

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

COPA AND COGECA ASSESSMENT

February 2021 - April 2021

This note provides an update to the Copa and Cogeca assessment [COV\(21\)770](#). For additional information, please consult Copa and Cogeca's previous assessments. This document is a non-exhaustive compilation of contributions received from Copa and Cogeca national member organisations.

Introduction

In general, while the market situation is stable, it is highly fragile and uncertain. The closure of many sales channels continues to put enormous pressure on various sectors (see report below). In addition, the agri-food sector is still adapting to the increase in export costs due to Brexit.

In spite of the uncertainties, several economists have predicted some positive developments for the second and third quarter with the vaccine rollout across the EU and with the potential relaxation of some restrictions. Nonetheless, Mother Nature has reminded us all that agriculture is very exposed to external factors that lie out of farmers' control. The recent spate of frost has inflicted considerable damage on many farms across Europe. While it is too early to quantify the damage, many farmers expect a historically low harvest. While not all regions or sectors in Europe have been affected to the same extent, this dynamic situation is evolving at the time of writing. The Copa-Cogeca Praesidium on 22nd and 23rd April will analyse the situation.

Furthermore, the suspension of tariffs related to trade disputes provided some relief to some agri-food products (mainly wine, dairy, etc.). For Copa and Cogeca, this move is of particular importance for the EU and US farming sectors. European farmers and agri-cooperatives encourage both partners to use these four months to find a permanent solution all the while preventing agriculture from paying a high price for a conflict that they are not involved in. The Airbus/Boeing case is not the only source of trade friction in the agricultural sector between both partners. There is a risk that a similar development could arise in the framework of the digital tax. In addition, Spanish black olive producers still have to face a 35% import tax because of a decision made by the US Administration in 2018.

Moreover, the latest trade statistics confirmed that in 2020 the value of EU agri-food exports increased to €184.3 billion (up by 1.4% on 2019). Once again, the agri-food sector is proving its resilience. EU agri-food products are recognised for their quality, sustainability and our high standards in terms of food safety, the environment, plant health, animal health and welfare. The EU agri-food sector not only guarantees food security in the EU but it also drives the EU economy, contributing a surplus of €62 billion to the EU trade balance. How many sectors can help to protect the environment and at the same time create jobs and growth in rural areas?

Sectoral analysis:

Wine

The recent wave of frost from 6th-8th April has inflicted considerable damage on vines, with France and Italy being hit the hardest. In certain regions, the situation is dire, as everything has been destroyed including the new buds. While it is too early to quantify the damage, winegrowers in France expect a historically low harvest and winegrowers in Tuscany fear losses could reach up to 50% of the new plantations. According to current estimates, 30% of the harvest has been lost in France, which is equal to a loss of €2 bn at the production stage alone; that is to say without counting the value added by bottling, designations or exports (this means that the real loss could be three times as high). While other EU countries have not yet been affected by the frost, draughts (e.g. in Spain) are expected to result in lower production.

The closure of the HoReCa sector and the collapse of agrotourism have further aggravated the situation, stifling demand for higher segment EU wines and boosting demand for cheaper imported wines. Furthermore, wine consumption has significantly decreased, and exports have dropped, both in value and volume. This has led to an exponential rise in stocks, which is negatively impacting the market. In this precarious context, winegrowers have lost a substantial share of their direct sales at wine cellars. Off-trade sales and the recent suspension of US tariffs have yet to offset the losses.

The European wine sector needs an extraordinary budget, equivalent to an annual budget of the National Support Programmes for the wine sector and that comes from outside the CAP, as well as crisis management tools for one more year. Additionally, in order for winegrowers to cope with the plethora of challenges and to be able to plan ahead, it is critical that the validity of planting and replanting authorisations for vines expiring in the year 2021 be extended.

Rice

Although the recent container shortages might have reduced imports slightly, the market situation remains fragile. The Commission report has recognised the cumulative impact of trade agreements (for both the conservative and ambitious scenario, it presents an increase in imports of between 2.7% and 3.9% by 2030). Therefore, Copa-Cogeca asked the Commission to extend the safeguard measures on rice from Cambodia and Myanmar beyond the expiry date and to also apply these to Japonica. Furthermore, we support the EU action to reassess the status of Myanmar as our close trading partner, given the unfortunate recent political developments in the country. Copa-Cogeca believes that the Commission can go further and that the trade preferences on rice should be withdrawn until the situation improves.

