



COVID-19 IMPACT ASSESSMENT

IMPLICATIONS OF THE COVID-19 PANDEMIC FOR THE
EUROPEAN FRESH FRUIT & VEGETABLE SECTOR

MAY 2020



DISCLAIMER

This Impact Assessment has been prepared by Freshfel Europe based on its internal analysis of the impact of the COVID-19 pandemic on the sector. The Impact Assessment is the result of the collection of views and experiences of Freshfel Europe's Members on current bottlenecks and challenges faced across the supply chain. Therefore, the issues discussed should be understood in the present date and are subject to evolution. Freshfel Europe is not liable for any incorrect or incomplete content and/or translation.

This Impact Assessment has been prepared by the Freshfel Europe Secretariat (Content: Philippe Binard, Nelli Hajdu and Natalia Santos-Garcia Bernabe; Design: Nicola Pisano and Gil Kaufman).

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PURPOSE

The purpose of this Impact Assessment is to provide a comprehensive overview of the key challenges the European fresh fruit and vegetable sector is facing as a result of the coronavirus crisis pandemic worldwide. This document outlines the main bottlenecks and difficulties identified so far for each of the layers of the supply chain, as well as potential challenges to come in the mid to long-term as a result of the crisis. Furthermore, a number of recommendations to mitigate risks are included for each supply chain layer, as well as some joint recommendations relevant to the sector as a whole.

This report and its recommendations should guide policy-makers who assist the sector in overcoming the far-reaching implications of the COVID-19 crisis for fruit and vegetables.



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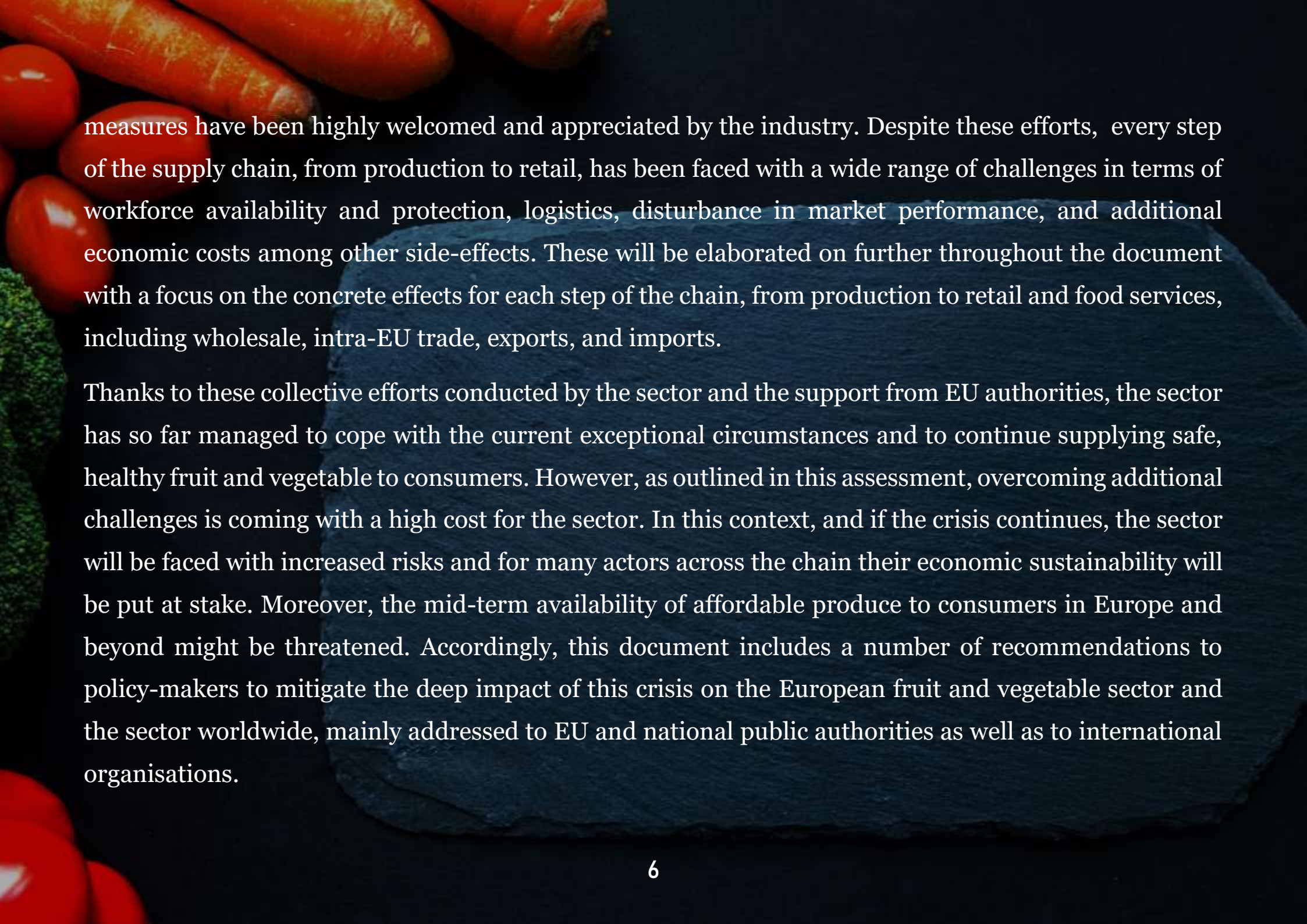
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A close-up photograph of fresh vegetables, including several bright orange carrots and red cherry tomatoes, arranged in the top left corner of the page. The background is dark and textured, resembling a stone surface.

INTRODUCTION

The fast spread of COVID-19 around the world has resulted in an unprecedented global health crisis. This emergency has had a deep impact on people's lives, and also created great socio-economic challenges for all sectors. The European fresh fruit and vegetable is no exception. The fresh fruit and vegetable sector has played a particularly relevant role amid this emergency, as guaranteeing the supply of safe, healthy food has been identified as a key priority for regulators in Europe and beyond.

Nonetheless, the identification of the European fresh fruit and vegetable sector as an 'essential' sector has not spared it from facing significant difficulties. As the pandemic spread, EU countries and trade partners have taken increasingly restrictive measures to contain the spread of the virus. This has forced the sector to constantly adapt and re-adapt to secure continuous operations and supply to consumers, whilst also ensuring the protection of its personnel and the safety of products. EU and national authorities have swiftly responded to the challenge to enable the sector to continue operations with key measures, which have allowed operations to continue, such as the set-up of 'EU Green Lanes' or the development of guidelines for Member States on seasonal workers. These EU and Member States crisis management



measures have been highly welcomed and appreciated by the industry. Despite these efforts, every step of the supply chain, from production to retail, has been faced with a wide range of challenges in terms of workforce availability and protection, logistics, disturbance in market performance, and additional economic costs among other side-effects. These will be elaborated on further throughout the document with a focus on the concrete effects for each step of the chain, from production to retail and food services, including wholesale, intra-EU trade, exports, and imports.

Thanks to these collective efforts conducted by the sector and the support from EU authorities, the sector has so far managed to cope with the current exceptional circumstances and to continue supplying safe, healthy fruit and vegetable to consumers. However, as outlined in this assessment, overcoming additional challenges is coming with a high cost for the sector. In this context, and if the crisis continues, the sector will be faced with increased risks and for many actors across the chain their economic sustainability will be put at stake. Moreover, the mid-term availability of affordable produce to consumers in Europe and beyond might be threatened. Accordingly, this document includes a number of recommendations to policy-makers to mitigate the deep impact of this crisis on the European fruit and vegetable sector and the sector worldwide, mainly addressed to EU and national public authorities as well as to international organisations.

EU PRODUCTION

The EU is producing around 80 million T of fruit and vegetable destined to the fresh market of which more than 30 million T are destined for intra-European trade and 5 million. T for export. The major part of production, roughly 55 million T, is consumed in the Members States where it is grown and ensures the immediate supply to the local population with fresh or minimally processed products. At European level, it is estimated that up to 25 million T of fruit and vegetables is consumed out of home, reaching the final consumer through the diversity of foodservice channels. The fruit and vegetable production in the EU is a key element in ensuring good nutrition in the European Union. The local component combined with the additional assortment coming from other Member States ensures a diversified diet, further completed by imports, for European consumers. During the COVID-19 outbreak, it was therefore highly important that fruit and vegetable were recognized as 'essential goods' to secure uninterrupted supply of fresh quality and healthy produce to European consumers confined at home.

WORKFORCE AVAILABILITY AND PROTECTION OF WORKERS

- Shortage of workers due to travel restrictions resulting in limited capacity for harvest, planting and preparation works
- Restriction on mobility of workers on-site as a result of social distancing measures
- Increased competition for workers across the chain and with other sectors
- Slow-down of production because of social distancing requirements.
- Lack of harmonised guidelines and measures to ensure health of incoming seasonal workers and continuous safety during their stay
- Limited availability of necessary material for the protection of workers, including hand sanitisers, hand washing facilities, and masks

LOGISTICS

- Mobility of workforce
- Distortion in working times
- Challenges to ensure safe accommodation of workers
- Availability of packaging materials, PPPs, fertilisers, seeds and plants
- Slowdown in operations due to social distancing at production sites

SHORT-TERM IMPACT

LONG-TERM IMPACT

- Continued limited protection of workers, which could impact the future availability of products on the shelves and damaged image for the sector as of not being able to protect its workforces during the crisis
- Continued divergence of measures could result in uncertainty, create distortions in production outcome, and affect some Member States and regions more than others
- Continued reliance on volunteers and re-distributed workforces will leave the sector in continued uncertainty with regard to this and the season 2021 partially due to a lack of experience amongst volunteers
- Limited capacity to prepare the production for the next season which will have impact on the availability of goods in 2021

- Ensuring the crop for the next year as the different emergency measures impact the speed of production
- Turn to more mechanised production to the detriment of more work intensive goods, leaving some crops exposed to market crisis

MARKET PERFORMANCE

- General adaptation of the sector to higher demand and a shift in distribution channels.
- Starting picking problems in particular for more perishable goods such as strawberries and asparagus with impact on consumer end-price
- Limited substitution between market outlets, as retail channels have different requirements than foodservices,
- Higher volatility in market prices due to market situation.

ADDITIONAL COSTS/ECONOMIC IMPACT

- Increased costs for productions: by higher costs for workforce, personal protective equipment (PPE) with growing prices due to demand, increasing transports costs by intra-EU trade, increasing transport costs for bringing workers to orchards, greenhouses, and fields, additional accommodation
- Limited credit insurance coverage which should be 100%
- Losses affected by decreased demand: in particular for convenience and foodservice produce such as lettuce, cucumbers, asparagus, strawberries, micro-vegetables, fresh cuts, mushrooms, and specialties, etc.
- Missing or delayed payments beyond the legal 30-days limit of Directive 2011/7/EU

SHORT-TERM IMPACT

LONG-TERM IMPACT

- Supply challenges because of 1) less maintenance of orchards, less sustainable adaption of IPM programs 2) uncertainty for future planning 3) continued picking issues will lead to decrease of supply of affected summer crops in the upcoming months 4) lack of capacity to prepare the following season and 5) price volatility
- Potential food loss
- A possible more permanent shift to more locally and seasonally produced fruits and vegetables
- Retailers and consumers ask for more prepacked quantities
- Losses for unpicked produce
- Losses for the next season through limiting planting capacities and trimming of fruit trees
- Additional cost of increased packaging activities: as demand for packaged fruit and vegetables is increasing
- Continued costs for maintaining social distancing measures
- Continued costs for limited credit insurance coverages

SHORT-TERM IMPACT

LONG-TERM IMPACT

OTHER SIDE-EFFECTS

- Continued “war” economy
- Image of seasonal workers
- Uncertainties of planning crops
- Shortages of input and supply, including plants for planting and seeds
- Increased focus on food safety and awareness-raising among consumers

- Increased debate on worth of seasonal workers for economic stability: which may lead to a further encouragement to strengthen the position of ‘so-called’ cheap labour as the successful outcome for agriculture
- Shortages of input and supply

SHORT AND LONG-TERM IMPACT

RECOMMENDATIONS

- Effective implementation of guidance on mobility of seasonal workers
- Implementation of “green lanes” for seasonal workers
- Financial support to sustain added costs for social distancing measures
- Exceptional flexibility for working shifts
- Inclusion of ‘related services’ as essential activity
- Prioritization of the sector for access to PPE to restore competitiveness and efficiency of the sector
- Compensation and future security
- Additional flexibility for administrative procedures
- Administrative flexibility and incentive schemes for volunteering or re-located workforces
- Review of legal environment and payment conditions for seasonal workforces
- Clear recommendations about product safety and handling
- Adaptation of EU policy-planning to take into account the effects of the pandemic

WORKFORCE AVAILABILITY AND PROTECTION OF WORKERS

The outbreak of COVID-19 in the EU, starting in key-producing countries such as Italy, France, and Spain, but present now in all EU Member States with fruit and vegetable production, have been heavily affected by the emergency measures introduced in the early phase of crisis management in March 2020. This has been firstly a result of the internal measures taken by the Members States about implemented curfews and restrictions of mobility, which heavily impeded the ability of workers to reach their production sites and packhouses. Social distancing measures taken have further impacted the speed of the production operations, which is particularly of concern for perishable products. The uncertain availability of protective material, extra hand sanitizers, and handwashing facilities has also in some cases led to the absenteeism of concerned workers.

External border closures and restrictions to the movement of people and explicit seasonal worker travel bans in some Member States have been affecting the sector over the past month and continue to affect the sector severely though the implications have diverged from Member State to Member State by regional differences in the workforce structure. In Spain, France, Italy, and Poland the workforce is often shaped by seasonal workforces from neighbouring EU countries such as Morocco or Ukraine. Countries such as Germany, Belgium, and the Netherlands heavily rely on Bulgarian, Polish, or Romanian workforces. Additionally, in many Member States seasonal or external workers have returned to their home countries, which additionally has put pressure on the continuity of harvest in all Member States. The non-uniform management of (im)mobility of seasonal workforce inside the EU as well as from external territory has not yet shown its full implications. While many Member States have been partially withdrawing their first very strict restrictions to the entry for seasonal workers, the current measures taken are still limiting the recruiting of enough workers to conduct the harvest across Europe. Just to give a few impressions on figures, Germany allowed 80.000 workers to enter while being in need of 300.000. Similar to Spain and Italy, the Netherlands need roughly 125.000 workers and Belgium roughly 50.000. In the Netherlands, the situation of workers in horticulture was currently satisfied by workers coming from the flower sector which was almost paralyzed. As the flower business resumes and fresh fruit and vegetable production in the Netherlands moves to a summer peak, additional seasonal workers from other Member States will be much needed.

In addition, it is worth stressing that in some Member States the fruit and vegetable sector has managed to deal with this shortage of labor partly thanks to decreased activities in other sectors, like flower production. The re-activation of this sector could increase competition for these workers and lead to greater shortages in the coming months. But competition is not only inter-sectorial. The fruits and vegetables sector operates as a chain, and therefore

inter-branch organisations could play an important role. In order to respond to these challenges, many governments have implemented volunteering schemes and websites or considered to relocate workforces from other sectors currently not able to work or to activate unemployed or refugees. Producers are very sceptical on this approach, as experience from the past has shown that these volunteering schemes have not recruited enough eligible and experienced people, who would be able to conduct the work through the entire production season. Moreover, governments have rejected so far to dispense social security levies for the employer and the employees as well as to allow continued receipt of benefits (short-time work, unemployment, social), to incentivize fieldwork for people who are currently unemployed or have refugee status. While in some countries such as in Spain, harvest seems to currently run smoothly, as most agricultural workers live permanently in production areas, other countries such as Germany are heavily concerned about the availability of workforce for the upcoming weeks and months. However, Spain will likely suffer from the inability of workers to move within the country, as the state of alert prevents the workforce from moving from one production region to another.

The floating case of labour shortage will have severe consequences for the short-term production season for fruit and vegetables:

- **Limited capacity for harvest, planting and preparation works:** Shortage of workers due to travel restrictions from non-EU to EU and from Member State to Member State or even within countries or regions will impact not only harvesting seasons in all EU Member States (such as asparagus, strawberries) but as well planting and preparation of the orchards, fields, etc for the upcoming season. (e.g. Italy is currently missing workforces which could take measures against the spread of the Brown Marmorated Stink Bug in apple and pears orchards, which will not affect the supply in the next two months, but the outcome of the harvest in September/October and availability of apple on the market for 2020/21).
- **Limited protection of workers:** Currently essential personal protective equipment (PPE), as well as common guidelines for equipment and transport, are missing, to ensure the health of the workers at the orchards, in the fields and in the packhouses. This affects further accommodation for harvest and production workforces, which are facing challenges to comply with social distancing required.
- **Slow-down of production:** because of social distancing requirements.
- **Lack of harmonised guidelines and measures to ensure the health of incoming seasonal workers and continuous safety during their stay:** despite the sector's calls, no uniform mechanism has been introduced in this regard. This could be achieved through the introduction of a quarantine period of 15 days for incoming seasonal workers, as well as via a health certificate to allow entry into the country. Moreover, clear guidelines shall be provided to workers so they can quickly identify symptoms of the illness to stop working and prevent spread.

