



THE EU NEEDS TO RAISE TO THE CHALLENGE OF THE COVID-19 CRISIS IN AGRICULTURE MARKETS

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The Covid-19 crisis is already impacting agriculture in a number of ways: cross-border flows of agriculture goods face delays, and in some areas there are not enough workers.

These are serious problems. We understand that measures are being taken to speed up cross-border trade, and particular work shortages can only be addressed at regional and local level.

However, there is an area where the EU, and in particular the European Commission, needs to be extremely vigilant and proactive, as it falls squarely under her responsibility.

We refer to the agriculture markets, which are poised to suffer dearly as a result of the Covid-19 crisis.

There is already a dramatic impact on the flower and ornamental plants sector, which directly and swiftly feels the blow of shop closures. Other sectors, more dependent upon restauration, will also be impacted. Consumption of fresh products may suffer as a result of confinement, as families shop less frequently and daily routines are upset.

However, the worst is unfortunately still to come. The Covid-19 crisis will evolve into a full blown economic crisis, as a result of the closure of so many economic sectors. Some countries will be more impacted than others, but all will suffer and the EU will face a steep recession.

A recession will cause a reduction of demand for agriculture products and a shift of demand to cheaper products. To make things worse, there is no escape valve through exports, as the crisis strikes worldwide. On the contrary, exports will also suffer.

It is thus predictable that agriculture markets will to some extent, some more than others, fall into crisis in a depressed economic environment.

What should the European Commission do? Should it adopt a wait-and-see policy? Should it rely solely on the current CAP crisis management tools? Should it just raise the level of state aids, instead of pursuing a common approach?

The US have followed another route, they prepared for the consequences by raising the agriculture budget by \$ 48 billion, including \$14 billion to replenish the Commodity Credit Corp., a Depression-era program designed to stabilize farm incomes, and \$9.5 billion to support producers of specialty crops, livestock and dairy, as well as those who supply farmers markets, restaurants and schools.

This relief package comes on top of two previous aid packages to compensate for the losses of US farmers in the US-China trade wars.

In the EU, the producers affected by the US retaliations on the Airbus dispute, in particular wine producers, haven't received any specific support. As Farm Europe already pointed out the divergence of support to farmers across the Atlantic is widening.

So far the European Commission has only relaxed state aid rules to cope with the Covid-19 crisis. Whilst it is understandable to relax state aid rules in times of crisis, on its own it will create distortions between farmers in countries which have the economic might and the political will to help the sector, and those who haven't.

And even a host of state aids is not the response to EU-wide market crisis. Those can only be tackled by common measures.

Farm Europe strongly believes that we need to learn from past experience. In the latest market crisis, be in the two dairy crisis, or the fruit and vegetables, it was clear that intervening when the crisis had fully developed cost more and caused more economic and social pain.

In addition, the current CAP is ill-equipped to address severe market crisis in many sectors, as for instance the intervention triggers are way too low and the tool box isn't bold enough. Risk management tools defined in 2013 and refined thanks to the Financial Omnibus are not equipped to face such a crisis. They provide answers to market volatility not to deep crisis.

Therefore a wait-and-see approach is clearly a mistake. **The EU needs to anticipate the pain to come and equip herself to deal with it.**

It is crucial that the EU moves swiftly to create a real crisis reserve, with the appropriate rules of engagement. COMAGRI has proposed it, the European Commission should take the initiative as a matter of urgency.

We need more than 400 million euros, we need to have rules of engagement that allow the Commission to intervene quickly to redress the markets, by the best means available – e.g. reducing supply and compensating farmers for the output loss, intervening more decisively. And the last thing farmers need is to see their direct payments cut by the amounts used to fight the crisis.

This crisis risks to be bolder and more profound than before. The European Commission should not rely on CAP crisis management tools that have not worked properly in the recent past, and instead build new ones. **The transition Regulation could be a legislative vehicle to quickly implement them. Let's not miss the opportunity.**