

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

COPA AND COGECOA ASSESSMENT

June 2021 – September 2021

This note provides an update to the Copa and Cogeca assessment COV(21)3805. This document is a non-exhaustive compilation of contributions received from Copa and Cogeca national member organisations.

Introduction

According to the Commissioner for Health and Food Safety, Stella Kyriakides, over 75% of the EU population is vaccinated. Given this success, the EU economy is showing positive developments despite the remaining challenges and many uncertainties.

Furthermore, 2020 was an exceptionally challenging, yet successful year for EU agri-food trade, the total value of which reached €306 billion: €184 billion in exports and €122 billion in imports. Both values represent a slight growth of 1.4% and 0.5% respectively compared to 2019. We certainly agree with the Commissioner for Agriculture and Rural Development, Janusz Wojciechowski, who mentioned that “The success of agricultural trade is clearly linked to the Common Agricultural Policy, which supports competitiveness and innovation, and also to the excellent reputation of our products as being safe, sustainably produced, nutritious and of high quality.” From the EU farming perspective, we must ensure **fair trade and consistency with other EU policies such as the Green Deal**.

Even though EU citizens' lives are progressively going back to normal, farming is still seriously affected by the COVID pandemic in the short and medium term (see below). Significant uncertainties remain including those surrounding animal plant health and trade developments (e.g. Brexit). With regard to seasonal workers, the majority of our members acknowledged that the EU guidelines have been properly implemented. However, some Member States still are still facing a shortage of available workers or a lack of skilled workers, both locally and from abroad (especially in terms of digital skills). Overall, difficulties remain when it comes to coordinating social security and implementing an effective agri-food risk management system.

What is more worrying are the trends reported in key Member States, notably the increase in main production costs (e.g. feed (1), fertilisers (2), energy (3) and construction materials (4)), farming equipment (5), the scarcity of those inputs, the impact of adverse weather conditions and the effect of inflation.

(1) In the last twelve months, the price of feed has increased on average by 25% to 35% across Europe. In some MS, the situation has become critical, especially for pigmeat, with production costs considerably exceeding selling prices.

(2) Most fertiliser prices soared in 2021, particularly those for phosphates and urea. This was driven by strong demand and higher input costs. Potash prices remained broadly stable on ample supply. In Europe, the nitrogen solution (UAN) situation is particularly problematic. This is due to rising global fertiliser demand and gas and sea freight prices as well as insufficient

competition in the EU domestic market. However, the main cause of weak competition on the single market is the implementation by the European Commission of an anti-dumping tax in 2019 on UAN imports from the main producing countries. For users, UAN alone makes up 26% of their operating costs in Europe. The [continuation of the anti-dumping measures](#) prevents the operation of a fair and transparent market where UAN could help to overcome sustainability challenges, see CDP(21)5701. Furthermore, the Commission is proposing to apply the CBAM to steel products and fertilisers. The price of fertilisers will skyrocket, further increasing the cost of agricultural production in the EU while making the use of imported food more competitive and attractive.

AGRICULTURAL INPUT PRICES

Agricultural input	Monthly average	Annual change (%)	Monthly change (%)
ENERGY index 2010=100	79.4	170.4%	-0.5%
Crude oil, Brent (USD/bbl)	64.8	177.5%	-0.6%
Crude oil, WTI (USD/bbl)	61.7	273.5%	-1.0%
Natural gas, Europe (USD/mmbtu)	7.1	237.1%	16.6%
Natural gas, US (USD/mmbtu)	2.6	50.1%	1.8%
FERTILIZERS index 2010=100	101.6	37.8%	-2.5%
Phosphate rock (USD/mt)	95.0	34.3%	-1.3%
Diammonium phosphate (USD/mt)	543.4	92.7%	1.7%
Potassium chloride (USD/mt)	202.5	-17.3%	0.0%
Triple superphosphate (USD/mt)	478.0	95.1%	4.4%
Urea (USD/mt)	328.1	39.6%	-7.0%

Source: European Commission, DG AGRI Price Dashboard No 107 – April 2021 edition¹. This table displays price data for energy and fertilisers in the EU. Although it only provides data up until April 2021, it is intended to give an indication of the most recent price developments.

(3) The impact of electricity price increases across the EU has not yet been fully quantified (in some countries, the price increased threefold over the course of one year) nor has the spillover effect into agriculture. This has recently surfaced as a great cause for concern for some MS and MEPS.