Necessary tools should also be made available to growers, such as temperature testing devices, so they can monitor their health status to ensure their safety.

On a long-term perspective:

- **Continued limited protection of workers:** If the failures in protecting workforces at the fields, orchards, and packhouses continue, the attractiveness of the work will decrease and shortage of labour will continue. This will have an impact on the fruit and vegetable production, leading to lower crops for the 2021 season, less availability of products on the shelves, and a highly damaged image for the sector because of having failed to protect its workforces during the crisis. Governments should consider access to the right equipment, accommodation, and PPE as a priority after medical and State security services.
- **Continued divergence of measures:** The continued uncertainty resulting from the different measures implemented by the Member States with regard to workers and their potential movement will create distortions in production outcome and affect some Member States and regions more than others.
- **Continued reliance on volunteers and re-distributed workforces:** will leave the sector in continued uncertainty with regard to this year and the 2021 season, as reduction of output can be expected, as often volunteers are not reappearing after 2 or 3 days of work or lack the technical or physical capacity to conduct this work efficiently. Moreover, Member States' governments failed to introduce incentives for volunteering workers to commit to this work, and the re-opening (even partial) of economic activity will make many of those volunteer workers to go back to their original employments.
- **Limited capacity to prepare the production for the next season:** which will have an impact on the availability of goods in 2021.

LOGISTICS

The impact of the emergency measures showed a direct effect on the production logistics short-term in five areas:

- **Mobility of workforces:** one of the key reasons for the production slowdown has been the impeded mobility of workers in particular in countries with very strict lockdown measures. Many workers have been arriving late to production sites, as they have been controlled on their eligibility to move to the production sites. In general transport conditions have been strongly affected by limited 'seat' allowance per transport, defining a 30% seating allowance in buses to orchards or only two people per car, which slowed down the transport of workers significantly (e.g. 3 persons in a minivan with capacity for 9).
- **Working times:** given the social distancing requirements and the risk of potential infections, many production sites distributed their workforces in shifts, in order not to jeopardize the entire workforce in case of an outbreak of COVID-19, with impact on working hours for the workers.
- **Social distancing measures at the production sites:** which in practical terms meant that only 50% of the workforces could operate the activities at the sites and/or use the equipment.
- **Accommodation of workers:** the emergency measures have forced to reorganise accommodation for field workers requiring more secure conditions, which also impacts the overall costs for the production activities.
- **Availability of packaging materials, PPPs, fertilisers, seeds and plants:** Some operations could or cannot be continued, as essential materials might have been punctually missing because of the disrupted supply chain, even if in most cases production structures are holding sufficient stocks of material. This affects e.g. packaging materials in countries, where the demand for packed produce has been increasing, as well as a lack of available plant protection materials, which have not been declared as 'essential goods' in all Member States.

If emergency measures as well as social distancing measures continue, the sector is expecting to have long-term challenges with:

- **Ensuring next year's crop:** as the different emergency measures impact the speed of production.

- **Turn to more mechanised production:** to the detriment of more work-intensive goods. If logistical constraints continue, production may focus on more mechanized goods that are easier to produce, which could reduce the availability of more labour-intensive goods at the market long-term post-2020.
- **Risk of domino effect:** as the economic crisis resulting from the COVID-19 pandemic is impacting fresh produce companies, there is a high risk of domino effect within the supply chain.

MARKET PERFORMANCE

The overall production in the EU, starting in Italy and Spain, has slowed down significantly, as the sector had to adapt to the new modalities in terms of logistics, emergency measures, and changes in distribution channels. The continued labour shortage will increase this slow-down in operations. While overall supplies could be maintained for the time-being and supermarkets experienced only limited shortage of goods in peak seasons such as Easter or during the initial ‘panic shopping’ phase, the long-term impact will be in particular visible in the upcoming months as in many Member States harvesting season is only about to begin. While there likely will not be a short-term, visible shortage in availability, the shortage will be rather visible by increasing prices for the consumer. The sector already experiences shortages for more perishable goods such as cucumber, asparagus, and strawberries caused by picking shortage (also reflecting in higher end-prices), a problem which will extend over the summer months to other products. Generally, the sector experienced higher demand for less perishable goods with longer shelf-life (a trend which, with continued supply chain challenges, will likely reinforce over the upcoming months). This also impacted by the closure of the foodservice sector which usually showed higher demand for more perishable goods and/or “fresh cut” convenience products. More difficulties could be experienced in the coming months with products like melons and watermelons, whose large volumes traditionally go to food services, in particular hotels in touristic venues in Southern Europe, now closed. Furthermore, growing difficulties have been reported with missing or delayed payments by clients, which are complicating production operations and have a domino effect in the whole supply chain.

While it seems, that short-term supply has been sustained for the moment with the potential to cover the higher demand for certain goods, the sector will face the following challenges mid-term:

- **Supply challenges and price volatility:** As highlighted in previous parts of this section, there is a strong concern on the continuation of harvest and planting season for the upcoming months, as continued labour shortage and emergency measures will lead to 1) less maintenance of orchards and less sustainable adaption of Integrated Pest Management (IPM) programs 2) uncertainty for future planning 3) continued picking issues leading to the decrease of supply of affected summer crops in the upcoming months 4) lack of capacity to prepare the following season and 5) high price volatility.
- **Potential food loss:** If fruits are not getting picked from the field, this will lead to a significant amount of unharvested fruits and vegetables and consequently waste of 'essential goods'.
- **Packaging vs. packaging reduction:** The sector has been heavily investing in the reduction of packaging materials in line with the general trend to create more sustainable opportunities. The trend towards more packaged goods due to the COVID-19 outbreak and reinforced hygienic requirements and consumer demand may jeopardize the environmental gains of the sector over the past years and will force the sector to again change the packaging modalities used resulting in additional costs.
- **Focus on local production:** the difficulties faced could lead to a more permanent shift in consumers' preferences to more locally and seasonally produced fruits and vegetables.

ADDITIONAL COSTS/ECONOMIC IMPACT

The fresh fruit and vegetable sector has managed to quickly reposition itself to re-direct volume towards the channels for food distribution that remain open. This has led to no food shortages reported across Europe despite the 'panic buying' attitude displayed by consumers at the start of the outbreak. This was only possible thanks to a tough and prompt adaptation by producers and shippers to the new environment. However, this process led to significant additional costs for the sector at several levels of the chain, including production, packing and picking levels as well as intra EU logistics. Despite a generally positive market performance, most of these costs have not been fully compensated by customers and consumers.

At production stage, the sector estimates that increased costs amount to € 0,05 cents/kg. This comes as a result of new requirements on social distancing (including accommodation and transport of workers to orchards), new protective equipment, less efficiency in picking and packing due to social

distancing, problems in logistics, as well as some losses due to non-harvesting (absence of seasonal workers) or quality damages due to slower operations. Considering that up to 7 million T are harvested and placed on the market on a monthly basis, the added total cost for the first layer of the chain is therefore close to € 350 million /month. Additionally, growers also face results of the increased intra-EU shipping and transport costs of 25% (€ 0,05 per kg). With volume shipped intra-EU (see the section on intra-EU logistic below), this leads to a monthly additional charge on the transport of € 150 million. In the months of March and April 2020, the production sector has been already facing roughly € 1 billion of additional extra burden caused by the crisis. With this in mind, and considering most of the measures will remain in place even if lockdowns across the EU are relaxed, the financial extra charge each month for maintaining the operations will put a significantly high economic burden on the production sector. These additional costs are not fully recovered by increased market return for growers.

The short-term adjustment of the sector to crisis management has led to:

- **Increased the costs for productions:** by higher costs for workforce, PPE with growing prices due to demand, increasing transports costs by intra-EU trade, increasing transport costs for bringing workers to orchards, and additional accommodation among other measures.
- **Losses affected by decreased demand:** the sector faced unexpected losses for goods which have been affected by the changed living and lifestyle situation due to the emergency measures, in particular for convenience produce such as lettuce, fresh cuts, micro-vegetables, fresh cuts, mushrooms, and specialties, etc. Whereas the sector is looking into adjusting production wherever possible to changing consumers demand from food services to retailers, this remains difficult, as each segment is subject to different requirements (quality, varieties, certification, packaging, etc.), which require further adjustments.
- **Credit insurance issues:** in light of the current COVID-19 emergency, insurers have started to limit the credit level for operators, in order to limit the risk for insurance companies, whereas operators are seeking 100 % coverage.
- **Delayed or missing payments beyond the legal 30-days limit of Directive 2011/7/EU on combating late payment in commercial transactions:** creating a payment and liquidity vacuum for payment of wages and necessary investments in production operations.

In a long-term perspective, these costs will be further exacerbated by:

- **Losses for unpicked produce:** as labor shortage will continue;

- **Losses for the next season through limiting planting capacities and trimming of fruit trees** is affecting sustainability of activity for the upcoming year.
- **Additional cost of increased packaging activities:** as demand for packaged fruits and vegetables is increasing.
- **Ongoing challenges with credit insurance:** Insurers will continue to limit risk for their own companies while providing credit, exposing the sector to more uncertainties in regard to their coverage.
- **Continued costs for limited credit insurance coverage.**

OTHER SIDE-EFFECTS

On the short-term the pandemic will put pressure on production with regard to:

- **Continued 'war' economy:** which will focus less on variety, diversity, and quality but increased focus on mechanized production.
- **Image of seasonal workers:** In Southern Europe, this crisis is giving visibility to this essential workforce, often neglected or qualified as 'low skilled'. However, in other EU countries, notable in northwest Europe, the current situation revealed a lack of awareness among citizens on the value and work environment of seasonal workers, having the image that ongoing picking was a 'luxury' of Western consumers. More educational effort is therefore needed, to highlight consequences for fruit and vegetable supplies to supermarkets, if labour shortage continues. The aftermath of this crisis may further be an opportunity to discuss the work environment and conditions of seasonal workforces (European, non-European) to turn the precarious discussion long-term for these essential workers.
- **Uncertainties of planning,** as the reopening timing of foodservice segments will most likely vary depending on the Member State (business canteens, schools, transport catering, events, restaurants, etc.), each of them with different specifications and product ranges.
- **Continuous shortages of input and supply,** endangering the continuation of production, including plants for planting and seeds.
- **Increased focus on food safety and awareness-raising among consumers:** the sector has continued ensuring the highest levels of food safety and hygiene in production and beyond. On top of this, there has been a need to step-up the sector's awareness-raising efforts, in order to provide reassurance to consumers in these times of turbulence to combat the spread of fake news which could negatively affect the image of the

sector or fresh produce. The sector has also reminded consumers to continue following the precautionary recommendations issued by the WHO on good hygiene practices during any food handling and preparation, such as washing hands or avoiding potential cross-contamination between cooked and uncooked foods, and disseminating scientific information from the [European Food Safety Authority](#) and other national scientific bodies, which confirmed that there is no evidence that transmission of the COVID-19 virus is possible through food consumption.

Regarding long-term effects, the sector is expecting:

- **Increased debate on the worth of seasonal workers and their rights for economic stability:** which may lead to further encouragement to strengthen the position of ‘so-called’ cheap labour, as the determined successful outcome for agriculture. On a side note, the failure to set up effective volunteer schemes of nationals can help counter negative views over seasonal migrant workers from other EU or non-EU countries (e.g. populist view that these workers ‘steal nationals’ jobs’).
- **Continuous shortages of input and supply.**

RECOMMENDATIONS

In order to secure sustainable production activities across all EU-27 Member States, the sector urges policy-makers to consider the following proposals:

- **Effective implementation of guidance on mobility of seasonal workers:** by all Member States, to secure the mobility of seasonal workers within the EU as well as EU-external workers.
- **Implementation of “green lanes” for seasonal workers:** in order to allow the continuation of professional seasonal workforce arrival to production regions and also for transit mobility to the fields and orchards or packing stations.
- **Financial support to sustain social distancing measures:** Assistance to many growers will be needed to afford social distancing measures, such as single accommodation for workers.
- **Exceptional flexibility for working shifts:** as social distancing is impacting harvest operations, flexibility with regard to labour rules for workforces will be needed in order to ensure sustainable operations.

- **Inclusion of ‘related services’ as essential activity:** which means the inclusion of packaging materials, plant protection products, and propagation materials. Italy has provided a first model for orientation (e.g. despite the alert state, factories working to supply essential sectors can certify this and continue operations).
- **Prioritization of the sector for access to PPE to restore competitiveness and efficiency of the sector:** prioritization will be needed for the availability and distribution of PPE’s as well as access to regular testing activities.
- **Compensation and future security:** additional financial support will be needed to ensure the on-going economic sustainability of the growers, which are exposed to enormous additional costs for production and shipment. Exceptional measures should be granted at EU level, as it was the case for the previous crisis.
- **Additional flexibility for administrative procedures:** Growers and producers organisations should be granted additional flexibility for the management of their projects linked to the CAP such as 1) delays to comply with deadlines, 2) simplification of controls 3) facilitation of procedure to adapt activities of operational programs to better match new priorities and repositioning of the sector resulting from the COVID-19 crisis.
- **Administrative flexibility and incentive schemes for volunteering or re-located workforces:** To increase attractiveness to recruit non-experienced seasonal workers and to motivate non-specialist workforces to apply for heavy fieldwork, EU Member States should consider to exceptionally suspend the social security obligations and to grant the ‘income’ for the workers as additional income on top of short-time work, unemployment or social benefits.
- **Review of legal environment and payment conditions for seasonal workforces:** As the current situation has revealed the strong economic impact seasonal workers have to ensure agricultural output in the EU, policy reflections will be needed to discuss how this workforce can be secured long-term or in case of outbreak of a crisis. Additionally, more education of EU citizens and societal visibility for these seasonal workers will be needed to explain the important role of these workforces in normal as well as in crisis situations.
- **Clear recommendations about product safety and handling:** this would avoid an increased demand among consumers towards additional unnecessary packaging, which would go against the general EU and sector ambitions towards more sustainability. Moreover, this will avoid further difficulties for the sector during the crisis period due to shortages of enough packing materials. The DG Santé guidance document

‘COVID-19 and food safety - Questions and Answers’, published on 8 April, is a good step in this direction to ensure consumers’ trust and food safety, whilst avoiding moving away from sustainability concerns and overburdening the sector unnecessarily.

- **Adaptation of EU policy-planning to take into account the effects of the pandemic:** in light of current challenges, the sector would benefit from some short-term postponement in new standards and requirements at EU level (e.g. new organic legislation). Moreover, taking into account the long-lasting implications of this crisis for the sector, long-term EU priorities should take the post-COVID environment into account when defining concrete action and support for the sector, for instance, in the Farm to Fork Strategy and EU economic diplomacy efforts, as well as in the promotion annual work programmes, and in Research & Innovation and digitalization policy (promotion of e-commerce, digitalization of bureaucracy, self-driving technology, etc.).

WHOLESALE/FOODSERVICE

About 35 million T of fresh fruit and vegetable are being channelled every year in the EU through wholesalers, great part of which (25 million T) being channelled throughout the high-value and diversified foodservice sector. This sector is composed at the same time of many SMEs and larger size companies. Those companies are located on wholesale markets to deliver products to proximity customers such as but not exclusively grocery shops, street market operators, restaurants, etc. Most of these businesses were stopped as a result of the COVID-19 outbreak, significantly restricting activities of wholesalers.

Wholesalers are also providing supply with added services to the food services sector. The foodservice market represents a wide diversity of activities in commercial and social catering. This includes Business and Industries' canteens, school and education, health care and welfare, commercial food services (restaurants, restaurant chains, hotels restauration, self-services, and quick services, transport food services...), bars and pubs, nightlife, take-away, and convenience stores, among other. Based on Eurostat data, all these sectors combined represent an annual turnover of around € 700 billion out of which 7% could be related to food services turnover in fruit and vegetable (close to € 50 billion). This 'out of home business' was abruptly stopped mid-March across Europe, as most of the European population were confined at home. Only very limited segments in healthcare continue to operate, whilst European consumers re-focused their demand exclusively towards retail and grocery shops.

SHORT-TERM IMPACT

LONG-TERM IMPACT

WORKFORCE AVAILABILITY AND PROTECTION OF WORKERS

- Sudden halt in activities, resulting in temporary unemployment of wholesalers and food services companies staff

- Need to secure protective equipment and testing to operate with a maximum of efficiency

LOGISTICS

- Review of contractual logistics and sales arrangements

- Planning logistics with uncertain environment
- Sustainability dependent on capacity to re-position (retail, online sales, etc.)

MARKET PERFORMANCE

- Severe impact of turnover of food services (almost 100% losses) and wholesalers (variable according to the kind of customers and their repositioning)
- Difficulties to shift from foodservices to retail given different specifications and assortments
- Certain products particularly affected: convenience, herbs, asparagus, strawberries, cucumbers, etc.
- Repositioning of activities of wholesalers into e-commerce and B2C

- Uncertainty over timing and pace of reopening of the different food services segments creates difficulties in planning and sustainability of businesses

SHORT-TERM IMPACT

LONG-TERM IMPACT

ADDITIONAL COSTS/ECONOMIC IMPACT

- Big losses for businesses in this sector

- Potential bankruptcy of some businesses, notably SMEs

OTHER SIDE-EFFECTS

- Adjustments of contracts

- Strong uncertainty over pace of reopening of food services creates uncertainties for the re-arrangement of contracts post-crisis
- Compliance with new social distancing and other requirements once lockdown measures are gradually eased

SHORT AND LONG-TERM IMPACT

RECOMMENDATIONS

- Ensuring availability of protecting equipment and testing for wholesale workers
- Financial assistance
- Transparency and certainty
- Assisting the sector's repositioning
- Favor a safe, gradual reopening of foodservices adapted to the new circumstances

WORKFORCE AVAILABILITY AND PROTECTION OF WORKERS

The closing down of outside food services activities has led to a great increase in temporary unemployment in the wholesale sector, as well as among companies directly operating food services activities to consumers. Concretely, foodservice businesses have been in a complete standstill in most of the Member States since the application of national lockdown measures.

