

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

COPA AND COGECA ASSESSMENT

November 2020 - February 2021

This note provides an update to the Copa and Cogeca assessment [COV\(20\)8671](#). For additional information, please consult Copa and Cogeca's previous assessments. The following analysis reflects the developments across the agri-food chain. This document is a non-exhaustive compilation of contributions received from Copa and Cogeca national member organisations. Please regularly check the COV section on Agri-Info.

Introduction

The outlook for the EU agriculture market is negative for the next months due to the reinforcement of certain restrictions in Member States, trade developments (impacting wine, cheeses, processed goods, olives, sugar, potatoes, biofuels, etc.) or animal health-related issues (e.g. avian influenza, ASF). This is due to changes in consumption (e.g. closure of the food services sector and the repercussions on high-value products) and trade dynamics.

The agri-food chain welcomed the EU-UK Trade and Cooperation Agreement. During this initial phase of implementation, there have been neither major disruptions nor substantial impacts on the market or prices to report. Nevertheless, we must underline that we are still at a very early stage of the implementation and the trade volumes have not been representative for several reasons, including preventative stockpiling.

We need to continue monitoring the situation, given the huge number of risk factors. EU-UK trade has additional costs and this will impact and re-define supply chains. Some of our dairy cooperatives reported an increase of 8% in costs related to the administrative burden. In the fruits and vegetables sector, an additional cost of 400-500 euros per truck was reported. An additional layer of complexity/costs is associated with mixed consignments.

Together with our partners in the agri-food chain, we have identified some bottlenecks in the first 4 weeks of the implementation of the EU-UK Trade and Cooperation Agreement (non-exhaustive):

- Pre-export certificates for products re-exported to the United Kingdom (plants)
- Ensuring consistency in the approach across different border control posts
- Need to improve the exchange of electronic data between the EU and the UK/GB administration and reliability of certain IT systems
- Points of entry and exit are very crowded (covid-19 concerns)
- Need to clarify certain aspects regarding trade with Northern Ireland, in particular when the existing grace periods come to an end.
- We need to explore all possibilities to facilitate the continuation of trade based on the equivalence of measures for seed potatoes produced in the UK and the EU-27.

The medium/long term implementation needs to be monitored, especially if there are changes to regulatory aspects (regulatory divergence) or major agreements with third countries. The role of

joint committees will be crucial. What will consumer behaviour and preferences be in the long term? Time will tell....

Furthermore, we are calling on the European Commission and Member States to carefully consider the impact of Brexit on the European agricultural sector and to ensure that the sector benefits from the Brexit Adjustment Reserve.

- **Sectorial analysis:**

Pigmeat

The European pigmeat market is deteriorating – very low prices, under cost of production – due to the combined impact of COVID-19, the health situation and international trade. There have been some improvements in slaughtering capacity (stocking capacity and the slaughter weights are reduced) as well as slight improvements of the piglet prices. The cooling capacities are reaching records. There are many issues especially with selling higher-value meat parts, which were destined for restaurants and catering services. European consumption has slightly decreased. A drop in production can already be observed. Shortages of staff were reported, on pig farms specifically.

Poultry and eggs

In the last term, significant price decreases were observed. As the largest part of the HoReCa sector is still closed, there have been issues with selling both poultry meat and eggs. Especially the egg market situation in some countries is dramatic. There is also a lack of poultry catchers in broiler production.

Flowers & Plants

There is a slight decrease in all production, consumption, and prices. Transport of young plants from third countries is very complicated due to fewer flights and higher transport costs. During the last lockdown, many retailers who focused on selling flowers and plants were again forced to close their shops. The products were only sold through retail. If this doesn't end soon, large quantities of plants and flowers will have to be destroyed again.

Wine

The COVID-19 restrictions (closure of HoReCa, no tourism, etc.) are still severely affecting the wine sector. During Christmas and New Year's celebrations, consumption saw an increase, especially for sparkling wines, but since January, markets have slowed down again. Our exports are still affected by trade developments (e.g. Brexit and US tariffs). The sector thanked the Commission for the extension of the extraordinary market measures for one extra year but an additional budget to overcome the situation is still very much needed.

Fruit and vegetables

Consumers in the EU have increased their consumption, especially of citrus fruits, grapes, apples, tomatoes, and prepared tomatoes as a consequence of covid and the sanitary situation. Volumes in trade with the UK do not seem hugely affected by the phasing-in of the UK-EU Trade and Cooperation Agreement. Access to labour, rising costs for exports (access to containers), and higher production costs remain an issue in certain regions.

Potatoes

Lower demand due to COVID-19 restrictions, market prices are below grower production costs. Growers will have to manage surpluses. Trade in seed potato between the EU and UK risks being disrupted as seed potato is not covered by the EC's proposal for equivalence. The majority of ware potatoes were shipped in 2020 to avoid problems.

Cereals

European cereals are competitive on the world markets given the export taxes imposed by Russia on wheat, corn and barley. Russia is preparing a permanent grain export mechanism to curb rising domestic food prices amid the coronavirus pandemic for the next marketing year.

Durum wheat is experiencing a lack of attractiveness given the price of Canola, which is detrimental to the rebuilding of world stocks which were at low levels in the last marketing year, which was linked to covid-related over-consumption. Freight costs are increasing.

Feed

There seems to be an increase in the price of feed, especially protein and in particular soy. This issue is particularly concerning in Ireland and Slovenia, where the price increase is very high. This seems to be due to both a price increase for cereals and issues with soy imports from Argentina.

Oilseeds

The sector is strongly impacted by the rise in oil prices, dynamic demand for palm oil, labour shortages and the introduction of an export tax in Malaysia, lowering of import taxes in India to protect the domestic market from rising prices, uncertainty for soybean shipments from Argentina, oilseed prices are bullish?

Sugar - ethanol

There are great uncertainties. The ethanol market is suffering from the lower demand for liquid fuels. Sugar prices on the European markets are lagging behind. As a result of covid, the world sugar consumption trend of an increase of 2 million tonnes per year has come to a halt. In 2019/20, world sugar consumption fell by 2.7 million tonnes according to the ISO. A one percent decrease in EU consumption seems to be a major underestimation.

Seeds

Currently, there is a surplus of seed potatoes for specific varieties destined for processing.