(4) There have been many reports of an emerging shortage of construction materials for the building industry, and of the consequential 'supply and demand-related' increase in prices. Farmers are confronted with price hikes in the construction of buildings as well as with construction and commissioning times that are far from certain. This is due to limited supplies and shortages in the supply chain. We have received reports of price increases for steel, polyurethane insulation, metal sheet and wood. According to Eurometal, EU steel prices reached a 24-year high in June². For the European organisation, long steel product prices will remain strong in the near term, as mills have continued to report strong order books. The situation is similar on the wood market. The Global Sawlog Price Index (GSPI) has increased for three consecutive quarters to almost \$79/m³ in the 1Q/21, which is substantially higher than its 25-year average. The European Sawlog Price Index (ESPI) rose to €81.44/m³ in 1Q/21, which is up nine per cent on the previous quarter. The most significant price increases from late 2020

¹ https://ec.europa.eu/info/sites/default/files/food-farming-fisheries/farming/documents/commodity-price-dashboard_2021-05_en.pdf

² <https://eurometal.net/eu-steel-sections-prices-reach-a-24-year-high/>

occurred in the Baltic States and Eastern Europe³. This can push up the cost of a new livestock building by between 10% and 15%. In addition, this can increase the cost of renovating existing buildings, increasing production costs by 8% to 15%.⁴⁵ These elements should at least be taken into account in the debates at European level, such as those on phasing out cages on farms (e.g. cost, transition period, etc.).

(5) The general Business Climate Index for the Agricultural Machinery Industry in Europe seemed to reach its peak in the months of May and June, with the highest levels recorded since 2008 according to CEMA⁶. The volume of orders currently corresponds to a production period of 4.7 months, which is the highest value ever recorded by the European agricultural machinery survey. However, this situation does not reassure manufacturers, who report a decline in their overall optimism. In fact, even more uncertainty surrounds the extent to which the orders can be carried out against the backdrop of extreme price increases and shortages on the supplier side. 31% of the companies expect production to be stopped due to a lack of specific parts in the coming month. In this context marked by strong demand, rising steel prices and limited stocks of specific components, an increase in the prices of certain agricultural equipment is observed. It is also important to remember that the price of agricultural equipment has been rising steadily over the past decades⁷. Furthermore, applying a CBAM to iron and steel products will lead to an increase in production costs given their use in agricultural equipment and machinery.

It is against this backdrop of a rising food price index⁸ and a significant increase in farming input prices that MEPs within the AGRI and ENVI Committees decided to go beyond the Farm to Fork Strategy proposed by the Commission last week making the necessary transition untenable for farmers. The final text contains some interesting proposals and developments, particularly when it comes to innovation, carbon farming, trade and the strengthening of agri-cooperatives. However, a limited yet very impactful number of proposals cross the red line and quite simply call into question our food sovereignty, the future of our agriculture and our rural areas. This is all the more difficult for the farming community to understand as we are all only just beginning to realise the considerable impacts of this strategy in its basic version proposed by the Commission. (CDP(21)5868 (rev.1))

We also call for a real methodological breakthrough at EU level: we cannot continue to add objectives and targets without considering the costs incurred by and the impacts of these proposals.

Sectoral analysis:

Fruit and vegetables

Stone fruit orchards and apples and pears, to a lesser extent, have been damaged by cold snaps in several Member States. The 2021 stone fruit and pear harvests represent the smallest harvests on record in Europe in the last 30 years. According to Prognosfruit, EU apple production for the 2021/2022 season is estimated to be 11,735,000 T. This year's harvest is estimated to be up 10% on last year, but only up 1% on the three-year average. This marks the lowest pear harvest seen this decade. Brexit is still creating major problems. Practical solutions are needed for phytosanitary checks provided that the integrity of the single market is ensured. Access to seasonal labour, rising export costs, the Russian ban and higher production costs remain key issues.

Flowers and ornamental plants

³ <https://www.woodbusiness.ca/global-timber-lumber-prices-up-in-q1-2021-wrq/>

⁴ https://www.farminguk.com/news/farmers-feel-effects-of-rising-raw-material-prices_58573.html

⁵ <https://www.reussir.fr/la-flambee-des-prix-des-materiaux-de-construction-leste-les-couts-de-lelevage>

⁶ https://www.cema-agri.org/index.php?option=com_content&view=article&id=841&catid=24&Itemid=208

⁷ <https://www.entraid.com/articles/augmentation-prix-tracteurs-agricoles>

⁸ ⁸ FAO food price index - up 3.9 points (3.1 percent) from July and 31.5 points (32.9 percent) from the same period last year <http://www.fao.org/worldfoodsituation/foodpricesindex/en/>

The production of flowers and plants seems to be stable. It seems that with fewer restrictions people are falling back into old consumption patterns.