In parallel, the activity of wholesale markets has had to be adapted to new safety requirements to ensure the protection of its workers. Nonetheless, it remains challenging for operators to secure the provision of necessary protective equipment, crucial for the good and uninterrupted supply. Most of the companies in this sector are SMEs, which are having trouble securing access to this equipment.

LOGISTICS

At the start of the crisis, this segment of the supply chain had to rapidly review logistics and contractual arrangements to take account of the changes in supply channels. Concretely, wholesalers specialised in supplying the foodservice sector lost most of their business and are trying to reposition their activities through supplies to supermarkets, direct online sales and activities relating to home delivery. Despite this proactivity to find new business opportunities, the hardship has been significant for this fruit and vegetable channel.

MARKET PERFORMANCE

The disruption of out of home consumption habits has severely impacted the turnover of food services companies and wholesalers providing services to the foodservice sector.

Indeed, despite ongoing efforts to re-position, wholesalers operating primarily with foodservice will have a limited benefit from the shift of products from foodservice to retail. They might only marginally manage to supply some additional assortment needed to cope with the growth at retail.

In the same spirit, some operators managed to continue business through e-commerce, and some take away activities – with limited traffic and home delivery. This re-positioning, however, can also only partly compensate for the big loss of foodservice caterings.

It is also worth noting that the assortment of produce used in food services is different from the one demanded by consumers at home, as well as for retailers. In food services, the share of vegetables is more significant than fruit, particularly speciality vegetables such as fresh cuts, fresh herbs, cresses, salad, asparagus, and cucumbers. This has led to an excess of supply and a drop in prices, disrupting the market balance.

On top of this, for suppliers it is easier to shift from retail to foodservice than from foodservice to retail, given the different standardization and certification applicable, as well as the difference in volumes and other requirements. Margins are often also higher for specialized products than with more commoditized products. These different demands and specifications make the full re-direction of products from foodservice to retail challenging.

In addition, in the long-term, there are big uncertainties about the timing and pace to resume food services activities. This leads to significant difficulties in planning supply and demand, particularly in the light of the different approaches taken by Member States.

ADDITIONAL COSTS/ECONOMIC IMPACT

The output value of the food services business for fresh produce could range as high as € 50 billion annually with a turnover currently on hold across the EU since March/mid-March depending on the Member States. This loss might put at stake the sustainability of many businesses, particularly SMEs.

OTHER SIDE-EFFECTS

The crisis has forced most operators in this sector to adjust their contractual arrangements in the short and medium term, despite the difficulties of planification in the current context. This modification is essential in these moments, in order to ensure that the substantial additional costs created by the crisis are taken into account in the contracts with clients and this additional burden is not fully absorbed by the production level only. Moreover, the strong uncertainty over the pace of the reopening of food services across Europe adds difficulties to the planning of new contracts.

In the mid and longer-term, once lockdown measures are gradually phased out, businesses will most likely have to adapt to new requirements to protect workers and clients (provision of sanitising material and protective equipment, social distancing protocols, enhanced disinfection standards, etc.). In many cases, this will require investments to enable operators to comply with new safety requirements.

RECOMMENDATIONS

In light of the strong impact the crisis is having on wholesale and food services, the following recommendations could be considered:

- **Ensuring availability of protecting equipment and testing for wholesale workers**, which are part of the ‘essential’ food workers.
- **Financial assistance**: this segment has suffered a strong hit due to the crisis, only marginally covered by re-positioning. However, many businesses have continued to face ongoing charges (e.g. renting of venues, insurance, employers, etc.). Therefore, in order to ensure the sustainability of operators, particularly SMEs, EU and national authorities shall take this sector into consideration when planning targeted financial support to mitigate the crisis.
- **Transparency and certainty**: whereas this health crisis has no precedents and the sector is aware of the difficulties in planning for government actions and response, authorities shall seek to provide businesses with as much clarity as possible regarding calendars of action and re-opening of business operations, as well as regarding new conditions for re-opening.

- **Assisting the sector's repositioning:** If the crisis extends, EU and national authorities could consider the development of initiatives to assist the re-positioning of these sectors, for instance, by Business to Business (B2B) platforms, or by Business to Consumer (B2C) initiatives.
- **Favor a safe, gradual reopening of foodservices adapted to the new circumstances:** As recommended by the European Commission in its Guidelines on De-confinement, Member States could allow businesses to re-open, securing their sustainability, whilst introducing gradation elements to ensure safety (e.g. set up of restricted opening hours, maximum number of people allowed in venues, etc.).

INTRA-EU TRADE

The EU is producing around 80 million T of fruit and vegetable destined to the fresh market. Out of these, more than 30 million T are exchanged among Member States on an annual basis. This extremely inter-linked EU market has felt the impact of the coronavirus crisis since the outset. Key shippers among EU traders are Spain, supplying more than 30% of intra-EU trade (10.8 T, € 10.9 billion), followed by the Netherlands with a little bit less than 30% of all EU-Intra-trade (7.6 million T, € 9.8 billion) and Italy with roughly 2.6 million T of intra-EU trade worth roughly € 3 billion.

Among the biggest intra-European importers figure Germany (6.6 million T), France (3.6 million T), the U.K (2.7 million T), Poland and Belgium. Also Central European Member States rely on the steady flow of fruit and vegetable trade across Europe, importing between 300.000 and 700.000 T on average from other EU Member States. The individual Member State pandemic management in particular at border control points heavily impeded intra-European trade across March 2020 and increased difficulties, to maintain sustainable supply of fruits and vegetables to European supermarkets and economically sustainable operations for the suppliers.

SHORT-TERM IMPACT

LONG-TERM IMPACT

WORKFORCE AVAILABILITY AND PROTECTION OF WORKERS

- Shortage of workers to conduct trading operations (transport, packing, storing, sorting, etc.)
- Quarantine measures by some Member States and discrimination of truck drivers
- Additional health certification requested for transport workers
- Health and wellbeing (no accommodation open, canteens, availability of equipment, etc.)

- Shortages to exacerbate if infections continue, esp. among active workers –
- Limits of ‘Flexibility measures’ if emergency continues, which could negatively affect the well-being of workers and cause unrest

LOGISTICS

- Blockage in borders if green lanes congested
- Longer loading and unloading time due to social distancing
- Shortage of trucks

- Re-activation of freight across EU of ‘non-essential products’ without border re-open could congest green lanes and limit further trucks availability

MARKET PERFORMANCE

- Strong sales so far and intra-EU trade continues thanks to EU green lanes
- Spread of national campaigns to increase local consumption

- Increasing local focus, especially if uncertainty in cross-border situation continues and if there is shortage of certain produce categories
- Market disturbances and volatility of prices across the EU if blockages cross-border increase

SHORT-TERM IMPACT

LONG-TERM IMPACT

ADDITIONAL COSTS/ECONOMIC IMPACT

- Increased costs in human resources
- Increased costs in logistics
- No positive impact in the sector of lower petrol/diesel demand

- Need for a protocol in 'Positive' case of transport worker (is the produce destroyed and are workers returned home?). Need for operator's coverage
- Liquidity of operators in question if trade of other goods does not come back to normal

OTHER SIDE-EFFECTS

- Delays affecting quality
- Credit insurance companies: lowering credit limits/reduce coverage with negative effects on trade
- Extension of the validity of private certifications (GAP and GDP) to satisfy retailers' requirements

- Lack of preparedness of the sector for post-Brexit intra-EU-UK trade (1 January 2021) due to focus on pandemic situation
- Increased national focus on highly-perishable produce

SHORT AND LONG-TERM IMPACT

RECOMMENDATIONS

- Transposition of EU Guidelines for Green Lanes (including provisions on quick border checks and movements of workers) into binding national provisions and commitments by Member States
- Coordination among EU Member States regarding the set-up of a network of food services and accommodation open to transport workers
- Ensuring liquidity of operators, particularly SMEs, and their and their suppliers (some traders provide loans to suppliers)
- Careful, balanced introduction of exceptional flexibility measures to ensure supply continuation and the protection of the rights and the well-being of workers
- Introduction of government guarantees for credit insurers to avoid the lowering of credit limits
- Development of more targeted efforts to face potential needs for additional transport workers
- Set-up of EU-wide special protocols to ensure certainty for operators working across the Single Market
- EU-wide coordination once the re-opening of economic activities takes place in Member States
- Set up of a common EU contingency/emergency planning for common border management activities in case of pandemic outbreaks
- Increased diversification of the modes of transport available for essential products, (air freight, inland shipping, railway, etc.)

WORKFORCE AVAILABILITY AND PROTECTION OF WORKERS

The imposition of border checks and controls in several EU Member States was one of the first measures taken once the spread of the virus became evident in Europe. This has directly affected the mobility of people across the EU, including transport workers.

In the short term, one of the first impacts felt by the industry has been the shortage of workers available to ensure the continuation of intra-EU exchanges, due to a number of interconnected reasons:

- **Congestion in border points and introduction of restrictive measures for transport worker, such as health certificates:** at the start of the crisis, the congestion in border points due to the re-introduction of controls reached its peak at the Brenner Austrian border, where the waiting line of transport trucks reached 80 km, meaning between 20 to 40 hours waiting time. This was the result of the Austrian decree which required checks of persons at the border, including temperature tests, an obligation to present medical certificates less than 4 days old, and the registration of drivers' ID. Austria also introduced the obligation for truck drivers to cross Austria without stopping, requiring them to sign a voluntary declaration and to have enough petrol to reach Germany. Similar requirements have also been implemented in other EU Member States.
- **Imposition of quarantine periods for people arriving from 'red areas':** by mid-March, several Member States, particularly in Central Europe, imposed a period of 14 days quarantine upon people entering the country and coming from a red zone. This practice radically prolonged the journeys of transport workers, reducing the capacity of the sector to guarantee intra-EU supply. Moreover, some countries started discriminating truck drivers coming from Member States affected or demanded additional health certificates.
- **Health and wellbeing concerns of transport workers:** concerns over their own health have made transport workers reluctant to continue certain operations, particularly when it came to travel to so-called 'red areas', where the spread of the virus was extended. Transport workers have also raised concerns about their wellbeing and capacity to work under the extreme conditions created by the crisis. These difficult conditions have resulted from the congested borders and restrictive measures (e.g. crossing of the country without stop), which oblige drivers to work longer hours without breaks. Moreover, most accommodation and food services on the road have closed in the past weeks due to the introduction of lockdown measures in most Member States. At the same time, transport workers did not have access to restrooms and/or washing facilities at those service

stations, which were still opened. The availability of these services is however essential for transport workers' well-being, so they can carry their duties safely while taking care of themselves as well.

- **Shortage of workers to conduct trading operations:** as a result of the imposed measures on social distancing and work restrictions, there has been a shortage not only of transport workers available but also other professionals essential for the swift continuation of operations, such as packing, storing, sorting, etc.

The introduction of the so-called 'green lanes' guidance by the EU Commission has been able to alleviate the situation for the time being. Under the Commission's practical guidance ([HERE](#)) to ensure the continuous flow of goods across the EU via green lanes, Member States are asked to take action to ensure the free movement of all workers involved in international transport. In particular, the Commission asked them to waive travel restrictions such as mandatory quarantine of transport workers not displaying symptoms, or the need for doctor's certificates proving good health. The Commission also asked for the safety of transport workers to be a priority, and for enhanced hygiene and operational measures to be taken in airports, ports, railway stations, and other land transport hubs. The Commission's guidelines also included a full list of recommendations to protect drivers from the coronavirus (Annex 2 of the EU Practical Guidance). While the EU recommendations are currently well applied across Europe with reduced waiting times at borders, the individual Member State actions have illustrated once more, how economically harmful un-concerted actions in emergency situations can be for essential supply chains.

In the long term, should the coronavirus crisis continue or a new wave of the virus spread affect Europe in the coming months, the absence of EU-wide binding measures to protect the health and wellbeing of transport workers and their ability to carry their duties risks exacerbating the shortage of workers. This, in turn, could compromise the supply of fresh produce across the EU. A scenario where Member States continue introducing unilateral, restrictive cross-border measures in an uncoordinated manner under a second 'corona wave' is particularly worrying for the sector and for the sustainability of supply. Moreover, any exceptional, 'flexibility' measures introduced to secure the continuation of cross-border operations shall be carefully implemented. If prolonged for a long period, these measures could negatively affect the wellbeing of workers, resulting in unrest among the sector (e.g. extension in the number of consecutive hours transport workers can drive for).

LOGISTICS

The coronavirus crisis has also impacted logistics in cross-border trade of fresh produce in the EU. The main impact has resulted from the re-introduction of checks in internal EU borders and the imposition of quarantines for new arrivals into a Member State. This has led to a slow-down in operations and a prolongation of truck journeys, which in turn has resulted in a shortage of trucks and refrigerated containers able to continue intra-EU operations with highly perishable fresh produce. Moreover, the sudden stop of economic activity for many other sectors impacted the utilization of truck capacities, which led to many 'empty trucks' returning to production sites with a dramatic impact on the transport costs.

In the current context, the introduction of the EU 'green lanes' has managed to improve this situation, securing the continuation of operations and reducing pressure over the shortage of trucks. However, the EU guideline defines green lanes as 'border crossings open to all freight vehicles carrying any type of goods' within the Single Market. Therefore, there is a risk of congestion of the green lanes in the coming months, should Member States reactivate economic activity without decreasing the level of border checks. In this situation, a significant increase in the volumes of freight across the EU would be felt, different from the context of these past months, where the halt in other economic activities has allowed the good flow of essential products via green lanes, such as medical devices or food. Under this scenario, the issue of the shortage of trucks could reappear and even worsen, should there be increased competition for freight services among different sectors.

Some Member States, such as France or their respective national road transport organisations, have implemented safeguard cabotage conditions for transport, because of doubts about the health conditions of foreign drivers. This has forced further adaptations in the logistic and staff operations. While the economic impact cannot be fully assessed yet, these measures are a clear sign of national distrust, which is increasing the organisation and financial burden on the sector.

In addition, the sector should look for solutions to adapt to social distancing measures and reduced staff in packing stations and distribution centres, in order to improve efficiency for loading and unloading trucks to move back to the previous efficiency.

MARKET PERFORMANCE

Thanks to the quick implementation of the green lanes across Europe and the strong demand for fresh produce in the past month, the negative impact of national lockdown measures could be mitigated, allowing a positive market performance and the continuation of EU cross-border operations. Nonetheless, the uncertainty across Europe regarding the opening/closing of border points by different Member States is adding risk to these operations, as well as considerable extra costs (see next section).

Furthermore, governments across the EU have launched national campaigns promoting the consumption of national produce. This has been in the case in, among others, France, Spain, Italy, Belgium, and Poland. These campaigns, added to the ongoing challenges in cross-border operations, will likely result in a decrease in intra-EU trade volumes, at least for the first half of 2020, which could also have an impact in the second half of the year. In addition, should intra-EU trade hurdles not improve or deteriorate in the coming months, or a second wave of ‘coronavirus spread’ take place in the fall, bigger market disturbances could be felt, affecting further intra-EU trade volumes, availability of goods in supermarkets and price volatility. This trend could endanger the diversity of supply reaching consumers and damage the Single Market performance (see Retail section).

ADDITIONAL COSTS/ECONOMIC IMPACT

The significant increase in costs of intra-EU trade operations as a result of the coronavirus crisis is a worrying development for the sector, which could affect the overall sustainability of businesses across Europe, particularly SMEs. As a matter of fact, since the outbreak of COVID-19 in Europe at the end of February, the sector’s costs have increased dramatically as a result of:

- **Increased costs in human resources:** the crisis has required an introduction of ‘risk premiums’ for workers, and the need to update insurance schemes to ensure cross-border workers’ availability and well-being (as some insurances did not cover risks caused by ‘pandemic’ diseases, or have now increased their coverage fees). Costly, difficult to acquire sanitiser and protective equipment also adds to the additional expenses to allow the continuation of operations.

- **Increased costs in logistics:** a consequence of the half of other cross-border freight across the EU is that, in most cases, trucks going from producing countries to other Member States are coming back empty, instead of carrying other goods in the opposite direction as it is usually the case. As a result, when it comes to intra-EU shipments (excluding local distribution), it is estimated that the costs of transport raised by ca. 25%. Consequently, the average costs of intra-EU transport to the main consumption markets climbed from € 3.000 to € 4.000. Given that about 2.6 million T are moved every month (150.000 trucks), the added cost is around € 150 million or about € 0,05 per kg. This is the result of empty returns of trucks, some longer delays for loading and unloading, and some remaining delays at border crossings. At the moment it costs between 1000 and 1200 euros more for trucks to go from Spain to Central Europe.
- **No positive impact in the sector of lower petrol/diesel demand:** this development, which in principle should result in lower costs for the sector, partly compensating other increases in costs, has so far not been absorbed by the fresh produce sector. A hypothesis could be that this decrease is used to compensate losses of other secondary service producers to the sector, hence preventing this 'positive side-effect' from impacting fresh produce operators.