Honey

The cold weather has affected the development of bee colonies (the laying of larvae will be delayed by at least three weeks). In Italy, Hungary, Romania and France, the production of acacia honey is expected to be very low/almost non-existent.

Pigmeat

African swine fever continues to spread internationally in wild boar and domestic pigs, which is putting pressure on the EU market. While some regions in Europe are ramping up the management of wild boar populations, a lot of work remains to be done. The common market situation in Europe is recovering thanks to developments in international trade and especially the very high demand from China. Prices outside Europe (China, USA) are very high and the outlook looks very positive. The prices are now finally covering the costs, but due to the increased input prices they are still not sustainable in the long term.

Poultry and Eggs

The sector is slowly recovering from avian influenza. However, this week, veterinary authorities have reported some major outbreaks. Overall, the number of cases seems to be decreasing and countries are already lifting the housing orders. Several months ago, the egg sector in some MS faced more serious issues. These were mainly due to the closure of the food services sector and the lack of tourism. While the situation has improved a little due to the high demand over Easter, the problems may reappear in the coming weeks.

Flowers and ornamental plants

In the flowers and ornamental plants sector, the situation varies considerably from one country to another. In some MS, sales of all products are increasing, in others, income at the beginning of the year was below the level of that of last year – mainly due to the closures, frost and cold weather. The wind, hail and frost in early April have also caused considerable damage to summer flowers in some MS. While growers were trying to prevent frost damage by irrigating their crops, they very often lack equipment appropriate to the specific needs of their plants. It is important to ensure that the garden centres remain open over the course of the next few weeks as spring is the most important time of the year. The importance of the sector for the well-being of the population needs to be underlined.

Dairy

EU cow milk collection slightly dropped in January 2021 compared to 2020. The decrease in milk collection in the first month of 2021 translates into a production decline for most dairy products: SMP (-5.6%), butter (-3.9%), fermented milk (-3.7%) and cheese (-1%), except for WMP (+5%) and drinking milk (+0.1%). The average EU farm gate milk price was reported to be 0.9% lower than a year ago but 2.9% above the last five-year average. Average EU dairy prices, especially SMP, WMP, butter and whey powder prices (highest level since 2017), have continuously increased since the beginning of the year. Among the main drivers that will influence the market are oil and feed prices increasing, the uncertainty regarding COVID-19 and the negotiations between the EU and the UK.

Beef

COVID-19 has clearly had an impact on veal and high value cuts, as the closure of the HoReCa channel has affected cuts and products that are mostly consumed in restaurants. Production on average in the EU has decreased since 2020, especially the rearing of calves. Prices for all products, except once again for calves and veal, have increased year-on-year. That said, the latter have seen a positive development over the past few weeks (probably due to the aforementioned decreased production). With regard to trade, the EU imported more beef in 2020 than in the previous year (308,000 t in 2020 vs 248,000 t in 2019).

Sheepmeat

Light and heavy lamb prices are increasing, both year-on-year and over the past few weeks. Production dropped by 1.8% between 2019 and 2020. While EU exports have decreased by 1%, imports are down by one third due to the temporary reduction in the flows from NZ and AU. This exceptional situation is expected to be temporary.

Olive and Olive Oil

The market situation for the olive and olive oil sector has been quite stable, and there are already clear signs of recovery. Olive oil production in 2020-21 is expected to increase by 10% compared to the previous year. EU prices are steadily moving upwards, despite still being below the five-year average. According to the Commission's short-term outlook for agricultural markets, EU consumption is growing, exports remain stable, and imports and EU stocks could decrease. The recent suspension of the US tariffs and a significant drop in production in third countries, most notably in Tunisia and Turkey, have contributed to this.

Spirits

The spirits sector market situation varies significantly from one country to the next. In some Member States, the market is quite stable with consumption at home on the rise. However, in others, COVID-19 has caused a significant drop in production and sales for both premium and standard products. Exports and imports have also dropped. Small and medium producers have been affected the most by the closure of the HoReCa sector.

Organic Farming

No market disturbances have been reported, except for an overall organic feed shortage due to trade developments. On 25th March 2021, the Commission presented its Organic Action Plan, in which it outlined 23 actions to achieve the target of at least 25% of EU farmland under organic farming. Copa-Cogeca has welcomed the market orientation of the Action Plan and the Secretariat is preparing a detailed reaction with the Working Party on Organic Farming.

