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

COPA AND COGECA ASSESSMENT

April 2021 – June 2021

This note provides an update to the Copa and Cogeca assessment COV(21)2290 (rev.3). This document is a non-exhaustive compilation of contributions received from Copa and Cogeca national member organisations.

Introduction

Given the success of the EU vaccine rollout, the EU economy is showing positive developments, although significant uncertainties remain. Nevertheless, the farming sector is facing multiple challenges, notably due to increasing production costs (e.g. feed, fertilisers and fuel), the availability of inputs, trade developments and the impact of bad weather conditions. For example, there has been a significant increase in feed and feed additive prices (well above 3%). Although the situation linked to the transportation of agri-food products has improved, there are still substantial difficulties with customs when trading with third countries (e.g. Brexit) and an increase in costs.

The study on the Preliminary impacts of the COVID-19 pandemic on European agriculture shows that during the pandemic “the EU agri-food supply chain demonstrated a high degree of resilience. The value of the output of the agricultural industry declined by only 1.4% in 2020 compared to 2019 and, when compared to the 2015-2019 average, grew by 2.6%.” Nonetheless, sectors highly dependent on the food service sector (e.g. wine, beef and veal) have faced major difficulties. Flowers, plants and sugar have also suffered considerable financial losses. Farm incomes also declined compared to 2019 (-7.9%, which corresponds to 7.1 billion EUR). EU agriculture dealt with shortages “caused by movement restrictions (1 million seasonal workers in agriculture); delays in food deliveries, raw materials and other agri-food inputs as well as a slowdown in food production because of virus outbreaks in processing plants.” While “the EU response was highly effective in preserving the integrity of the Single market”, to better respond to future crises, and among other measures, consideration should also be given to the “decoupling of the CAP crisis reserve from farmers’ direct payments” to reinforce the EU’s financial capacity during crises.

While the majority of countries have properly implemented the EU guidelines for seasonal workers, we still have some concerns over the availability of seasonal workers during the upcoming season. The remaining issues include problems with social security in individual cases where workers are employed simultaneously in different Member States, for example. The quarantines imposed by the authorities vary from one country to another, which can lead to additional costs. This disrupts the hiring process, especially for cross-border commuters.

Moreover, seasonal workers are not always included in the vaccination programmes of the destination countries.

**Sectoral analysis:**

**Fruit and vegetables, flowers and ornamental plants**

Stone fruit orchards and apples and pears, to a lesser extent, have been damaged by cold snaps in several Member States. European peach and nectarine production is forecast to be 18% lower than in 2020 due to frost damage, amounting to 2,420,821 t. The 2021 European apricot crop is currently forecast to total 344,000 t, down 40% on the 2015-2019 average. Given the exceptional gravity of the situation for the F&V sector, we have called on the Commission to provide all possible extraordinary and additional measures at EU level to compensate the affected producers FL(21)2878 (rev.1). For apples and fresh oranges, prices have been historically high. Tomato prices peaked in March/April. However, the EU is importing even more tomatoes from Morocco and Turkey. Following cold snaps, replanting has been necessary in some regions. Growers have scaled down the production of fresh products bound for the food service sector (for example salads). Retailers are imposing penalties on suppliers if they fail to deliver goods at the right time to retail shops, even if the reason is due to the COVID-19 restrictions. Access to seasonal labour, the closure of the food service sector, rising export costs, the Russian ban and higher production costs remain key issues. Since January, the situation in the flower and plant sector has improved due to the re-opening of sales channels. There are some issues with the increasing raw material prices.

**Potatoes**

Due to lower demand, market prices remain below grower production costs. Growers have had to manage surpluses. The spot market price has recently increased from 50 €/t to 100 €/t, reflecting higher demand as the food service sector and festive activities will be authorised in the summer. The potato surface areas in BE, FR, DE, NL and FI have dropped by between 3% to 5% as a result of lower contract prices and higher production costs for the MY 2021-2022. The starch potato market was down.