In addition, there is currently uncertainty over the bearing of the costs in a situation where a 'positive' coronavirus case is found in a transport worker in different Member States (How would the healthcare of the worker and their return home be organised and paid for? Would the produce be destroyed/disinfected? Who would cover the de-contamination costs for the truck?).

If the situation continues to be difficult over the coming months, it can be argued that the additional costs risk leaving many operators in a lack of enough liquidity to continue cross-border activities.

OTHER SIDE-EFFECTS

As a side-effect of the slow-down in intra-EU operations, there is a risk that the quality of highly perishable produce, such as certain vegetables, could be affected, leading to food waste and loss for produce with short shelf-life, particularly when it comes to longer journeys. This could transform, at least in the short to medium-term intra-EU trade dynamics of highly perishable produce, which would either seek to stay in domestic markets or in Member States close to the producing areas. This could result in lower prices for fruit and vegetable due to oversupply at local markets.

Another important side-effect with a potentially big impact is the lowering of credit limits/reduced coverage by credit insurance companies in order to control their own risks. This could have an extremely damaging effect on traders.

In the longer term, the focus of the sector on current coronavirus crisis management is leaving aside preparations regarding Brexit. Should the UK decide not to prolong the transition period and effectively 'depart' from its EU obligations on 1 January 2020, this would have a dramatic impact for the fresh produce sector, which is already suffering the impact of the ongoing crisis, and will probably reach the end of the year with little liquidity or additional resources left (if any) to face a second major change in operations.

The extension of the validity of private certifications such as GAP (Good agricultural practice) and GDP (Good distribution practice) needs to be facilitated when inspections were not possible due to confinement measures.

RECOMMENDATIONS

Considering the challenges the fresh produce sector is facing in cross-border EU operations described above, a number of measures could be considered to help businesses tackle current and future issues.

In the short term, the sector requests national and EU authorities to consider the following:

- **Transposition of EU Guidelines for Green Lanes (including provisions on quick border checks and movements of workers) into binding national provisions and commitments by Member States.** This should prevent the spread of unilateral restrictive measures affecting intra-EU trade in any future emergency scenario, including a ‘second coronavirus wave’, and provide much-needed certainty to operators.
- **Coordination among EU Member States regarding the set-up of a network of food services and accommodation open to transport workers,** in full compliance with social distancing and protection of workers measures. These services shall be considered ‘essential’ to the continuation of food supply chains. A suggestion could be for this ‘network of services for essential workers’ to be made available online for its consultation by transport services (including, among other, information on available spaces), in a similar manner to the EU map on green lane border points waiting times.
- **Ensuring liquidity of operators, particularly SMEs, and their and their suppliers (some traders provide loans to suppliers):** a coordinated approach is needed among EU and Member States authorities to ensure companies economic viability receive support to face the additional costs created by the crisis.
- **Careful, balanced introduction of exceptional flexibility measures to ensure supply continuation and the protection of the rights and the well-being of workers,** ideally at EU level to avoid solving the issue in one Member State but having trucks being blocked when arriving in another Member State with different rules. This can include an allowance for trucks to circulate on Sundays and holidays, a measure that was taken in Italy during the Easter break (usually banned due to the congestion of tourist areas). Measures to allow truck drivers to extend their driving hours could also be considered to ensure their protection (e.g. to limit their contacts in areas deeply affected by the virus spread). These shall be carefully considered and implemented, to prevent the opposite effect to the desired increase in the wellbeing of transport workers.
- **Introduction of government guarantees for credit insurers to avoid the lowering of credit limits,** which limits the needed coverage of operators.

On the longer-term, the following suggestions could be considered, particularly if a second outbreak takes place in the future, exacerbating current challenges:

- **Development of more targeted efforts to face potential needs for additional transport workers.** This could be done through an extension of Member States programmes to mobilise production workforce. In particular, the mobilisation of short-time workers affected by a crisis or unemployed professionals related to the transport sector could be envisaged (e.g. bus drivers).
- **Set-up of EU-wide special protocols to ensure certainty for operators working across the Single Market,** as well as equal treatment of workers across the EU. Specific protocols would be useful, for instance, on the protection measures for workers, the additional hygiene measures required in facilities and trucks, or the treatment of ‘positive cases’ of coronavirus (e.g. consequences for the cargo, the facilities and the workers’ health and return home).
- **EU-wide coordination once the re-opening of economic activities takes place in Member States** (with a consequent increase in cross-border freight). This re-activation of the economy shall come hand-in-hand with the need to reduce or abolish cross-border checks. Alternatively, a re-definition of the scope of green lanes shall be envisaged, to ensure perishable produce and other ‘essential goods’ can continue crossing EU borders with limited delays, without being affected by ‘congested green lanes’.
- **Set up of a common EU contingency/emergency planning for common border management activities in case of pandemic outbreaks** including harmonized approach to medical testing, document checking, etc and a clear definition of ‘essential trade’ which is needed to secure the supply chain and which can be activated in a common procedure across the EU within 24 hours
- **Increased diversification of the modes of transport available for essential products, (air freight, inland shipping, railway, etc.):** More attention shall be given by EU and national regulators to inter-modal transport possibilities. This will be crucial especially once the activities of other, ‘non-essential’ sectors are reactivated in the ‘deconfinement’ phase, with a risk of congestion in green lanes. In this context, increasing the capacity to operate via shipping or air cargo, among others, will be essential to secure timely movement and arrival of ‘essential goods’, particularly highly perishable fresh produce.



EU EXPORTS

Most EU fresh produce is consumed locally or within the EU. However, out of the 80 million T produced per year, 5 million T are exported to non-EU country markets (6.25% of the total EU production). Exports, which are worth € 5 billion, are essential for the profitability of the fresh fruit and vegetable sector and to maintain market balance in key commodities, such as apples and pears, onions, citrus, stone fruit, or kiwifruit, among others.

EU exports are also essential to ensure food supply and diversity in trade partners' markets, which include EU neighbours (e.g. Switzerland, Belarus, Norway, Egypt, Ukraine, and the Balkans), and other partners dependent on imports, such as Middle Eastern countries (e.g. Saudi Arabia, UAE, and Qatar) and emerging economies with large populations, like India, China, Brazil, or Morocco. The global outbreak of COVID-19 is putting these exports at risk.

SHORT-TERM IMPACT

LONG-TERM IMPACT

WORKFORCE AVAILABILITY AND PROTECTION OF WORKERS

- Uncertain impact of different travel restrictions on ability of transport workers to enter third countries
- Shortage of workers as operations are blocked in certain points or slow-down, longer journeys
- Smaller capacity of bureaucracies to cope with export operations due to social distancing measures (certificates issuance, official controls, etc.)
- Risks to the wellbeing of professional workers
- Uncertainty over entry points action plan if 'positive cases' are reported

- Shortage of professional workforce available to exacerbate and prevent trade flows, especially to far markets
- Unequal impact in operations depending on IT capacity of national administrations and on flexibility in official controls

LOGISTICS

- Shortage of containers
- Delay in reception of paper certifications, usually sent via plane, due to the absence of airfreight
- Halt in trade of products by air cargo (e.g. high-value and highly perishable produce)

- Shortage of containers available to exacerbate and prevent exports of smaller volumes
- Uncertain impact of increased congestion in 'progressive re-opening' scenario'
- IT systems under pressure risk halting or slowing down operations

MARKET PERFORMANCE

- High domestic and intra-EU demand taking preference over exports
- Discouraging environment for exports due to uncertainty over third countries lockdown requirements
- Sharp decrease in sales of EU categories in third country markets where these are considered high-end luxury produce, especially in developing countries, due to the absence of demand from the tourism industry

- Ongoing uncertainty as restrictive measures evolve differently across the world
- Re-shuffle of export flows and distortion of trade towards 'open' markets
- Longer journeys leading to changes in commodities exported and destinations
- Potential decrease of available volumes to export
- Price volatility
- Export promotion disruptions affecting business contacts and creating uncertainty over operators' capacity to fulfil promotion support requirements

SHORT-TERM IMPACT

LONG-TERM IMPACT

ADDITIONAL COSTS/ECONOMIC IMPACT

- Increased costs derived from human resources
- Rise in logistics costs in high demand, like containers, due to shortage and increase of blank sailings and rerouting of empty containers to open ports
- Shortage of air cargo which results in huge increase in costs
- Increased discharge costs
- Uncertainty arrival of produce to customer (inland infrastructure) and payment
- IT capacity-building and maintenance (e.g. cyber-security)
- High economic insecurity for export operators who have already been losing market in the past years

- Loss of income of traders and risk for business sustainability, and subsequent loss of business contacts
- Potential loss of markets, where gaps have been filled by competing countries

OTHER SIDE-EFFECTS

- Uncertainty regarding trade flows of related products needed for production and trade of fresh produce to continue (e.g. fertilisers, growing media, PPPs, packaging, etc.)
- Additional bureaucracy and SPS restrictions for exports (e.g. health certification for transport workers, 'COVID-free' certificate)
- Additional SPS measures and inability to fulfil protocol requirements (e.g. pre-clearance)
- Credit insurance companies: lowering credit limits/reduce coverage with negative effects on trade
- Extension of the validity of private certifications (GAP and GDP) to satisfy retailers' requirements

- Halt or significant slowdown in related materials needed for fresh produce commercialisation and production could create longer term issue of food loss and shortage of availability of certain produce.
- Less exports where protocol conditions are impossible to fulfil
- Less risk of additional certifications demanded as crisis evolves across the globe

SHORT AND LONG-TERM IMPACT

RECOMMENDATIONS

- Creation of international green lanes for transport workers and essential trade of goods
- Set up of globally harmonized handling of port sanitation
- Prioritising testing and protecting 'essential' workers, which are responsible for enabling the continuation of food trade
- International cooperation on national measures affecting trade
- Waiving of container detention charges on import shipments in international harbours
- Monitor and prevent imposition of discriminatory measures or import bans against countries affected by the virus spread
- Acceptance worldwide of electronic and scanned certificates, both for phytosanitary and other certification
- Increased flexibility in import checks
- Flexibility in SPS requirements and protocols for exports
- Assistance to emerging countries on IT capacity building
- Introduction of government guarantees for credit insurers to avoid the lowering of credit limits
- Prioritising air cargo for crucial sectors for worldwide food supply
- Swift clarity on EU promotion programmes implementation for 2020

WORKFORCE AVAILABILITY AND PROTECTION OF WORKERS

Food production, supply, and trade have been identified by all countries as an 'essential' sector, allowing operations to continue despite the implementation around the world of confinement measures with different intensity levels. However, the introduction of lockdown measures gradually across the world has deeply impacted the availability of the workforce to continue export operations of EU fresh produce.

Despite this, the restrictive measures have also affected the availability of human resources able to continue export operations. First, because travel bans and restrictions have, especially at the outset, created uncertainties over their impact on the ability of transport workers to enter third countries, as well as the conditions to allow their entry, which vary across the world (health certificates, temperature checks). Second, because social distancing measures implemented in most trade partners to secure the safety of workers in points of entry are greatly slowing down operations of unloading, which in turn leads to transport operations being stuck in longer journeys. Moreover, social distancing is affecting the capacity of administrations around the world to conduct the necessary bureaucracy to allow trade flows to continue (e.g. issuance of phytosanitary, origin, and other certificates, customs procedures, etc.). In this regard, the limited staff available to perform official controls at Border Control Points (at times operating at -50% of their capacity) is of concern for the continuation of perishable fresh produce trade.

It is also important to highlight the need to secure that essential workers such as drivers or ship crews can have access to all protective measures required to ensure their health and wellbeing for them to be able to continue performing their duties. Their status, however, varies across countries, and there is strong uncertainty as to what measures will be taken in each country when an export operator is tested 'positive' (Would they be 'trapped' in the importing country? In which conditions? Will they be returned home?) In some countries, issues have also been reported when it comes to the local implementation of the 'essential' status of these workers. In India, for instance, strong enforcement of the lockdown measures de facto halted harbour operations for nearly a week, as the local police prevented port operators from reaching their workstations.

In the medium to long-term, should lockdown measures remain or be reinforced worldwide, the increased shortage of professional workers available would slow-down export operations further. This could prevent exports of highly perishable produce to continue, particularly to far distance markets, and discourage many exporters to engage in these operations. The IT infrastructure of national administrations, including National Plan Protection

Organisations as well as the degree of flexibility introduced in the performance of official controls, will be key to determine the capacity of export bureaucratic activities to continue.

LOGISTICS

The coronavirus pandemic has also affected EU exports' logistics, notably due to three main developments:

- **Shortage of containers:** this was the first impact felt by the sector once the outbreak started in China, where internal restrictions in the movement of goods and staff, led to a blockage of many ports and container terminals. Importers into the country faced serious challenges to unload their cargo in Chinese ports, resulting in either an increased storage time in the harbours or rerouting of the shipments. This situation led to the stranding of many (reefer) containers in ports, on board, or in terminals, creating a shortage of availability of containers at the global shipping markets. This situation likely affects EU exports, particularly for commodities exported in smaller volumes with fewer incentives to compete for containers.
- **Delays in reception of paper certifications:** these are often sent via plane, but the dramatic decrease in passenger flights as a result of travel bans has led to big delays in the arrival of export documentation. Considering this, the EU has requested trade partners a reciprocal acceptance of online or scanned certifications for exports, which can indeed help resolve this technical issue, in order to prevent further delays due to the absence of paper certificates. Whilst multiple trade partners have replied positively to this request there is still uncertainty for a wide number of export destinations in this regard.
- **Halt in trade of products by air cargo:** whilst most EU exports are transported by sea, certain highly perishable, high-value produce, such as speciality vegetables and sweet peppers, are transported by air. Air cargo transport has been deeply impacted by the absence of flights in the past month, which has impeded fruit and vegetable exports by air.

In the longer term, a continuous shortage of containers created by the slow-down of trade operations worldwide will toughen further competition for logistics, which might end up leaving operators dealing with smaller volumes or speciality produce out of the 'race to export'. Moreover, EU fresh produce

exports could be affected by further delays and competition in a scenario of increased congestion in international trade when other, high-valued sectors re-activate trade operations (machinery, automobiles, high-tech, etc.) as economies progressively re-open. Finally, there is a need to increase IT capacity for online transmission of certifications and other administrative processes, especially (but not only) in emerging economies. Otherwise, IT glitches and cyber-security issues could risk halting or dramatically decelerating the capacity for EU exports to continue.

MARKET PERFORMANCE

The COVID-19 crisis will most likely lead to a significant decrease in EU export volumes of fresh fruit and vegetable, at least for the first half of 2020, as a result of three main factors. First, the preference of suppliers to place their produce in the domestic and intra-EU markets, where demand for fresh produce has increased as a result of the confinement measures in most EU countries. Second, the challenging environment for EU exports to reach non-EU destinations, particularly in distant markets, due to logistical issues (see the section above), but also uncertainty regarding the arrival of produce to end-clients given the lockdown measures imposed worldwide. In addition, it is worth highlighting that many EU fresh fruit and vegetable exports, particularly those towards emerging economies, are usually considered high-end products. Therefore, demand for these categories has fallen, particularly in those countries where EU produce is aimed at feeding catering services and the tourist industry.

It is difficult to predict at this stage a medium-term market performance of EU exports, as this will be dependent on multiple factors beyond the pure ability of operators to continue exporting. Some prospective trends are the following:

- **Ongoing uncertainty as restrictive measures to limit the virus spread evolve differently across the world:** should uncertainty over export operations continue, exporters will likely continue looking for alternatives to export (e.g. domestic market focus, processing, etc.).
- **Re-shuffle of export flows and distortion of trade towards 'open' markets:** significant changes in the destinations of EU exports of fresh produce could take place in the coming months, motivated by the degree of difficulty to access certain destinations. This could bring about issues for emerging economies in strict lockdowns with less capacity to conduct operations to allow imports, which will lose attractiveness and hence supply. In turn, third countries able to effectively ease and adapt operations will successfully attract food imports. Countries with poor

internal infrastructure and logistics could also be affected, as exporters could be discouraged to take the risk that perishable produce would lose quality and become unsuitable for end-clients. In this move, however, EU exporters will be limited to re-shuffle their supply due to SPS conditions, as many markets remain close to fruit and vegetable European exports.

