually recovering and resuming their activity. Nevertheless, with the currency devaluation, many of these markets have lost some of their purchasing power. The reduction in overall global trade has significantly reduced the flow of containers available to agri-food. As a result, the price of transport is increasing sharply.

• Unfair Trading Practices:

We call on the European Commission to push Member States to properly and swiftly transpose and implement the EU Directive on combating UTPs all along the agri-food supply chain. We have seen an increase in the number of MS reporting the use of UTPs and other practices that clearly deviate from sound and ethical commercial transactions. Such practices are widespread in the EU and include:

- unilateral changes to contracts by claiming *force majeure* circumstances;
- unilateral changes to pricing for the supplier, especially in the case of fresh perishable products, whilst the consumer price remains unchanged;
- the unilateral removal of fresh product lines from shops and the consequent refusal to accept deliveries of such products;
- the use of misleading origin labelling (e.g. falsely labelling NZ lamb as EU);
- applying contractual penalties if the supplier does not deliver the ordered volumes when the cause is beyond their direct control.

For the version to be sent out to our members only:

Please find additional communications, available on Agri-Info, on the impact of COVID-19 in agriculture below:

[DIS\(20\)2327 \(rev.1\)](#) - Speaking note for Pekka Pesonen - Renew Europe Agri MEPs video conference with European Agri-Food Stakeholders on the Covid19 crisis, 8th of April 2020

[CC\(20\)2285 \(rev.1\)](#) – Letter to Mr Wolfgang Bartscher on the impact of COVID-19 on flower and ornamental plants and plants used for agricultural production.

[CDP\(20\)2325 \(rev.1\)](#) - PRESS RELEASE - Faced with quickly degradation of the markets due to Covid-19 crisis, the EU livestock producers and their cooperatives ask the European Commission for urgent actions

[CC\(20\)2213 \(rev.1\)](#) – Letter to Mr Wolfgang Bartscher on the impact of COVID-19 on the beef market

[CC\(20\)2264 \(rev.1\)](#) – Letter to Mr Wolfgang Bartscher on the impact of COVID-19 on the dairy market

[CC\(20\)2218 \(rev.1\)](#) – Letter to Mr Wolfgang Bartscher on the impact of COVID-19 on the sheep and goat market

[CDP\(20\)2217 \(rev.1\)](#) – PRESS RELEASE – In the turmoil, Copa and Cogeca ask the European Commission to put in place exceptional measures for fruit and vegetables

[COV\(20\)2195 \(rev.1\)](#) – IMPACT OF COVID-19 ON THE AGRICULTURAL, FORESTRY AND FISHERIES SECTORS - COPA AND COGECA ASSESSMENT, 20th-30th March 2020

[FL\(20\)2097 \(rev.2\)](#) - Letter to DG AGRI on operational programmes in the fruit and vegetable sector