**Cereals**

The market is extremely volatile. Prices for all cereals and oilseeds in the EU are up month on month and year on year. Demand from China continued to be the major driver in this runup in price combined with the usual weather uncertainties at the start of the summer growing season. In the EU-27, spring crop germination and growth have been delayed due to cold snaps. Fertiliser prices are still at their highest level in the past 12 months. In April 2021, China revised its livestock feed guidelines to reduce the use of maize and soya meal in pig and poultry feed and proposes to replace maize with wheat, sorghum, barley, rice and cassava and to replace soya meal with canola, rapeseed, cottonseed, peanut and sunflower meals and DDGS. Several countries currently apply export or import restrictions such as quotas and/or taxes. With regard to ocean freight markets, the Baltic Dry Index (BDI) average value in May 2021 was up more than fivefold year on year, reflecting a strong rebound from last year’s COVID-related downturn. The WTO agreed to establish two new dispute panels (barley and palm oil).

**Sugar - ethanol**

EU sugar consumption in the food sector dropped by 0.5 million tonnes (-3 %) in 2019/20 in comparison to 2018/2019. In 2020/2021, EU consumption in the food sector could regain 100,000 tonnes. EU-27 sugar production is estimated to be at 14.5 million tonnes (-11% year on year). EU exports and imports have declined. On the world market, prices for raw and white sugar rose in April and May 2021 but remain on average below the EU reference price. In a context of the lowest stock levels, which the Commission estimates to be at 1.1 million tonnes by the end of September 2021 – the lowest levels since 2010 –, and given that the EU-27 sugar beet area forecast has been revised downwards by -1.4%, the EU-27 will remain a net importer of sugar in 2021/2022.

**Wine**

According to preliminary estimations, 30% of the 2021 harvest (C2 bn) has been lost in France alone due to the frost. We call for an extraordinary budget, crisis management tools and for the
validity of the planting and replanting authorisations to be extended until 2022. The positive outlook is expected to help the sector to offset some of the losses. Nevertheless, exports in April were lower compared to the previous year, both in terms of volume and price.

**Pigmeat, poultry and eggs**

Pigmeat production is stable. Farm gate prices are far from satisfactory due to high production costs. With better weather and restaurants being open, demand is growing (e.g. barbecue season). Export demand remains strong and is up 30% on last year. While the poultry and egg market seems to be stable except for the usual yearly fluctuations, production costs are high. Given the severity of the second wave of avian influenza, some countries/regions have still not lifted the veterinary order to keep free-range birds inside (> 7 months). This has an impact on the price for which farmers can sell their produce.

**Dairy**

Production compared to 2020 is decreasing in most commodities except for condensed milk and cheese. The EU raw milk price is stable compared to last month (+0.1%). Butter, SMP and WMP prices are increasing (+1.4%, +1.2%, and +0.4% respectively). While EU exports for cheese, SMP and WMP are increasing, EU exports for butter are decreasing (-13%), compared to 2020.

**Beefmeat and sheepmeat**

The impact of COVID-19 has been clear in premium cuts and veal (food service channel). The market is therefore expected to readjust to a potential return to normality. However, the post-2020 reality of Brexit has added a layer of complexity to the market.

Beefmeat prices are increasing in most carcass classification categories compared to last year (average A/C/Z-R3 +8.1%; beef type male rearing calf +18.9%). With regard to production, the number of slaughterings is decreasing; overall bovine meat production has decreased by 9.7% compared to 2020 (Jan-Feb). Beefmeat imports have temporarily decreased compared to both 2020 and 2019. Export levels are very similar to those in 2020 and higher than those in 2019 (Jan to March).

Prices are clearly increasing compared to last year for both heavy lamb (+20.3%) and light lamb (+15.5%). Sheepmeat production has decreased by 14.4% (Jan-Feb 2021) compared to the same period last year. Exports have increased by 24% on average compared to Jan-Mar 2020 while imports have temporarily decreased by 19% during the same period (-23% NZ, -44% AU, -41% Argentina).

**Olive and Olive Oil**

Olive oil production is expected to increase by 10% in 2021. EU prices are steadily moving upwards, despite still being below the five-year average. Household consumption has increased as people cooking at home preferred olive oil to other oils. Exports are expected to increase slightly, given a significant drop in production in third countries and thanks to the suspension of the US tariffs. The US additional duties on Spanish ripe olives remains unresolved, costing Spanish producers millions in terms of export losses and legal fees.

**Spirits**

The spirits market varies considerably from one country to the next. While in some countries the market is quite stable with household consumption rising, a significant drop in production and sales, for both premium and standard products, has been observed in others. Exports and imports have also dropped. The reopening of the food service sector provides a positive outlook.