Potatoes

After the disruptions in 2020, potato markets are normalising in all segments except for starch due to the high level of stocks. The EU potato area is estimated to be 1.48 million ha, down by 3.3% y/y. Yields are expected to be in line with or below the five-year average. Quality may pose challenges for the supply chain. Farmers are facing increasing costs (plant health, storage, processing, trade, machinery and equipment).

Arable crops

The stocks in the major exporting countries are down and the harvests are lower than expected. The market is extremely volatile. Prices for all cereals and oilseeds in the EU are up year/year. Demand from China continues to be high. The EU 2021/2022 cereal balance sheet shows a EU total cereal production that exceeds EU consumption and an ending stock of 41 million metric tonnes compared to 46 last year. The EU durum wheat ending stock has dropped by about 0.5 million tonnes. Fertiliser prices are still at the highest level recorded in the past 12 months. The total EU oilseed harvest recovered from last year but remains below the five-year trimmed average for rapeseed. Sunflower production recovered more quickly. European farmers need high prices so that they can invest in new technologies to achieve the goal of the climate transition. With regard to maritime transport, the Baltic Dry Index (BDI) averaged 14 percent higher m/m in August reflecting robust demand for raw materials.

Sugar

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. In August, sugar prices peaked. The average EU price in June was up €18 on last year (EU price reporting).

Wine

The 2021 wine harvest is expected to be significantly lower compared to the previous marketing year. In Italy, wine production is estimated to reach up to 45.3 m hectolitres, a 9% drop compared to the previous year. Spain forecasts a harvest of 39.5 m hl, 7 m hl less than in 2020. Among the three major producing countries, France will experience the sharpest drop, -29% compared to 2020, as the harvest is not expected to exceed 33 m hl. Wine production in Portugal and Hungary is expected to remain rather stable, at 6.5 m hl and 2.5-3 m hl respectively. Several factors have contributed to the historically low and short harvest. In addition to the spring frosts that caused significant damage, diseases have exacerbated the losses. On a positive note, the quality of the grapes is expected to be considerably higher.

As far as the market is concerned, despite the reopening of the HoReCa sector and the suspension of the US tariffs related to the Boeing-Airbus dispute, the impact of the COVID-19 pandemic is still visible. In this context, the extension of the planting and replanting authorisations expiring in 2021 until December 2022 came as a welcome relief to winegrowers.

Pigmeat

European pigmeat consumption and production seem to be stable. The sudden drop in demand for European pork from third countries pushed the prices in many countries below €1.25/kg, which is significantly below the production costs (e.g. increased feed costs). Many farmers, including modern farms, are considering giving up pig production. There were protests organised by pig producers especially in the newer MS. Some national administrations are asking for support and long-term strategies. Access to labour in the meat industry remains challenging.

Poultry and eggs

Copa-Cogeca members are witnessing a slight decrease in consumption and production driven by the impact of avian influenza. Poultrymeat prices seem to be stable, whereas egg prices were under enormous pressure during the summer. While the latter slightly increased in September, the overall situation is still very tense especially due to the continuously high feed prices. Many farmers have decided to put the laying hens out of production and slaughter them earlier. In general, increased imports helped to put pressure on prices, despite a decrease in production.

Dairy

The price for raw milk has been stable since last month (€35.8/100kg) and there were increases in prices for butter, whole milk powder, skimmed milk powder and cheddar (+1.1%, +1.0%, +2.8% and +0.3% respectively). Raw milk production is stable. Butter (-0.9%), SMP (-3.7%) and WMP (-12.1%) production have decreased compared to last year. While EU exports have decreased for butter, SMP and WMP, they increased for cheese in the first half of 2021 compared to last year.

Beefmeat and sheepmeat

Beefmeat prices are increasing, averaging €389.1/100kg, +10.2% since last year (for young bovines/young bulls/steers). While production is stabilising, it is decreasing in some categories like bulls, bullocks, and young cattle.

Sheepmeat prices are still increasing for light lamb, which lies at €633.7/100kg, +7.4% compared to last year. For heavy lamb, we are at €656.7/100kg, +10.4% compared to last year. Sheep slaughtering is up 1.4% compared to 2020 (first semester) and goat slaughtering is at +8%. EU exports have increased by 4% on average, whereas imports have decreased by 19% (driven by NZ produce).

Olive and Olive Oil

The outlook for the table olive and olive oil markets is positive. Consumption in the EU is recovering in several channels (mainly retail and progressively in the HoReCa sector). Exports have increased in value. According to the latest IOC figures, extra virgin olive oil prices in September 2021 are up 60% compared to the same period in the previous marketing year. The harvest is expected to be average in most countries except for Greece where production is expected to drop by 25% due to the summer wildfires.