

Research for AGRI Committee – Preliminary impacts of the COVID-19 pandemic on European agriculture: a sector-based analysis of food systems and market resilience

KEY FINDINGS

- Overall, during the pandemic, the EU agri-food supply chain has demonstrated a **high degree of resilience**. The **value of the output of the agricultural industry declined by 1.4% in 2020** compared to 2019, although, when compared to the 2015-2019 average, it grew by 2.9%. Nonetheless, sectors highly dependent on the food service (e.g. **wine, beef and veal**) have faced major difficulties. **Flowers and plants** and **sugar** have also suffered considerable financial losses.
- The EU response was **highly effective** in preserving the integrity of the Single market. Conversely, **measures** adopted **under the Common Agricultural Policy (CAP)** had **mixed results** having been implemented partially or inconsistently across Member States (MSs).
- The costs of the crisis for the EU agri-food sector will be borne primarily by MSs. National financial support - namely in the form of State aids (**estimated EUR 63.9 billion**) and other instruments – has been significantly higher than EU support (**EUR 80 million** in private storage aids).
- To better respond to future crises, policy responses should be designed following a '**food systems approach**'. Moreover, the reasons behind the limited impact of CAP measures during the pandemic should be better investigated. Consideration should also be given to the **decoupling of the CAP crisis reserve** from farmers' direct payments to reinforce EU financial capacity during crises. Finally, because of the economic consequences of the pandemic, **food assistance programmes** for the most deprived are needed.



The present document is the executive summary of the study on "Preliminary impacts of the COVID-19 pandemic on European agriculture: a sector-based analysis of food systems and market resilience". The full study, which is available in English can be downloaded at: <https://bit.ly/3yQbTOT>

This study provides a preliminary quantitative and qualitative analysis of the impact of COVID-19 on European agriculture and the agri-food supply chain in light of the responses deployed by the European Union and its Member States to mitigate its effects.

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Overall impact of COVID-19 on the EU agri-food supply chain

The EU agri-food supply chain demonstrated a **high degree of resilience** during the pandemic. The **value of the output of the agricultural industry declined by 1.4% in 2020** compared to 2019, although, when compared to the 2015-2019 average, it **grew by 2.9%**.

Farm incomes also declined compared to 2019 (**-7.9%** corresponding to **EUR 7.1 billion**).¹ Food and drink production (-9% in the second quarter of 2020 compared to 2019) and the food service sector (60-90% of estimated losses compared to 2019) suffered as well. Conversely, retail sales increased with **online food sales** registering the highest growth during the first months of the pandemic (+45% compared to pre-pandemic levels).

Initial challenges for the EU agri-food supply chain included increased food demand due to consumer panic buying; labour 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.

During the first wave of the pandemic **European farmers** suffered **significant economic losses** as a result of supply chain disruptions and/or the closure of specific trade channels (e.g. food service). Those disruptions led to **production surpluses**, and, in the absence of targeted market management measures across all sectors, surpluses had to be disposed of.

The **food service sector** was **severely impacted** by COVID-19: restaurants, canteens, and bars were repeatedly targeted by national restrictions limiting their functioning. **Food retailers** were generally allowed to remain open during the pandemic. However, because of COVID-19, traditional retail business models increasingly shifted to **e-commerce** and/or implemented **local sourcing policies**.

Finally, the pandemic significantly impacted **consumer preferences**. Consumers are increasingly interested in buying food online, in convenience shopping as well as in the consumption of healthy products. However, for **low-income groups** price has become a key determinant of food choice often to the detriment of healthier options.

Impact of COVID-19 on selected EU agri-food sectors

Overall, the study shows that, despite the pandemic, the EU agri-food sector performed relatively well in 2020 with **production and trade levels remaining stable**. **Food prices** also remained stable across sectors; according to FAO Food Price Index, global food prices have even been on an upward trend over the last months.

There are however sectors which were affected more severely than others.

Concerning the **wine sector**, value of EU production (-5%) and Extra-EU exports (-2%) dropped in 2020 compared to the 2015-2019 average. Highly dependent on the food service for the sale of high-quality wines, this sector has faced considerable challenges during the pandemic due to the combined effects of COVID-19, specific trade irritants and lack of additional financial support. Similarly, the **beef and veal sector** was severely impacted by the closure of restaurants: EU production and Intra-EU trade for these products registered a significant decrease in value in 2020 compared to the 2015-2019 average (-6% and -7%, respectively).

¹ Farm incomes have not formed part of the present study whose primary focus are the market support measures adopted at EU and national level during the pandemic.

Sugar consumption decreased during the pandemic which reflected lower production levels (-12% compared to the 2015-2019 average). Global sugar prices negatively affected Extra-EU exports (-44% in value compared to the 2015-2019 average). Among ornamental products, **flowers and plants** is a category that experienced significant financial losses due to COVID-19 (**EUR 4.12 billion** estimated in the first wave alone).

EU and national responses to mitigate the effects of COVID-19 on the agri-food supply chain

The **EU response** has been **highly effective** in preserving the integrity of the Single market through the introduction of transportation '**Green lanes**' as well as the development of common **guidelines addressing the agri-food workforce** (e.g. seasonal workers).

Conversely, **CAP measures** adopted during the pandemic **had mixed results**. On the one hand, **flexibility in the application of CAP rules** was generally regarded as useful and adequate. On the other, **market-management measures** introduced for specific agri-food sectors (e.g. derogations from competition rules, private storage aids, crisis distillation) were implemented partially or inconsistently across MSs and their market impact has been limited.

Under the **Temporary Framework for State aids** (March 2020-January 2021), MSs have allocated at least **EUR 63.9 billion²** to the **agri-food sector**, together with additional financial and/or non-financial measures. The comparison with the market measures introduced by the EU during the pandemic (**EUR 80 million** for aids to private storage) and the fact that other EU financial mechanisms have not been activated (e.g. the CAP crisis reserve) indicate that the **economic burden of the crisis will be borne primarily by MSs**.

Considering the limited CAP budget for the period 2021-2027, in future crises affecting the EU agri-food sector MSs will continue to play a central role. Nonetheless, EU contributions via CAP in times of crisis could be still strengthened by ensuring the **decoupling of the crisis reserve** from farmers' direct payments and **improved market management measures** based on the present experience.

² Value determined on the basis of the MSs fiches contained in Annex 4 to the study excluding national umbrella schemes.

Further information

This executive summary is available in the following languages: English, French, German, Italian and Spanish. The study, which is available in English, and the executive summaries can be downloaded at: <https://bit.ly/3yQbTOT>

More information on Policy Department research for AGRI:

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