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Report Name: EU Consumers Hunker Down While Agri-Food Supply Chains Show Resiliency

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Report Highlights:

With the onset of the COVID-19 pandemic, it is difficult to generalize consumer behavior and market developments across all 27 EU Member States. Nevertheless, patterns are emerging. In the first few two weeks of widespread quarantine, many grocery retail outlets reported a surge in demand and some hoarding of shelf-stable foods, canned goods and pantry staples. Despite logistical challenges along the food supply chain, farmers, transporters, and grocery retailers have been largely successful in keeping the shelves stocked and stores open. Shocks to the agri-food chain have waylaid some crops at the farm level, such as asparagus and ornamental crops. Prior to the pandemic, EU policy makers were set to shake up government funding and policy goals for agriculture. Tense debates about

reducing the EU agriculture budget and increasing regulatory stringency for farmers under the European Commission's Green Deal are on hold for now as a result of the crisis.

Boarding Up the Borders

Over the past several weeks in response to the spread of COVID-19, Member States (MS) of the EU closed borders to non-essential travel while rapidly re-establishing quasi-national borders within the Schengen Area. Due to rumors of potential food shortages and the fear of grocery store shelves going bare, consumers raced to stock up. Nielsen reported that compared to the same period a year ago, grocery and convenience store sales in Belgium and France increased 37 and 30 percent, respectively, during March 16-23. Looking ahead, price volatility remains a concern, but policy makers are focused on solving immediate issues affecting upcoming harvests and the distribution of goods.

On March 16, 2020, the European Commission published MS [Guidelines on border management measures](#) to protect health and ensure the availability of goods, with the aim to "guarantee the supply chain of essential products such as medicines, medical equipment, essential and perishable food products and livestock." Despite that guidance, news outlets reported major disruptions at some MS border crossings. The Commission and MS agreed on "[Green Lanes](#)" to ensure expeditious movement of critical and perishable products. Currently, most European borders are free of major slowdowns, but outside of the Schengen Area, in Bulgaria and Romania, slow-downs persist.

Migration Restrictions Threaten Spring Harvests, Pruning, Processing and Transportation

Although grocery retail shelves remain mostly stocked, EU food and farming organizations were quick to sound the alarm that COVID-19 movement restrictions would pose major challenges to the single market and distribution of food across the EU. The EU fresh produce industry organization, FRESHFEL, alerted officials to the need to secure seasonal workers and their ability to "move to places where there is a need." Media highlighted German asparagus production as one of the first harvests affected by a shortage of seasonal laborers from Bulgaria and Romania. As the realization of an agricultural labor shortage became more widespread, political leaders from various MS called upon the newly unemployed to work in the national harvests. French Agriculture Minister Didier Guillaume made an impassioned plea to those out of work to help fill 200,000 farm jobs, calling it the "great army of French agriculture!" After Czech borders were closed to migrant labor thereby threatening hops field operations and harvesting, the Hops Growers Union appealed to upwards of 2,000 out of work car factory laborers and others. Meanwhile, policy makers and industry voiced some concerns that the urban unemployed would not be able to fully and immediately address the field labor shortage, without the necessary skills and familiarity with farming. On March 30, the Commission published Practical [Guidance](#) to Member States recognizing that "critical occupations" should be exempt from intra-EU movement restrictions. This guidance included exemptions for food and agricultural workers. EU Member States are now coordinating to assess and fill critical labor gaps while ensuring health and

safety measures are followed. On April 2, Germany announced the agri-food sector could recruit from within the EU 40,000 seasonal workers in April and 40,000 in May, along with measures to protect worker and public health. Nevertheless, EU borders remain closed for non-EU migrant labor, complicating the upcoming strawberry harvests in Schengen border Member States such as Spain and Poland, whose operations rely on seasonal workers from North Africa and Ukraine, respectively.

The retail sector is also concerned about movement restrictions and a workforce stretched thin by the crisis. Processing, transport and agri-food retail laborers contend with burnout, reduced public transport schedules, challenges securing childcare under quarantine, and likely increased exposure to COVID-19. The Belgian trade organization representing food and beverage producers FEVIA, reported from a survey of its members that 60% of food companies are experiencing increased absenteeism and reduced staffing is having an impact on production at 39% of FEVIA members' operations. FEVIA indicated food shortages are not likely, but that workers are under tremendous strain. In response to the pandemic, several retail outlets reported offering bonuses to frontline employees. Businesses are enthusiastically embracing the social media campaign #FoodHeroes, which recognizes the contributions of food industry workers in addressing the crisis. Several trade unions in France are advocating for better working conditions for grocery retail workers and truck drivers. During the week of April 3, several Belgian retail grocery stores experienced limited worker strikes to call attention to the need for additional protective gear and better pay.