- **Longer journeys leading to changes in commodities exported and destinations:** given the slower pace of export operations leading to longer journeys (and the absence of airfreight), EU export of fresh produce will likely concentrate further in less perishable commodities and closer destinations or those with direct connection/easier logistics.
- **Decrease of available volumes to export:** if EU production is affected by the slow-down of operations and shortage of workers (see previous sections), operators will keep the produce in the EU, limiting their exports. As a matter of fact, and beyond COVID-19 considerations, lower crops are expected this year for key commodities such as apples & pears, as well as citrus and stone fruit. In a worst-case ‘food security risk’ scenario, the dramatic decrease in EU exports to key destinations could affect the supply of countries highly dependent on imports.
- **High price volatility of fresh produce commodities:** dependant on a variety of uncertain factors, such as the lesser supply of some categories, erratic changes in consumer demand (such as the high demand in the past weeks for garlic or ginger, considered ‘superfoods’), the limited availability of airfreighted commodities or other trade distortions.
- **Export promotion highly disrupted:** International promotion campaigns and presence at international sector events and trade shows (Asia Fruit Logistica, China Fruit and Vegetable Fair, PMA Fresh Summit, Fruit Attraction, etc.) is a key element for the EU fresh produce sector to meet buyers and to gain new business contacts. Moreover, many business organisations are benefitting from financial support from the EU promotion policy, but with strict fulfilment obligations. The current situation as well as the pending decision on the implementation of the above-mentioned international trade shows are not only disrupting EU exporters marketing and promotion activities but also create additional uncertainty on the fulfilment of obligations required by EU promotion programs.

ADDITIONAL COSTS/ECONOMIC IMPACT

EU exporters are already facing a significant increase in costs in their operations as a result of the current emergency, notably:

- **Increased costs derived from human resources:** such as risk premiums, additional insurance, and higher pay for logistics workers.
- **Rise in logistics costs:** like containers, as a result of the global shortage and the slow-down of operations. The closing of some harbours and elevated congestions in other hubs has also led to an increase in blank sailings and re-routing of empty consignments, elevating costs further. Moreover, the impact of lower prices in fuel, which could have partly compensated for other additional costs, has not been absorbed by the sector. Overall, operators estimate they will have to pay a congestion surcharge per container of between \$US 1000 and 1300.
- **Big increase of costs to continue airfreight due to the shortages of air cargo:** This is affecting EU commodities often exported by plane to third-country destinations, due to their perishability or to the long distance
- **Increased discharge costs:** due to the introduction of quarantine periods for unloading. This does not only increase the risk of produce damage but also the 'detention' charges, usually applied per day at the expense of the importer.
- **Uncertainty regarding the arrival of produce to the final customer:** given the delays in logistics and poor inland infrastructure in some countries. This puts the payment of imports at risk, should perishable produce lose its quality as a result of these challenges.
- **Build-up of IT capacity and maintenance, including increased cyber-security costs:** which has become a must for operators and administrators alike to secure the continuation of trade flows, given the big delays in the reception of paper certification.
- **High economic insecurity for export operators, who have already lost markets in previous emergency situations:** Many EU exporters have been going through a severe period of economic insecurity, as the past 6 years have been shaped by the closure of many key markets. This includes the Russian embargo, the closure of Algeria or the loss of the Libyan market. Combined with bad seasonal conditions, EU exports to third countries have been decreasing by 30% in volume (2014: 6.2 million T, 2019: 4.3 million T) and 14% (2014: € 4.8 billion, 2019: € 4.2 billion) in value in the time period from 2014 to 2019. Considering, that many operators are SMEs, another 'break-down' of exports market will further diminish the EU's fruits and vegetables presence on global markets and lead to the potential closure of unprofitable operators and companies in the EU.

In the long-term, it could become unsustainable for operators to secure the continuation of exports given the high costs. This can lead to a great economic loss for European growers in 2020 (exports of fruit and vegetable represent over € 4 billion per year), and, more importantly, damage or loss of business contacts to secure development of exports in the coming years.

OTHER SIDE-EFFECTS

COVID-19 is creating additional risks for the continuation of fresh produce trade and production, notably:

- **Disruption of related trade flows:** ongoing challenges to trade are also affecting flows of related products and material needed to secure production continuation, such as fertilisers, growing media, plant production products, packaging in materials, etc.
- **Additional bureaucracy and SPS restrictions:** as the crisis evolved in Europe, some trade patterns started demanding additional assurances from European exporters. For instance, some countries have requested health certifications to be provided for European transport workers arriving in their territories. Others have requested EU fresh produce exports to be accompanied by a certification guaranteeing products are safe and free from COVID-19 (despite the lack of scientific basis for such a request).
- **Loss of previously conducted investment and work to export:** Exporters might have invested in annual requirements to export to certain third countries with protocols by securing, at a cost, orchards registration, monitoring and controls of orchards, without now or later on in the season being able to export to the planned destination as a result of the global COVID-19 crisis.
- **Difficulty or impossibility to fulfil protocol requirements:** for many European growers and exporters of fresh produce, the current uncertain environment makes it difficult or impossible to fulfil certain conditions to export agreed in their bilateral protocols with trade partners. This is the case of pre-clearance inspections, given the introduction of an EU travel ban on non-EU citizens, or the registration of orchards, due to the limitations in the work conducted in the field.
- **Access to insurance coverage:** the lowering of credit limits/reduced coverage by credit insurance companies in order to control their own risks is also affecting European exporters.

In the coming months, the continuation of these difficulties could lead to issues to secure the supply of materials for production, hence putting supply at risk for the EU and international markets. The difficulties to fulfil certain protocol conditions may also affect the capacity of EU exporters to trade. On the other hand, the spread of COVID-19 around the world will probably lead to the disappearance of countries' requests for coronavirus free certifications for food.

RECOMMENDATIONS

In order to secure the sustainable continuation of fresh produce trade for the duration of the crisis, the sector encourages the EU to lead efforts to engage with trade partners, to secure a consensus on a number of principles to secure the continuation of trade flows in agricultural goods:

- **Creation of international green lanes for transport workers and essential trade of goods**, following the EU Guidelines model, to enable the movement of 'essential goods', like medical equipment and perishable foodstuffs. These green lanes have added transparency and ensured cooperation to maintain trade within the Single Market. At international level, similar cooperation should secure the allowance for international workers dealing with exports of food to continue operating and be excepted from travel bans. These should also include, as in the EU guidelines, common health protocols for transport/trade workers, with the aim to ensure common health and safety standards for all operators (e.g. if required, proper quarantine facilities and treatment guarantees, as well as re-location to the country of origin).
- **Set up of globally harmonized handling of port sanitation**: this would provide certainty to operators and administrations across the world, preventing issues and providing concrete guidelines for the handling of perishable loads in case of COVID-19 infections on board.
- **Prioritising testing and protecting 'essential' workers, which are responsible for enabling the continuation of food trade**
- **International cooperation on national measures affecting trade**: despite the urgency in the application of exceptional measures to contain the virus, international cooperation shall be maintained and reinforced to ensure trade can continue in these difficult times. The WTO compilation table of COVID-19 measures affecting trade is an example of transparency and coordination ([HERE](#)). The provision of more, sector-specific information to stakeholders would be greatly appreciated.

- **Waiving of container detention charges on import shipments in international harbours**, due to the overall slowdown of operations. This measure has already been implemented by India. It provides relief to traders, whose shipments are remaining more time than usual in the ports before unloading - a big extra cost if detention charges remain as usual (usually by day). Moreover, this measure can reduce the risk of operators deciding to re-route containers due to waiting times, hence decreasing a move towards trade distortion into open, more efficient harbours versus other with struggling capacity.
- **Monitor and prevent imposition of discriminatory measures or import bans against countries affected by the virus spread**, such as 'free from COVID' labels, due to lack of scientific-basis, as EFSA and other international scientific bodies have signalled there is no evidence that food could be a means of transmission. More importantly, the imposition of import bans on products coming from countries affected shall be prevented, as it is not scientifically sound and will limit the availability of certain foodstuffs and increase prices for consumers. This phenomenon took place in the past month, when several countries instituted an import ban on fresh products from China, causing a rise in local prices.
- **Acceptance worldwide of electronic and scanned certificates, both for phytosanitary and other certification** (e.g. customs, origin, organic, and any other certification). In this regard, the EU has been a role model, allowing electronic phytosanitary certification for imports to come in electronic/scanned format, and requesting trade partners for reciprocal treatment for European exports. However, this acceptance only came this week for certificates of origin, and the procedure for organic certification remains burdensome and paper-based. It is essential for the EU and its trade partners, to agree with a matter of priority on the reciprocal acceptance of electronic and scanned certifications of all kinds. Only this can enable the continuation of trade operations during the crisis.
- **Increased flexibility in import checks**: so perishable products of low-risk, like most fresh fruit and vegetable, can continue to be traded. As suggested by the World Bank, customs and agencies responsible for SPS standards should work together to design special regimes for expedited clearance for essential medical goods, food products, and farming inputs.
- **Flexibility in SPS requirements and protocols for exports**: the EU shall reinforce its engagement with trade partners, to secure additional facilitations to encourage European exports of fresh produce, in particular negotiating the removal of redundant SPS procedures to facilitate trade during the period of the COVID-19 pandemic, including pre-clearance, orchard registration and duplication of controls. This is in line with World Bank recommendations to step-up cooperation among SPS agencies in importing countries and their counterparts in exporting countries,

especially to identify key critical commodities produced under equivalent processes that allow clearance controls to be either reduced or removed altogether.

- **Assistance to emerging countries on IT capacity building:** as the ability to conduct these operations will be essential to secure EU exports continuation (as well as imports from third countries). As acknowledged by the World Bank, the increased of IT capacity and use, together with flexible working schedules, longer border opening hours, and expanded access to telephone and online enquiry points will increase efficiency and limit the physical presence and interaction of logistics workers and officials at facilities and border crossing points.
- **Introduction of government guarantees for credit insurers to avoid the lowering of credit limits,** which limits the needed coverage of European exporters.
- **Prioritising air cargo for crucial sectors for worldwide food supply** in order to allow exports of healthcare equipment and food.
- **Swift clarity on EU promotion programmes implementation for 2020:** authorities need to clarify and assist EU exporters to handle the situation of uncertain marketing activities and the potential cancellation of international events and trade shows under force majeure conditions and with no additional liabilities for the program takers.



IMPORTS INTO THE EU

The European Union has imported in 2019 about 15 million T of fruits and vegetable with a market value of € 16 billion. The continuation of production and trading operations from non-EU suppliers is therefore key to provide EU consumers with a wide range of fresh produce. Imports are strongly dominated by fruit imports with banana (5.5 million T), the biggest commodity imported into the EU, followed by oranges (950000 T), pineapple (900000 T), grapes (620000 T), avocados (550000 T), lemons (485000 T), apples (478000 T) and watermelons (413000 T). Vegetable imports are shaped mainly by onions (623000 T), tomatoes (556000 T) and beans (183000 T). 82% of all imports (12.3 million T) originate from South America, Central America, Northern Africa, Southern Africa, and EU neighbouring countries.

All these countries experience currently effects caused by the implementation of emergency measures to prevent the further spread of COVID-19, which will radiate on EU supplies short and long term. The effects have not yet been visible for the first months of emergency measures in the EU as the import season has not started in full swing. The impact on the availability of goods will start to be fully revealed in the upcoming weeks, when more counter season products from Southern Hemisphere countries hit the markets.

SHORT-TERM IMPACT

- General workforce shortage for harvest, production, and logistics in third countries
 - Lack of qualified workers in factories (for packaging materials), warehouses and farms
 - Infection peaks for African countries expected in July/August with strong impact on workforces for production, harvesting and packaging
 - Slow-down of operations because of social distance provisions
 - Slow down in administration and custom operations
-
- Port backlogs through limitation of capacity leading to delays in shipments during starting Southern Hemisphere export season
 - Continued shortage of reefer containers
 - Slowdown of control operations in third countries and in the EU because of social distancing requirements for staff
 - Shortage of packaging materials and deviation to materials not destined for the EU market
 - Lagging flexibility for issuance date of the Certificate of Organic Inspection (COI) challenges organic imports
 - Nationally diverging handling of port sanitation protocols in cases of COVID-19 infections on board create insecure base of operations in emergency cases for unloading perishable cargo
 - Complete halt of air-cargo is impacting severely supply of more perishable fruit and vegetable, exotics
 - Ship delays could cause tariff increases, when exceeding the dates given in tariff schedules
 - EU flexibility for phytosanitary certificate and Certificate of Organic Inspection as well as flexibility in control conditions only until 31 May 2020

LONG-TERM IMPACT

- Continued workforce shortage, if infections are not contained in import critical countries
 - Infection peaks plus weak medical situation in many countries of origin will not only threat harvest and production season this year but will also limit ability to start production for 2021 and endanger internal food security in the affected countries of origin
-
- Lagging flexibility for issuance date of the Certificate of Organic Inspection will lead to complete stop of organic imports to the EU during Corona-crisis

SHORT-TERM IMPACT

LONG-TERM IMPACT

MARKET PERFORMANCE

- First slowdowns will be visible in the beginning of May
- Delays of arrivals and shortage of available fruits and vegetable in the upcoming weeks and months
- Decrease of available volumes for imports into the EU, as exporting countries might first satisfy their own food supply for their internal domestic markets
- The decrease of demand from the EU for exotic and tropic products will have strong impact on the socio-economic development in the countries of origin
- Longer journeys and storage times at origin will have an impact on the quality of the goods at arrival
- High price volatility of fresh produce commodities

ADDITIONAL COSTS/ECONOMIC IMPACT

- Increased demand for staple products such as apple or staples with a longer shelf-life – global competition for those goods will have impact on the price developments
- Doubling to tripling of market prices for airfreight
- Increased prices for sea freight due to competition for reefer containers
- Increased pricing for sourcing packaging material in the global chain

OTHER SIDE-EFFECTS

- Many SME fruit and vegetable producers in countries of origin will fight for their survival in the upcoming months
- Credit insurance companies: lowering credit limits/reduce coverage with negative effects on trade
- Extension of the validity of private certifications (GAP and GDP) to satisfy retailers' requirements

- Long term shortage of fruits and vegetables imports given continued challenging situations in the countries of origin will lead to visible shortage of goods for the consumer market throughout 2020 and increased consumer pricing
- The decrease of demand from the EU in particular for exotic and tropic products plus the closure of the airfreight market will lead to economic difficulties in the countries of origin, which could radiate beyond 2020, if the rather SME focused producer market in these countries is not experiencing enough support
- Export destinations will continue to focus on securing the supply for internal domestic markets

- Continued pricing challenges as scarcity of available fruit and vegetable due to logistic and emergency measure constraints will continue

- If farms and productions sites not stabilized over the upcoming months, this will have dramatic economic consequences for the countries of origin, as agricultural production & agricultural trade is a key pillar, with radiative effects on EU developments (increase in migration, social unrest)
- Negative effects for (worldwide) CSR and Sustainable Development Goals

SHORT AND LONG-TERM IMPACT

RECOMMENDATIONS

- Reinforce market intelligence
- Expand flexibility on import certifications and labelling
- Short-term flexibility in labelling issues
- Negotiations with airlines on air cargo possibilities
- Ensure food security in emerging economies
- Common protocols for port sanitation and COVID-19 action
- Increase efforts to switch to a complete transition of electronic transmission of documentation without any longer need for original paper documents
- Step-up support to developing partners to allow them to continue production and export operations
- Reciprocity
- Introduction of government guarantees for credit insurers
- Open the governmental debate on counterfeiting increase import trade costs

WORKFORCE AVAILABILITY AND PROTECTION OF WORKERS

Equalling the situation for exports, countries of origin are starting to experience a shortage of workforce related to the social-distancing provisions for farms, packhouses, and port facilities, which has already led to a slowdown or in some countries such as in India to a complete stop of operations. Many of the countries of origin have extended their lockdown throughout April and the situation will continue to remain unclear throughout May.

Several countries introduced curfews over the Easter weekend, leading to an additional impact on the operations. The impact will be visible in the European market in the beginning of May, when essential volumes will be missing. The situation is further slowed down by strong police controls of the workers on the way to orchards and farms in many countries.

For many countries, in particular in Africa but also in some countries in South and Central America, the current stage of infections is not yet fully assessed while the medical equipment may not be enough to treat a larger amount of infected people in need of respiratory assistance. The peak of infection rates in African countries is expected for July/August – which will have a dramatic impact on production capacity for perishable goods in many African origins in the upcoming months. Therefore, increasing labour shortage could become a greater issue for the upcoming months, which will also have an economic effect on small and medium-sized producers, which usually have the capacity to maintain the operations for 2-3 more months maximum.