Fruit and vegetables

Consumers in the EU have increased their consumption, especially of citrus fruits, grapes, apples, tomatoes, and prepared tomatoes as a result of COVID-19 and the health situation. Imports, mainly of citrus fruits and fresh tomatoes, have increased more than exports, which remain stable. The price of apples is at a record high except in Poland. During the winter season, the tomato prices decreased. Fresh vegetables such as asparagus, artichokes and lettuce are suffering due to the closure of the HoReCa sector. Access to labour mainly from non-EU countries, rising costs for exports (access to containers), and higher production costs remain an issue in certain regions. Jams, juices, cherries and citrus fruits are benefiting the most from the suspension of the EU-US retaliatory tariffs. The postponement of the phytosanitary certification obligation from April 2021 to January 2022 and of physical checks from July 2021 to March 2022 for most fresh produce entering the UK is a welcome move. At this stage, it is difficult to gauge the exact impact of the wave of frost on orchards at EU level. After weeks of mild weather, several regions in Europe have experienced an exceptionally severe cold spell, which has halted flowering and seriously threatened fruit production. While other regions have experienced normal weather conditions thus far, there is a risk of frost until mid-May in Belgium, the Netherlands, Northern Germany, Sweden and Poland, etc. Several tens of thousands of hectares of orchards of peaches and nectarines, apricots, almonds, nuts, plums, cherries, kiwis, pears and apples have been damaged by frost in France, Italy, Spain, Southern Germany, Austria, Slovenia, the Czech Republic and Greece. Early vegetable seedlings (beetroot, carrots, peas) have not sustained as much damage as fruit trees. The cold weather is having a negative impact on fruit and vegetable consumption. The entire supply chain is suffering from the exceptional weather conditions. In some regions and market segments, in addition to extreme weather conditions, the sector is suffering from the consequences of new pests and the COVID-19 pandemic.

Potatoes

The closure of the HoReCa channel has resulted in lower demand for certain market segments. Processing industry activity has not picked up. The spot market prices remain stable at around €50-60/t depending on the variety. Growers will have to manage surpluses including for organic potatoes. Seed potatoes are not covered by an EU-UK equivalence agreement.

Cereals

European cereals are competitive on the world markets given the export taxes imposed by Russia on wheat, corn and barley. However, the prices have fallen since the beginning of March, more sharply for wheat than for corn. The EU ending stocks for this marketing year are expected to be lower. The initial forecasts for cereal production are expected to be above the trimmed five-year average for MY2021/2022 as the weather conditions are favourable. Greater price volatility is expected if the weather conditions are extreme or they delay the upcoming harvests. The recent cases of frost damage are localised in some regions. At this stage, it is difficult, if impossible to gauge the exact impact of the cases of frost at EU level. Durum wheat and winter barley are assumed to be more susceptible than winter wheat. There has been an upward trend in the price of fertilisers, mainly UAN, AN, CAN, Urea, since May 2020. The dried fodder sector is experiencing difficulties with exporting dried fodder on the international markets due to the lack of containers and higher freight costs. Planting of spring crops is delayed in a number of regions.

Oilseeds

The sector is majorly affected by the rise in oil prices, dynamic demand for palm oil, labour shortages and the introduction of an export tax in Malaysia, the lowering of import taxes in India to protect the domestic market from rising prices, uncertainty regarding soya bean shipments from Argentina, and the fact that oilseed prices have been on an upward trend. However, the recent move in the €/£ exchange rate weakens the competitiveness of European oilseeds. The EU ending stocks for this marketing year are expected to be lower. Attractive producer prices are leading to an expansion in cultivation area and therefore safeguarding feedstock supply to EU oil mills. At this stage, it is difficult, if impossible to gauge the exact impact of the recent frost at EU level. The flowering of rapeseed lasts several weeks.

Sugar - ethanol

There are great uncertainties. The lower demand for liquid fuels and the BRL/\$ exchange rate do not stimulate the recovery of the world sugar market. However, the world ending stock in September 21 is expected to be at the lowest level since 2017. Sugar prices on the European markets are lagging behind. The current sugar stocks are below the 2019/2020 level. Several tens of thousands of hectares need to be resown mainly in France (35,000 hectares), Southern Germany (5,000 hectares), the Czech Republic, Hungary and Slovakia due to the April frosts.

Aquaculture and Fisheries

Although the market is stable, the sector is still suffering from the closure of the HoReCa sector. An increase in the cost of inputs (mainly feed) and in imports has been reported.