Hospitality Focused and Higher-Value Food and Agri-Products See Markets Shrink and Close

EU exemptions for seasonal agricultural labor may help salvage some of the asparagus harvest, but another challenge awaits growers and suppliers: the collapse in demand from the hospitality and restaurant sectors. Products such as fresh asparagus, certain cuts of meat, fresh fish, and cut flowers and ornamentals are facing a precipitous drop in demand. The near complete shuttering of fast food chains left French and Irish beef farmers with far fewer buyers. The recent market access success for an exclusive trade quota of U.S. high quality beef (HQB) also has fallen victim to disappearing demand. The U.S. HQB first quarter quota of about 5,000 metric tons was almost filled by March 31 but will likely go unfilled in the second quarter as importers scramble to sell existing stocks to a beleaguered restaurant industry. Spain, the top pork producing country in the EU, reported demand for young hogs has fallen due to decreased intra-EU trade. The fish industry also is reporting significant demand shocks. Europêche, the EU trade association representing fishing enterprises in the EU, expressed concern over the collapse in first-sale fish prices. The Netherlands, the EU's top flower producer and exporter with an export industry value over €6 billion, indicated that growers are donating and/or destroying flowers due to market collapse in the EU and abroad.

Pre-Pandemic, Policy Makers Set to Cut Funding and then Green EU Agriculture

Despite an uptick in appreciation for the contributions of food and agricultural workers during the COVID-19 crisis, emphasized by the hashtag #FoodHeroes, the EU agricultural sector was, and remains, under pressure to do more with less government support. The EU's Multiannual Financial Framework for the 2021-2027 budget cycle remains under negotiation, with agricultural funding a target for cuts; the Common Agricultural Policy (CAP) currently represents about 40% of the total budget. CAP programs include cash transfer payments to farmers and rural development initiatives. In addition to shrinking budgets, many expected that the future CAP and the Commission's forthcoming agricultural policies embedded in the new "[Green Deal](#)" would require farmers to ramp up their investments to improve environmental performance. In response to the pandemic, the Commission announced a one-month delay for the release of the Green Deal's Farm to Fork and Biodiversity Strategies from March 25 to April 29. Since the crisis began, factions within the European Parliament continue to pen letters calling on the Commission to further delay and/or scale back these Green Deal strategies, yet others have urged the Commission stay the course. On April 3, the largest EU farming organization Copa-Cogeca called for EU policy makers to re-assess agri-food strategies of the Green Deal while an environmental NGO called the request COVID opportunism.

Policy Makers Consider Their Options

With the financial shocks of the pandemic continuing to unfold and the normal lags in intra- and extra-EU trade data reporting, industry is mobilizing to capture impacts to affected food and agricultural sectors and advocate for relief. EU policy makers are weighing options. Responses floated to or by policy makers are: extending the current CAP and associated funding levels; undertaking exceptional measures, including those for affected sectors that are outside of the CAP scope, e.g., the hard-hit nursery and flower sector; and tapping the [Common Market Organization Regulation](#) for loss interventions and storage aid. Given disruptions in export markets and intra-EU trade— as well as other pre-existing market forces beleaguering some EU farm sectors—there are calls for public financing for private storage to deal with supply gluts of wine, olive oil, sugar, beef and dairy.

Unless EU Heads of State approve additional funding via measures such as the much-debated "Corona Bonds," COVID financial agri-aid comes via re-programming funds and loosening eligibility requirements. On April 2, the Commission announced measures to provide advances some EU farmers receive through the CAP, increasing direct payment advances from 50 percent to 70 percent. EU Commissioner of Agriculture and Rural Development Janusz Wojciechowski also announced that MS could re-purpose outstanding funding from each Member State's Rural Development (RD) CAP budget to provide support to the farming sector and other areas affected by COVID-19. The Commission estimated this funding could be between \$6-17 billion, depending on whether Member States have already committed the RD funding. Another issue is that the RD money is earmarked for poorer regions, which may not be the same regions most affected by the COVID-19 crisis.

Conclusion:

The COVID-19 pandemic has reminded policy makers and the public of the primacy and vitalness of EU farmers, truckers, and food workers. This appreciation may re-shape the terms of the debate for both the ongoing EU budget negotiations and the Commission's COVID-19 responses, as well as the timing of and new requirements for farmers in the Commission's forthcoming Farm to Fork Strategy. With the possibility of some produce disruptions, we expect agri-food supply chains to continue to perform well in the coming weeks.

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Attachments:

No Attachments.