Workforce availability and shortage are affecting other essential activities for the continuation of the sector operations:

- **Sector services:** The shortage of qualified workforce in the supply chain as well as delivery bottlenecks for supporting materials are causing and will cause in future problems, to have the goods properly packed in the right packaging materials destined for EU.
- **Bureaucracy and administration:** Most of the countries currently experience a scarcity of staff at port levels which affects, in particular, the availability of physical presence of customs officers as well as the handling of the goods.
- **Protection of workers:** In addition, protection of workers is a challenge, as main suppliers to the EU market are developing countries with more vulnerable facilities, accommodation and potentially less availability of protective and other hygiene materials to ensure workers' health (gloves, sanitisers)

LOGISTICS

The current situation, with a halt in many areas of activities and different lockdowns imposed across the globe, is affecting all logistic channels:

- **Logistics in the countries of origin:** Many importing partners have introduced curfews through the night, which was hindering and continues to hinder fruit and vegetable transports through the night. Some countries have introduced special conditions for trucks having loaded perishable goods at night. Moreover, curfews and lockdowns, as the one in India, have a strong effect on the logistics within the supply chain, if access to a functioning cold chain is limited.
- **Sea freight:** Like the challenging situation in the export markets, many problems can be replicated for the import of fruits and vegetables but causing different effects for the economic stability of the operators and the market situation. The shortage of (reefer) containers continues to be challenging at maritime transport level with increase storage time before loading and therefore affecting the quality of the goods arriving at the European market, resulting in increased transport costs transferred to the end-consumer. The port situation is differing from origin to origin but needs to be observed over the upcoming weeks. Countries such as South Africa, whose citrus season will be starting soon, are currently reporting backlogs of 10 days due to the reduction of terminal capacities. The catching up of such backlogs will be challenged by the continuation of lockdown and curfew requirements in many countries of origin. These delays of shipments could pile up to 25 days such as in the case of South Africa, if the ship must load from different ports.
- **Ports logistics in the EU:** At European level, the diverging regulatory environment and handling of port sanitation protocols in case of COVID-19 infections from port to port and Member State to Member State remain a pending threat for operators, as the possibility of unloading perishable goods in case of infection cases on board remains intransparent and differs from destination to destination. There is a slowdown in ports due to a lack of human resources, which reduces the checks' capacity, but this is not majorly disrupting the value chain right now. Some trade facilitation on documents are provided and could help to speed up the process.
- **Airfreight:** The cancellation of most passenger flights had a dramatic impact on import partners who were carrying heavily perishable goods, which need swift transport. Often fresh fruit and vegetable have been transported in passenger planes. To give a few illustrative examples: A country such as Kenya has been exporting 1400 T of air cargo per week, which now decreased to 360 T. A key problem poses the flight lines for

these cargo flights, which normally operated the following route: carrying goods to South Africa and taking cargo from Nairobi on the way back. As South Africa has detained cargo crews for 21 days as soon as they land, airlines can only come with empty flights to Nairobi, which is heavily increasing the costs. In other cases, fresh produce has been transported by passenger flights to a hub, where all consignments have been consolidated in a cargo flight to Europe. As these passenger flights are cancelled, the cargo flights operating are not currently fully occupied. Therefore, only cargo, which has been flown into Europe with enough volume before the crisis, has been continuing. Costs for airfreight have been doubling. Also, Brazil has lost its entire airfreight market to the EU for exotics such as papaya or avocado. To illustrate some price effects: airfreight imports of ginger have tripled since the end of March from € 25 to € 75 per box. For other goods, the costs have been increasing by € 2-3 per box of import.

- **Documentation:** The changed logistic situation in particular at airfreight level has been leading to delays with regard to the delivery of necessary original documents for imports such as the EUR-1, Certificate of Inspection on Organic (COI), or phytosanitary documentation. This situation is currently under control given the exceptional measures taken by the European Commission. But in particular for phytosanitary certificates and the COI, the current measures are only been taken until the 31st of May 2020/ 1st of June 2020. As many countries of origin have not yet reached the peak of infections and related emergency measures, the Commission should be ready to prolong the acceptance of copies and related flexibility in an uncomplicated and quick procedure. Moreover, the issuance of the COI in the countries of origin – which has not made flexible in the current emergency measures - is creating currently many delays related to the shortage of workforce and the issuance chain from the farm to the national control bodies. Many importing countries will not have the COI ready before the departure date. Therefore, a dramatic reduction of organic fruit and vegetable imports has already started and will continue throughout the crisis period. Countries such as the Dominican Republic are considering a complete stop of organic banana imports to the EU for the time of the crisis, as they are not capable to organise the issuance of the COI in time.
- **Tariff situation in case of delays:** Some imported goods may face in the upcoming months challenges with delays affecting the related tariff schedule period. This could be the case for e.g. apples from New Zealand, South African Citrus products, apples and pears, pomegranates and avocados, grapes from Egypt, and apples from Chile and Argentina.
- **TRQ management:** Import of garlic is subject to a Tariff Rate Quota with management running through licences and deposit. COVID-19 has created major delays in the supply and logistics, particularly for Chinese garlic, one of the major actors in this market and the first victim of the

coronavirus. This is exposing European importers to a loss of their deposits at the end of the quarter if the volumes requested are not effectively imported (or arrived after the expiry of licences due to the delay).

MARKET PERFORMANCE

Currently, the sector is receiving mixed signals from the countries of origin as well as from EU-based importers. The overall supply chain in Europe seems to continue currently without major problems in the berthing of shipments, custom operations, and control, and all countries of origins have declared the fruit and vegetable sector as essential industry and maintain operations for exports –but this picture may be deceptive. Currently, import operations to the EU are still functional regarding incoming volumes. However, the slowdown in most supplying countries will only start to be felt in the EU in the beginning of May, which firstly coincides with the beginning of the Southern Hemisphere season and secondly marks the period, from which point onwards better monitoring of imports/delays or missing volumes from countries with emergency measures will be starting to become visible.

- **Central & South America:** Countries such as Brazil report already for the first quarter of 2020 a decline of exports to Europe about 2% in volume and 8% in value and already 20% less performance of sea freight exports to the EU for the month of April compared to the previous season. The slowdown of the markets is mainly caused by logistical and decreasing demand from the importing countries. Most of the South and Central American countries work towards maintaining the full operability of logistics and ports with different results.
- **African countries:** The impact on fruit and vegetable production in African countries is not yet foreseeable, as the expected peak of infections in the continent is July/August. Many African countries are now starting to focus on ensuring intra-African markets and to ensure internal food security, which will also have an effect on available export volumes long-term. The closure of wholesale markets and food service sectors has additionally put pressure on the African fruits and vegetables exports to Europe.
- **EU Neighbourhood:** whilst the volumes imported are relatively small, it is worth noting that several Eastern and Southern neighbours to the EU have set up export bans affecting fresh produce, which could impact prices of specific commodities in some Member States. Jordan, for instance, has banned exports of agricultural products, including potatoes, onions, tomatoes, cucumbers, aubergines, and courgettes. To the East,

Armenia, Belarus, Kazakhstan, Kyrgyzstan, and Russia have set an export ban on food products like onions, garlic, and turnip until 30 June. This development is worth noting, as these measures could be copied by other EU suppliers due to growing food security concerns.

- **Short-term effects on commodities:** The suddenly implemented lockdown measures had a different impact on imported commodities. Many effects will only start to be visible as of the week 17/18, when consignments were supposed to arrive in Europe. Moreover, the EU market was still filled by mainly European goods, while the counter season of the Southern Hemisphere to fill local gaps is only starting in these weeks. Many market developments are cross-impacting each other. While grape imports from India and Peru will be decreasing, redistributed grapes from Chile supposed for other markets are currently distorting the picture of availability. Harvest of melons and pineapples have been impacted as well by the curfew measures caused by a lack of demand. In particular, pineapples are mostly consumed out of home, which came to a complete halt with a heavy impact on the current price situation. Citrus fruits are experiencing strong demand in the EU and globally, as the fruit is rich in Vitamin C, while most citrus exporting countries are experiencing currently lockdowns with difficult logistic situations. For many Southern Hemisphere countries, the export season is only starting now, and the difficulties are hard to assess. It is expectable that global competition for citrus plus delays in delivery will lead to increases in pricing and less availability caused by strong demand. The banana market has experienced a dynamic situation throughout March and April with strong demand – but given the threat of labour shortage in many origins, this situation may change over the upcoming weeks. In general, the market development shows that there is a strong trend towards goods with a long shelf life and staple fruits such as apples, citrus, or bananas, while exotic fruits such as papaya, mango and in general goods transported via airfreight have been slowing down dramatically.

ADDITIONAL COSTS/ECONOMIC IMPACT

Undoubtedly, the worldwide COVID-19 pandemic will have both short and long-term effects on the costs.

It is difficult to predict at this stage a medium-term market performance of EU imports, as this will be dependent on multiple factors beyond the pure ability of operators to continue exporting. Some prospective trends are the following:

- **Delays of arrivals and shortage of available fruits and vegetable:** in the upcoming weeks and months, on goods with strong global demand and goods closing the gap of the counter season.
- **Incoming volumes:** decrease of available volumes for imports into the EU.
- **Focus on internal markets:** export destinations to increasingly focus on securing the supply for domestic markets, set up of a growing number of export bans on key commodities.
- **Small and medium producers in countries of origin:** the decrease of demand from the EU in particular for exotic and tropical products, added to the closure of the airfreight market, will lead to economic difficulties in the countries of origin, which could go beyond 2020, if the SME-focused producer market in these countries does not get enough financial support.
- **Socio-economic development in countries of origin:** the decrease of demand from the EU for exotic and tropical products will have a strong impact on the socio-economic development in the countries of origin.
- **Impact on quality for fruits and vegetables:** longer journeys and storage times at origin will have an impact on the quality of the goods at arrival.
- **Price developments:** high price volatility of fresh produce commodities, dependant on a variety of uncertain factors, such as the lesser supply of some categories, erratic changes in consumer demand, limited availability of airfreighted commodities, or other trade distortions.

Factors impacting prices at consumer level:

- **Airfreight:** the limitation of airfreight and “empty plane” scenarios have increased the costs per box transported by airfreight by € 2-3 Euros
- **Container shortage:** reefer container shortage and global competition for available containers are increasing transport costs for sea freight
- **Packaging:** given the logistical challenges in global sourcing, scarcity of packaging material is an expected side effect with an impact on pricing

OTHER SIDE-EFFECTS

Many producers of fruit and vegetable in countries of origin are rather small or medium size and contribute their goods in networks of cooperatives. Due to the current emergency measures and its impacts on the global supply chain, many SMEs are currently under pressure with a survival outlook for the next 2-3 months. If no stability mechanism and ‘normalization’ of trading conditions for these producers can be achieved, this will lead to the loss of many jobs and closure of production sites, a cornerstone of national economies in many of the fruits and vegetables producing origins. This will not only have dramatic socio-economic effects on the countries of origin themselves but also had consequences on EU policies long-term, in the form of reduced availability of goods, social unrest, and increased migration movements. Moreover, the crisis could affect negatively worldwide efforts to ensure Corporate Social Responsibility, and compromise the trend towards attaining the Sustainable Development Goals, especially if food crisis situations arise.

In parallel and similar to the rest of the layers of the chain, imports could be threatened by the lowering credit limits or the reduced coverage of credit insurers.

RECOMMENDATIONS

In order to secure the supply of fruit and vegetable to the EU and availability in the shelves, the EU should take into account the following recommendations by the sector:

- **Reinforce market intelligence:** by increasing ad-hoc monitoring and data collection on volume inflows and price developments, to allow fast-track assessment of the developments in the upcoming weeks and allow swift adjustment.
- **Expand flexibility on import certifications and labelling:** to show readiness to prolong provisions on controls and documentations on phytosanitary certificates, Certificates of Organic inspections, and customs documentation after the 31 of May 2020. Moreover, flexibility shall be

considered on the issuance date for the Certificate of Organic inspections, in order to secure economic stability and sustainability of small farmers post-2020 in the countries of origin and secure availability of organic fruit and vegetable at the market.

- **Short-term flexibility in labelling issues:** flexibility should also be extended in the short-term on labelling issues and incorrect packaging materials not implying food security issues for normally compliant traders.
- **Negotiations with airlines on air cargo possibilities:** tackle transport issues by negotiating with airlines on re-initiation of cargo-flights for perishable goods with affordable pricing. The stability of sea freight shall also be secured, as its disruption could threaten the EU fruits and vegetables supply overall.
- **Ensure food security in emerging economies:** to secure export trade (of food) into import-relevant but currently threatened countries, to secure food security in these origins short-term, socio-economic stability and continuity of production long-term and the stable exchange of goods, which will allow means of transport to operate economically without 'empty' routes.
- **Common protocols for port sanitation and COVID-19 action:** to develop a common transparent EU protocol for the unloading of perishable cargo, in cases of detection of COVID-19 infections through the port sanitation protocols, in order to avoid shipments in search for an accessible port.
- **Increase efforts to switch to a complete transition of electronic transmission of documentation without any longer need for original paper documents:** one of the few positive side-effects of this crisis is that it has shown the industry readiness to electronic certification and transmission of documents, as well as its positive effect in trade facilitation (and environmental benefits e.g. no air delivery and printing needed). The sector hopes that, after this experience, trade will continue naturally moving in this direction, accepting the digital transmission of trade documentation.
- **Step-up support to developing partners to allow them to continue production and export operations:** the EU and other donors shall increase short-term support for small farmers in countries of origin in the format of trade facilitation measures. Moreover, medical equipment and other support shall be provided to countries in need in order to contain the spread of the virus in key production areas.
- **Reciprocity:** there is a need to continue the efforts to urge third countries to grant more reciprocity for EU exports, as the EU made its best endeavour during the COVID-19 crisis to simplify the procedure for import (e.g. flexibility in the presentation of original documents).

- **Introduction of government guarantees for credit insurers:** to avoid the lowering of credit limits, which limits the needed coverage of importers.
- **Open the governmental debate on counterfeiting increase import trade costs:** Given the strong cost implications along the import supply chain, policy-makers should consider measures, which would allow rebalancing the additional cost component by emergency measures at customs, control and fee/duty level.



RETAIL

Since the start of the COVID-19 crisis, consumer demand for fruit and vegetable at retail level has been steadily increasing and remains strong and has recently experienced a certain level of stability. The strong sales at supermarket level can be explained by 3 main developments: 1) Panic shopping and stockpiling 2) Increased health awareness and desire for goods rich in vitamins and 3) The total closure of the foodservice sector, leading to a drastic increase in at-home consumption. Over the past weeks, the retail sector has been working intensively with its suppliers across Europe and beyond to secure supply but experiences a challenging and very unpredictable environment.

SHORT-TERM IMPACT

LONG-TERM IMPACT

WORKFORCE
AVAILABILITY AND
PROTECTION OF
WORKERS

- Worker situation stable with need for more availability for PPE
- Challenges to secure workforce for distribution depots and stores, in particular when workers are crossing borders on a daily basis

- Expected shortage of security agents subcontracted by retailers to regulate consumers' access to the stores

LOGISTICS

- Changes in safety requirements and opening hours of stores

- Intra-EU supplies stabilized, but increased transport costs transferred to the consumer

MARKET PERFORMANCE

- Reduced availability of varieties and class for the benefit of more mechanized goods, in order to ensure availability
- Price-winners: staples fruit and vegetable; Losers: exotics and more foodservice-prone goods
- Continued eating at home will secure sales
- Continued insecurity with regard to loose fruits and vegetables vs. packaged fruits and vegetables
- More flexibility on quality requirements and timing of delivery, adjustment of assortment
- Capacity to cope with panic buying and erratic consumers demand

- Shortage of available products through secondary effects from the supply chain
- Switch towards more packaged goods with challenge to source packaging materials & increased plastic/cardboard waste production
- As some shops are far too small in surface, shops will be opened 24/7 instead of 12/7 for the same turnover, which will affect the supply chain fully.
- Large increase of selling through internet or 'take away' at the retail shop with uncertain duration
- Consolidation of the retail market, raise of margins will affect the supply chain and in the end the income of growers
- Prioritization of operationality, agile and flexible store formats for the price of diversity
- Turn to more local goods, turn away from 'globalized goods'
- Elevated online sales
- Delay in the introduction of new products and innovations

SHORT-TERM IMPACT

LONG-TERM IMPACT

ADDITIONAL COSTS/ECONOMIC
IMPACT

- Increasing prices for fruits and vegetables because of reallocation of sourcing costs
- Increased wage costs for newly hired staff
- Lower prices for products with lesser demand because of closed foodservice sector
- Investments made to adapt stores to new requirements to keep social distancing in stores

- High fruit and vegetable prices given the complex local and global logistic situation

OTHER SIDE-EFFECTS

- No easy uptake of product initially destined to foodservices given different specification
- Evolution of packaging demands of consumers in certain Member States
- Effort to avoid empty shelves to avoid negative image and avoid consumer panic

- Adapt planning and assortment to the evolving consumers' attitude in the post-COVID-19 uncertain environment

SHORT AND LONG-TERM IMPACT

RECOMMENDATIONS

- EU uniform safety protocols for retail workers and consumers
- A European approach to source personal protective equipment for supermarket workers
- Second wave contingency planning for PPE
- Availability of produce
- Focus on food safety to avoid fake news, consumer 'panic' and image issues for certain commodities
- Ensuring diversity of supply

WORKFORCE AVAILABILITY AND PROTECTION OF WORKERS

Supermarket workers have been working under exceptional conditions over the past weeks and continue to be exposed to direct client contact day by day. Many protective measures have been already introduced, to protect staff and allow operability of the shops, such as distance lines, trolley disinfection systems, flexiglass at cash points, protective masks and gloves for the staff and security guards managing the number of people entering the supermarkets. Many supermarkets had to hire additional staff, to manage the refilling of shelves and the number of customers in the supermarkets.

The current retail situation on workforces seems to be stable. Only the availability PPE for retail workers and in the entire food chain continues to be a problem, which needs to receive greater attention by the EU sourcing policy for PPE's. While individual protocols have been developed to manage infection-cases of retail workers, no EU-wide harmonized guidelines on infection management in the retail sector have been issued. Moreover, these workers, as well as those across the rest of the food chain, shall be considered priority personnel when it comes to diagnosing and immunity testing in Member States' programmes.

