AT A GLANCE
Requested by the AGRI committee
Study in Focus

European Parliament

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

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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 only 1.4% in 2020 compared to 2019 and, when compared to the 2015-2019 average, grew by 2.9%.

Main observations

The study

provides a preliminary analysis of the impact of COVID-19 on European agriculture and the agri-food supply chain in light of the responses deployed by the EU and its Member States to mitigate the pandemic's effects.

Declining food and drink production levels (- 9% during the second quarter, as compared to 2019) resulted in lower **farm incomes** (**-7.9%** as compared to 2019,corresponding to **7.1 billion EUR**). With the closure of bars and restaurants, the food service sector was particularly affected (60-90% of estimated losses as compared to 2019). Conversely, retail sales increased with **online food sales** registering the highest growth during the first months of the pandemic.

The first challenges that the EU agri-food supply chain had to face were related to an 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**, which, in theabsence of targeted market management measures across all sectors, had sometimes 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. While **food retailers** were generally allowed to remain open during the pandemic their traditional retail business models increasingly shifted to **e-commerce** and/or implemented **local sourcing policies.**

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PE 690.879 - June 2021

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Finally, the pandemic significantly impacted **consumer preferences**. Consumers showed an increased interest for online and convenience shopping and healthier products. However, for **low-income groups** price has become a key determinant of food choice during the pandemic, often to the detriment of healthier options.

Overall, the study shows that, despite the pandemic, the EU agri-food sector performed relatively well in 2020 with **production, food prices and trade levels remaining stable across most sectors.**

Concerning the **wine sector**, value of EU production (- 5%) and Extra-EU exports (-2%) dropped in 2020 compared to the 2015-2019 average. Similarly, the **beef and veal sectors** were severely impacted by the closure of restaurants: EU production and Intra-EU trade for these products registered a significant decrease in value in 2020.

Sugar consumption decreased during the pandemic which is reflected in 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 (4.12 billion EUR estimated in the first wave alone).

Conclusions and policy recommendations

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 because they were** implemented partially or inconsistently across Member States (MSs). National financial support - namely in the form of State aids (**estimated** at **63.9 billion EUR**) and other instruments – has been significantly higher than EU support (**80 million EUR** in private storage aids).

This study recommends :

1. A **Food systems' approach**: future policy responses to crises affecting the EU agri-food supply chain should take into account all actors of the food chain.
2. **Market management measures**: a reflection is needed on how market management measures can be better designed so that food operators can effectively use them during future crises.
3. A **crisis reserve**: the decoupling of the crisis reserve from farmers' direct payments would reinforce the EU financial capacity in times of crisis.
4. **State aids** : the short and medium-term market impacts of the State aids provided by MSs during the pandemic should be monitored in order to assess whether they resulted in competition distortions.
5. **The continuity and adequacy of food supplies**: food assistance programmes (in particular for the most deprived) should be further supported to alleviate the economic consequences of the pandemic on European households.

Key areas for EU action

1. Food systems' approach
2. Market management measures
3. Crisis reserve
4. State aids
5. Continuity and adequacy of food supplies

The present note is based on the study: *Preliminary impacts of the COVID-19 pandemic on European agriculture: a sector-based analysis of food systems and market resilience*, authored by: Arcadia International: Francesco Montanari, Inês Ferreira, Filippa Lofstrom, Cesare Varallo, Simone Volpe, Elta Smith; VVA: Maria Kirova, Axel Wion, Una Kubota; Agroportal: José Diogo Albuquerque
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