The retail sector is also affected by the limited workforce capacity, concretely in warehouse to cross-borders. Currently, 10% of cross-border workforce in the retail sector, in particular in border areas are not able to reach their workplace due to restrictions in EU cross-border movement. Some concerns are also identified in regard to the increasing demand for security agents subcontracted by retailers to monitor the access to the stores.

LOGISTICS

The retail segment has not been as directly affected by logistical changes compared to other layers of the chain, as it is one of the few sectors which continues to operate at full (and even increased) speed. Just in time deliveries are under pressure due to the delays at borders and at dispatch from packing stations. These delays require more flexibility from the retailers to secure the supply. However, as more was known about the virus spread and Member States tightened further confinement measures, retail has also had to progressively adapt and upgrade its operations. For instance, by changing opening hours in the shops, introducing restrictions in the number of people allowed in and safe 'queuing systems' with enough distance between people,

allowing entry for only one person per household, limiting the number of items clients can purchase of a single highly demanded commodity (e.g. like flour, pasta or toilet paper), providing gloves or sanitiser to clients, etc.

Moreover, the availability of produce at retail level has been impacted, indirectly, by the logistical challenges which have shocked the rest of the chain, such as the sudden closure of intra-EU borders and the implementation of medical and document controls within the EU (shortages of trucks, logistical issues, lack of truck drivers), which have been affecting the availability over the past weeks. The upcoming weeks will continue to be challenging for the EU retail supply, indirectly impacted by the shortage of workers in the production layer to secure harvesting.

MARKET PERFORMANCE

The retail sector has been experiencing different stages of demand over the past weeks. The past months have been strongly shaped by panic shopping and increased amounts in order to avoid shopping too often. The current weeks are shaped by a little slow down, as consumers are starting to adjust to the crisis situation. While the overall sales of fruit and vegetable has increased in the past months significantly, not all categories have been benefitting by the increased at home consumption. In the first weeks of emergency measures, consumers have been less demanding with regard to class, variety, colour, size or even “organic” produce, which is currently normalizing again. Nevertheless, during peak seasons such as during the Easter weekend, consumers have been stockpiling up more fruit and vegetable with less available fruits.

The key challenge for the retail sector is to manage secondary effects impacting the daily operations such as ensuring steady supplies and full shelves while harvest situation in many countries is currently not secured, logistics still remain complicated and fruits and vegetables imports are starting to become more exposed to the effects of emergency measures worldwide. Also worth noting, that smaller retailers are benefitting from the current sales peak, as many clients are choosing proximity of the shop for safety reasons. Nevertheless, the retail sector has also been experiencing losses, especially in retail operations located in cross-border or tourist areas. The field of 'food convenience retail' has also been negatively affected as people are at home (e.g. 'take away' prepared food, hot beverages, sandwiches, fresh cuts, etc.).

A general consumption pattern switch is observable across EU countries with an increased trend in fruits and vegetables with longer shelf-life and staples such as apples, potatoes, onions as well as citrus (+15% - 20%) due to their alleged immune system boosting benefits. Increased consumption could also be observed for berries (15% -20%), lemon and garlic (+40%), and root vegetables (+20%), which customers associate as so-called 'superfruits'. On the other hand, more perishable goods are strongly affected by the closure of foodservice sector as well as the minimized segmentation in supermarket shelves such as asparagus, pineapples, melons, and 'convenience' products like salad and fresh cuts, which partially has led to a dramatic decrease of prices.

As stated above, retailers have changed their sourcing methods in order to ensure steady supplies, which in practice means the reduction of varieties (e.g. in potatoes), focus on availability and switch towards more mechanized products such as apple, citrus or kiwi. This decreased availability of commodities produced with less mechanisation, like strawberries, has also resulted in higher prices.

Given the need to reinforce hygiene considerations, packaging has been a key challenge, both for suppliers and retailers. In some of them, loose products still show no difference in sales compared to packed produce, but a growing number of Member States have reported a clear consumer trend towards packaged fruits and vegetables. This adds an additional challenge, for two main reasons:

- Sourcing of packaging materials is currently difficult and cannot in many cases be delivered in time

- While the natural trend in Europe was going to more loose goods in order to save waste over the past years, this creates a complete turnaround for the sector, which will need time to adjust. The DG SANTE guidance document ‘COVID-19 and food safety - Questions and Answers’, published on 8 April 2020, has provided some guidance to deal with loose products, but the consumer confidence is undermined.

Key concerns for the upcoming weeks will remain the question of a steady supply of fruits and vegetables, given the shortage of production workers and the restrictions in logistics and mobility to reach consumers. This could threaten the overall capacity of European production to supply retail across Europe. On a longer-term perspective, the retail sector is expected to see an adaptation of consumer behaviour into a ‘constant crisis mode’, with more savvy consumer decisions, continued eating at home and a strong desire to create a social experience from food, which will be beneficial for the overall sales perspective.

Nevertheless, the ongoing emergency status will have some heavier effects on the sector, including an increasing trend to local and regional consumption, a turn away from ‘globalized goods’ as well as an increased prioritization of operational efficiency, which may have an impact on the diversity of available fruits and vegetables long-term with side-effects on the entire supply chain. The question also remains open, whether the 2020 switch in consumers’ mindsets towards ‘war consumption’ (preference for packaging to avoid any contamination risks, stockpiling and lack of concern about food waste, less focus on organic, sustainability issues, etc.) will be a short-term one, or if it will slow down, consumers’ increasing concerns about sustainability that the sector was experiencing before the COVID-19 crisis will be reignited.

In addition, long term implications for shops with smaller surfaces are worth highlighting, as these will need to be opened 24/7 instead of 12/7 for the same turnover, given the social distancing measures. These changes in store schedules will also lead to a change of distribution towards the shops. This increased flexibility will, therefore, affect the whole supply chain. Moreover, as the retail market consolidates demand, a rise in margins is expected, which will also have knock-on effects in growers’ income. Last but not least, the crisis will prevent any new products and innovations from getting a place in the shop for an estimated 3 years, as inside trials and tastings will not be accepted by the retailers under current circumstances.

The sector moreover observes the increased implementation of calls and incentives for retailers by the EU Member States, to only source nationally, in order to strengthen the domestic production environment. While ‘eat-local’ is a consumption trend across Europe, ‘eat-local’ incentives are not reflecting the reality of retail supplies and offers in supermarkets. Concretely, many products are not produced in the EU (or not in enough volumes), such as bananas, pineapples, mangos, and other exotics. Moreover, it shall be reminded that fruits and vegetables are seasonal goods, which have locally only limited time availability. Intra-EU trade and import trade are therefore essential throughout the year, to secure timely, diverse supply to consumers, including when a product category is missing in the ‘local’ market. The missing definition of ‘local’ in this context is further complicating the situation, as it remains uncertain which geographic area is covered. Therefore, these nationally implemented “eat local”-provisions are creating an additional threat for the supply chain and supply security. These arguments can also worsen the protectionist arguments against produce from other Member States and beyond, despite the fact that it is legally marketed in the Single Market. Long-term the sector worries that this governmental/Member State pressure will have a detrimental effect on the functioning of the Single Market and its down laying regulatory basis.

Regarding online sales, an assessment for fruit and vegetable sales is currently difficult with regard to real-time figures, but the sector is expecting growing rates of online purchases during the ongoing emergency measures in most Member States, both via deliveries and ‘take away’ options. Whilst this could be understood as a ‘short-term’ trend due to the critical circumstances, particularly for vulnerable people in confinement (e.g. older population), it could also lead to a longer-term change in consumers’ habits, as some citizens, particularly in older generations, might get to ‘discover’ through this experience the benefits of online shopping, and hence continue using this channel in the future.

ADDITIONAL COSTS/ECONOMIC IMPACT

While retail is absorbing the lack of consumption from the foodservice sector and benefitting from the forced at home consumption with sales increases varying from Member State to Member State, retailers are experiencing the result of the current emergency measures, namely higher transport and sourcing costs, which partially have been transferred to the end-consumer. In the long-term and if the crisis continues, keeping affordable prices of certain commodities where supply is smaller will be challenging.

In addition, retail operators have made a wide number of adjustments and investments to adapt stores to new requirements to keep social distancing in stores, like the control of maximum capacity of customers (7 per 10 or 15 sqm), sanitation of trolleys, protective equipment for employees such as masks, flexi-glass at cashiers, security guards, and introduction of new payment procedures.

OTHER SIDE-EFFECTS

In the past weeks, operators have stepped up their efforts to continue supply despite the restrictions at hand, notably the difficulty to re-address supply destined to food services, given that this produce is usually subject to different specifications. Moreover, retailers are facing new challenges due to the erratic change in consumers' demands, such as a changing evolution in packaging demands in some Member States, which contrasts with the sectors' ongoing efforts to reduce packaging in the past years.

Moreover, it is worth highlighting retail's effort to avoid 'empty shelves', particularly in fruit and vegetable departments, which are often located at the entrance of stores. This is relevant not only to avoid a negative image of the sector or a specific operator, but also to be able to transmit citizens a message of calm and stability in these difficult circumstances, and to avoid further panic in purchasing habits.

RECOMMENDATIONS

In light of the ongoing and future challenges retail will face as a result of the coronavirus crisis, the following recommendations are worth considering:

- **EU uniform safety protocols for retail workers and consumers:** uniform guidelines could be adopted at EU level on protections needed in retail, for instance, regarding mask & gloves requirement for consumers when shopping to protect supermarket staff.
- **A European approach to source personal protective equipment for supermarket workers** should be established. This could include, among other measures common guidelines for management of infection-cases in the retail chain, and EU customs duties exemptions for PPEs provided to workers along the critical fruit and veg supply chain.

- **Second wave contingency planning for PPE:** as a key learning from the past months and in light of the need for better preparation to anticipate a second wave of infections, it is recommended to foresee better contingency planning for critical supply chains. The EU should therefore not only take into account the medical sectors needing PPE, but also essential workforces in the retail area as well as the rest of the fruit and vegetable chain.
- **Availability of produce:** to dedicate continued attention to supply chain issues such as harvest, logistics, and supply segments in order to ensure availability of supply for the upcoming weeks and months. A healthy diet is based on a diversity of products, which can only be secured with a combination of local, regional, national, and other European or international sources.
- **Focus on food safety to avoid fake news, consumer ‘panic’ and image issues for certain commodities:** there is a need to continue raising awareness among consumers about the lack of science-based evidence about the risk of contamination via food, in order to stop the spread of fake news, risking food loss and waste if consumers stop buying loose produce. In order to do so, EU and National Ministries shall continue to disseminate information on recommendations of proper handling of food, be it in packed or unpacked. A common EU approach is desirable to reinforce EU consumer trust.
- **Ensuring diversity of supply:** retailers should be encouraged via policy actions/incentives to maintain diversity in fruit and vegetable shelves in order to secure local and global supply chains, niche products and to maintain the diversity of products available on the shelves.



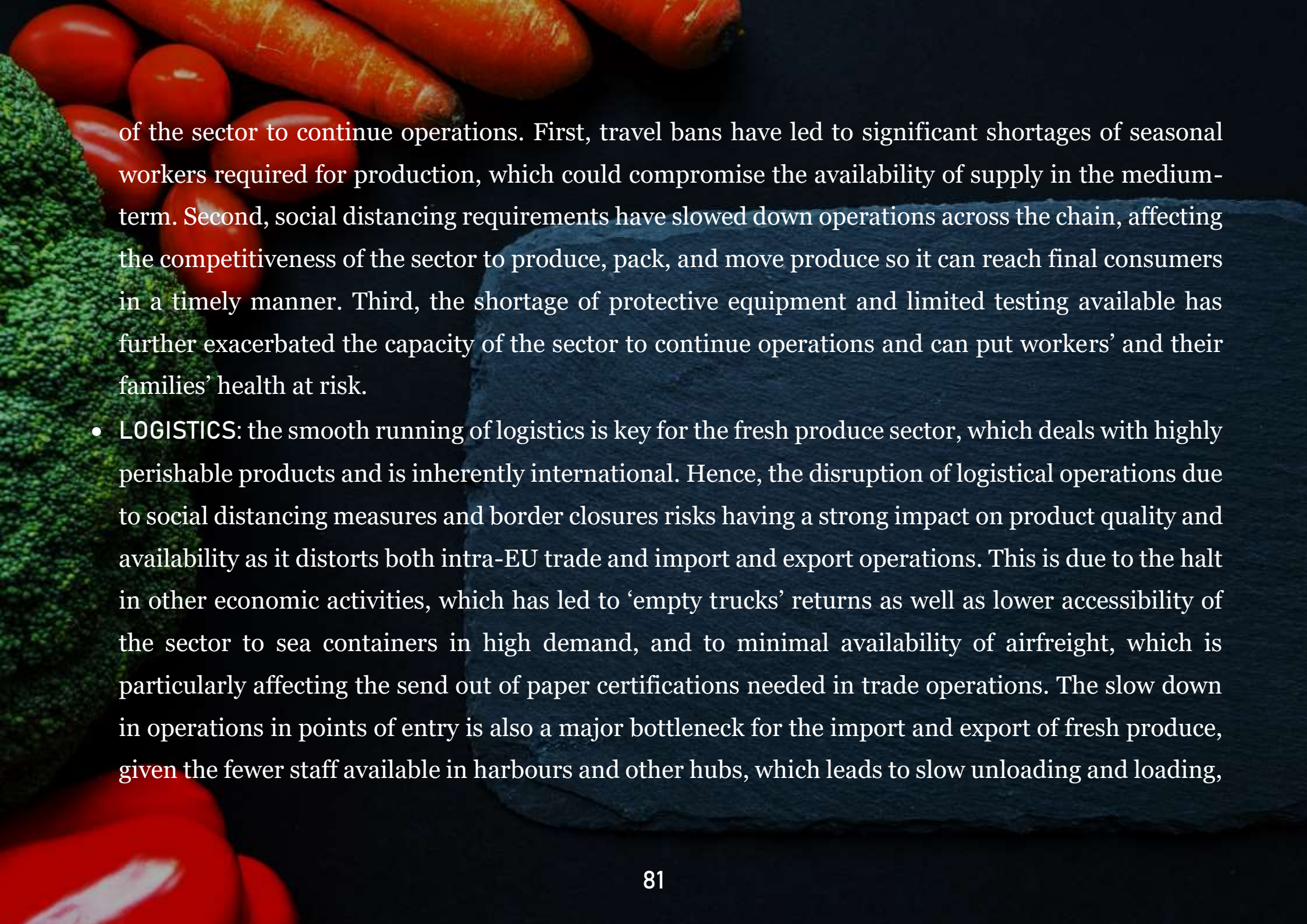
CONCLUDING REMARKS AND RECOMMENDATIONS TO POLICY-MAKERS

This assessment leaves no doubt that the COVID-19 pandemic has had a major impact across all the layers of the EU fresh fruit & vegetable supply chain. So far, the sector has managed to adapt & re-adapt to changing operating conditions. Thanks to these efforts the EU fresh produce sector has ensured the continuation of the supply of healthy and fresh products to consumers, although this has come at a significant cost.

SIMILAR CHALLENGES ACROSS THE CHAIN

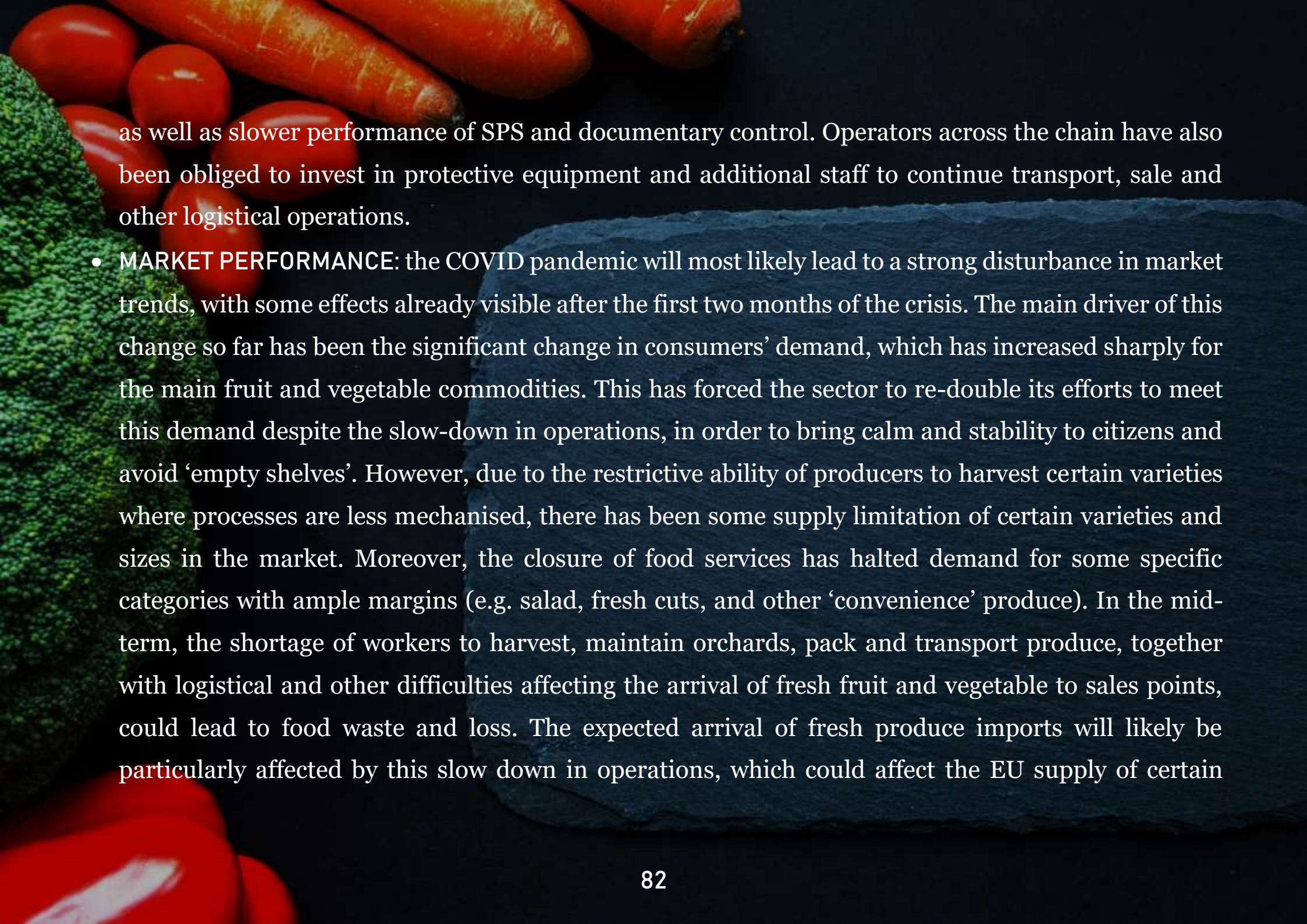
As confirmed in this impact assessment every layer of the supply chain, from production to retail, has been affected by challenges in six main areas:

- **WORKFORCE AVAILABILITY AND PROTECTION:** social distancing measures and other restrictions implemented in EU Member States and trade partners have deeply affected the capacity

A background image showing fresh produce. In the top left, there are several bright red cherry tomatoes and two orange carrots. To the left of the tomatoes is a head of green broccoli. The bottom left corner shows a portion of a red bell pepper. The background is a dark, textured surface, possibly a wooden table or a dark cloth.


of the sector to continue operations. First, travel bans have led to significant shortages of seasonal workers required for production, which could compromise the availability of supply in the medium-term. Second, social distancing requirements have slowed down operations across the chain, affecting the competitiveness of the sector to produce, pack, and move produce so it can reach final consumers in a timely manner. Third, the shortage of protective equipment and limited testing available has further exacerbated the capacity of the sector to continue operations and can put workers' and their families' health at risk.

- **LOGISTICS:** the smooth running of logistics is key for the fresh produce sector, which deals with highly perishable products and is inherently international. Hence, the disruption of logistical operations due to social distancing measures and border closures risks having a strong impact on product quality and availability as it distorts both intra-EU trade and import and export operations. This is due to the halt in other economic activities, which has led to 'empty trucks' returns as well as lower accessibility of the sector to sea containers in high demand, and to minimal availability of airfreight, which is particularly affecting the send out of paper certifications needed in trade operations. The slow down in operations in points of entry is also a major bottleneck for the import and export of fresh produce, given the fewer staff available in harbours and other hubs, which leads to slow unloading and loading,



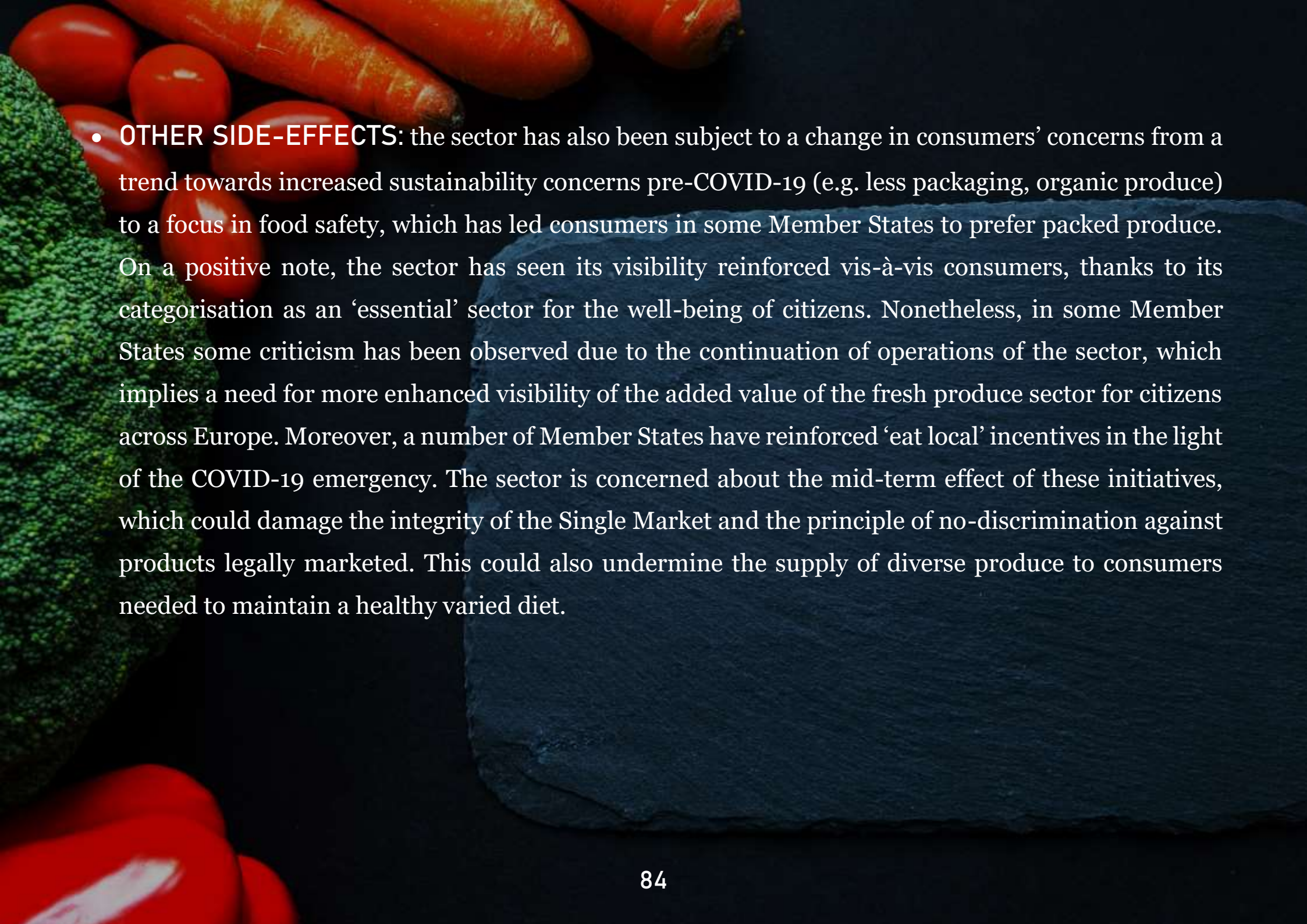
as well as slower performance of SPS and documentary control. Operators across the chain have also been obliged to invest in protective equipment and additional staff to continue transport, sale and other logistical operations.


- **MARKET PERFORMANCE:** the COVID pandemic will most likely lead to a strong disturbance in market trends, with some effects already visible after the first two months of the crisis. The main driver of this change so far has been the significant change in consumers' demand, which has increased sharply for the main fruit and vegetable commodities. This has forced the sector to re-double its efforts to meet this demand despite the slow-down in operations, in order to bring calm and stability to citizens and avoid 'empty shelves'. However, due to the restrictive ability of producers to harvest certain varieties where processes are less mechanised, there has been some supply limitation of certain varieties and sizes in the market. Moreover, the closure of food services has halted demand for some specific categories with ample margins (e.g. salad, fresh cuts, and other 'convenience' produce). In the mid-term, the shortage of workers to harvest, maintain orchards, pack and transport produce, together with logistical and other difficulties affecting the arrival of fresh fruit and vegetable to sales points, could lead to food waste and loss. The expected arrival of fresh produce imports will likely be particularly affected by this slow down in operations, which could affect the EU supply of certain

A close-up photograph of fresh vegetables, including several bright red cherry tomatoes, two orange carrots, and a head of green broccoli, resting on a dark, textured surface. The lighting is dramatic, highlighting the textures and colors of the produce.

categories. This lower supply could result in price volatility in commodities affected. In turn, EU exports of fresh produce are expected to decrease as operators focus on supplying the EU market and seek to avoid additional hurdles and risks in export activities. This could however negatively impact their capacity to maintain market share in some competitive markets in the medium-term.

- **ADDITIONAL COSTS:** overall, the sector estimates that costs for EU growers have increased by €1 billion in two months due to logistics disruptions and increased workforce costs as a result of COVID-19 measures. Businesses in the fresh produce sector are also concerned about the instability in insurance and credit insurance markets, on which most businesses across the chain (mostly SMEs) highly depend on for the continuation of their activities. The wholesale and food services-oriented sector are the most impacted in the chain, given the closure of bars, restaurants, and catering services across the EU. Moreover, planning for the future remains difficult for businesses to evaluate losses and adapt, given the uncertainty and lack of coordination across Member States when it comes to ‘de-confinement’ calendars. This could create an uneven playing field for different businesses across the chain in various Member States. The retail sector has also devoted significant investment to adapt sale points across Europe to the new safety requirements for both employees and consumers.

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- **OTHER SIDE-EFFECTS:** the sector has also been subject to a change in consumers' concerns from a trend towards increased sustainability concerns pre-COVID-19 (e.g. less packaging, organic produce) to a focus in food safety, which has led consumers in some Member States to prefer packed produce. On a positive note, the sector has seen its visibility reinforced vis-à-vis consumers, thanks to its categorisation as an 'essential' sector for the well-being of citizens. Nonetheless, in some Member States some criticism has been observed due to the continuation of operations of the sector, which implies a need for more enhanced visibility of the added value of the fresh produce sector for citizens across Europe. Moreover, a number of Member States have reinforced 'eat local' incentives in the light of the COVID-19 emergency. The sector is concerned about the mid-term effect of these initiatives, which could damage the integrity of the Single Market and the principle of no-discrimination against products legally marketed. This could also undermine the supply of diverse produce to consumers needed to maintain a healthy varied diet.

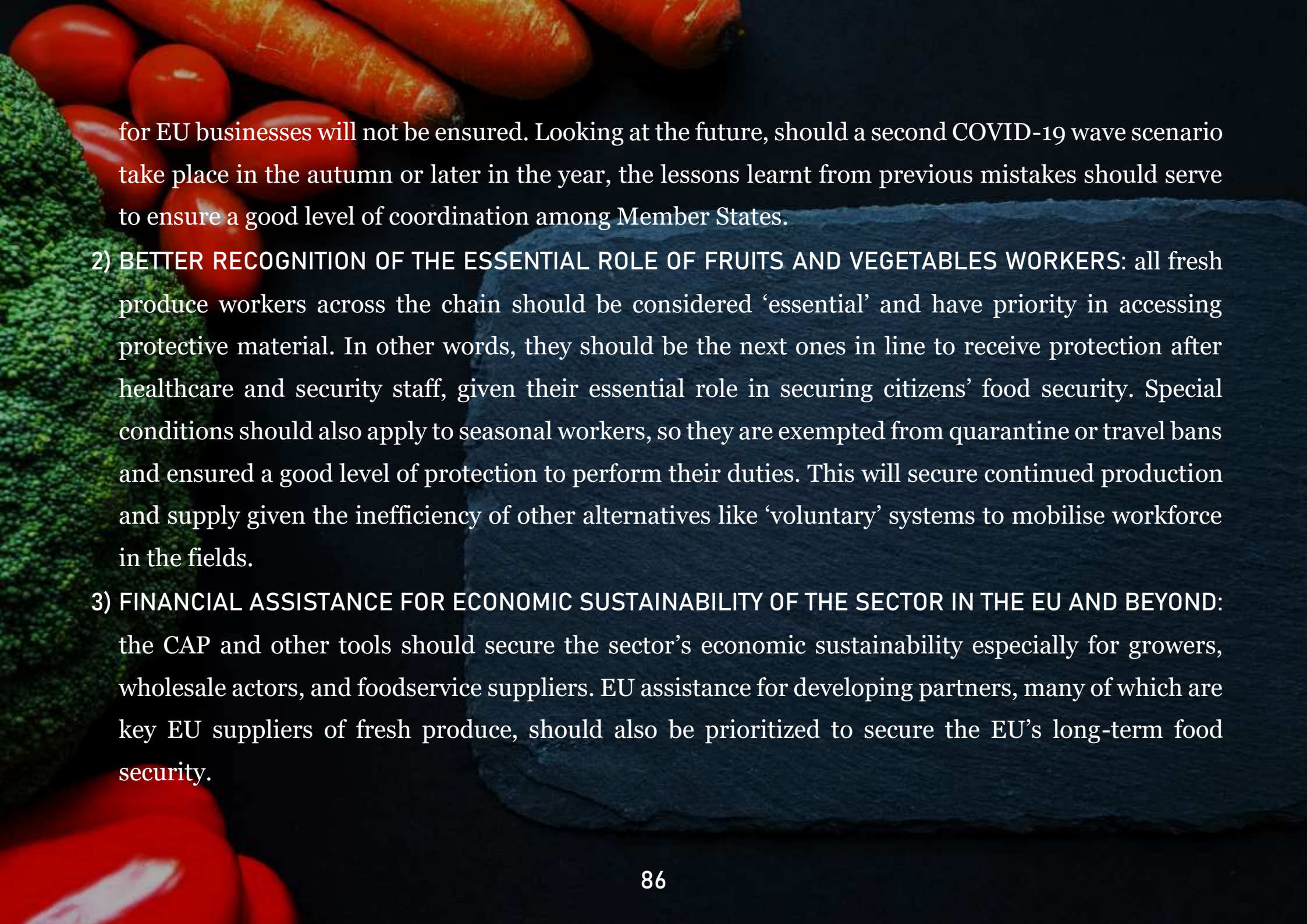


RECOMMENDATIONS TO POLICY-MAKERS

Tackling the complex, multifaceted challenges created by the coronavirus pandemic will remain extremely challenging for the months to come. The EU fresh fruit and vegetable sector is fully committed to reinforcing its efforts, in order to ensure the supply reaches the plates of consumers in the EU and around the world.


In order to attain this goal the assistance of policy-makers is key. A wide range of recommendations have been outlined throughout this document aimed at providing inspiration for the EU, EU Member States, and international authorities to support the sector to fully play its essential role to secure food security in the coming months and years. These can be broadly summarised in five key principles to guide policy-makers' work:

- 1) **LOOKING FOR EUROPEAN SOLUTIONS:** the EU fresh fruit and vegetable supply chain is strongly interlinked. The uncoordinated re-establishment of border controls at the start of the crisis showed the damage unilateral measures can make to EU supply chains of highly perishable fresh produce. Therefore, there is a need for upcoming action to be EU-wide. Moreover, EU Member States' deconfinement should be coordinated at EU level. Otherwise, transparency and equal opportunities



for EU businesses will not be ensured. Looking at the future, should a second COVID-19 wave scenario take place in the autumn or later in the year, the lessons learnt from previous mistakes should serve to ensure a good level of coordination among Member States.

- 2) **BETTER RECOGNITION OF THE ESSENTIAL ROLE OF FRUITS AND VEGETABLES WORKERS:** all fresh produce workers across the chain should be considered ‘essential’ and have priority in accessing protective material. In other words, they should be the next ones in line to receive protection after healthcare and security staff, given their essential role in securing citizens’ food security. Special conditions should also apply to seasonal workers, so they are exempted from quarantine or travel bans and ensured a good level of protection to perform their duties. This will secure continued production and supply given the inefficiency of other alternatives like ‘voluntary’ systems to mobilise workforce in the fields.
- 3) **FINANCIAL ASSISTANCE FOR ECONOMIC SUSTAINABILITY OF THE SECTOR IN THE EU AND BEYOND:** the CAP and other tools should secure the sector’s economic sustainability especially for growers, wholesale actors, and foodservice suppliers. EU assistance for developing partners, many of which are key EU suppliers of fresh produce, should also be prioritized to secure the EU’s long-term food security.

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- 4) **RESCHEDULING OF THE EU POLICY CALENDAR:** given ongoing challenges, the sector would benefit from a short-term postponement of specific new EU requirements (e.g. organic legislation). Future EU priorities should take account of the post-COVID-19 environment when defining action and support for the sector (e.g. modification of promotion annual work programmes).
- 5) **INTERNATIONAL COOPERATION TO SECURE FRUITS AND VEGETABLES TRADE:** a reinforced effort towards standardisation of protocols of action is necessary for the protection of transport workers and harbour management (e.g. disinfection standards). The EU should also lead a global effort to implement reciprocal trade facilitation measures by all trade partners. This could include, among others, the establishment of international ‘green lanes’, global acceptance of electronic transmission for all export certifications and facilitations for EU exporters to comply with SPS requirements.



freshfel

EUROPEAN FRESH PRODUCE ASSOCIATION

Rue de Trèves 49-51, Box 8

1040 Brussels – Belgium

+32 (0)2 777.15.80

info@freshfel.org

www.freshfel.org

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