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NOTE

From: General Secretariat of the Council

To: Delegations

Subject: Agricultural market situation
- Presentation by the Commission
- Exchange of views

The annexed note contains relevant information provided by delegations on agricultural market situation.

CONTRIBUTIONS RECEIVED FROM DELEGATIONS

1. AUSTRIA

Due to the COVID-19 pandemic, we are currently facing exceptional circumstances that cause tremendous challenges for agriculture throughout the European Union. Thus, it is crucial that we respond with the right set of measures.

A. Common market

The integrity and the basic rules of the common market must be maintained throughout this crisis. The free movement of goods and services in the agricultural sector is crucial for the food supply throughout the Union. In order to avoid labour shortages in the agri-food sector it is pivotal that cross-border commuting remains possible, enabling workers to reach their workplace in other Member States.

In these challenging times, it is more important than ever to closely coordinate within the EU in order to preserve the integrity of our single market and the free movement of workers.

B. Agricultural markets

In some agricultural sectors, we are already observing enormous changes in market activities. Due to a partial lockdown in Austria since 3 November, the hospitality-industry's demand especially for **beef and pork** has plummeted.

In addition, the first signs of a **decrease in exports** are already observable, as demand is falling significantly also in other countries. Serious difficulties especially in the beef and pork sector are expected. Together with the recent outbreak of the African Swine Fever (AFS) in Europe, market uncertainties are constantly increasing.

Equally, **Brexit** poses additional challenges to the EU's agricultural markets. Should negotiations fail to secure a deal, the resulting market shifts and disruptions would have far-reaching effects on the EU's agricultural sector as a whole.

Furthermore, the **cumulative effects of future free trade agreements**, like the ones planned with Australia, New Zealand or Mercosur, on the EU's agricultural markets must be taken into account seriously.

Therefore, we call on the Commission to thoroughly examine and analyse agricultural markets. Effective measures to take the pressure off the markets need to be seriously considered. This includes the opening of private storage for different sectors but also other specific measures, such as a voluntary volume reduction scheme.

2. BELGIUM

Belgium would like to highlight the disruption of the market situation in the Belgian pigmeat and poultry sector

A. Disruption of the market situation in the pigmeat market

Belgium would like to underline the distressing situation in its pigmeat market. Prices have seen a dramatic drop this year. Mostly this has been due to Covid. At first because of export problems and the closing of the horeca channel and later also because of Covid cases in the slaughterhouses impairing their slaughtering capacity. Unfortunately, this wasn't the deepest price level. In September, when African Swine Fever (ASF) was recently found in a neighbouring country, prices dropped further. Several Member States with an export oriented pig meat market also experience embargos due to ASF. This results in a further downward pressure on the internal market.

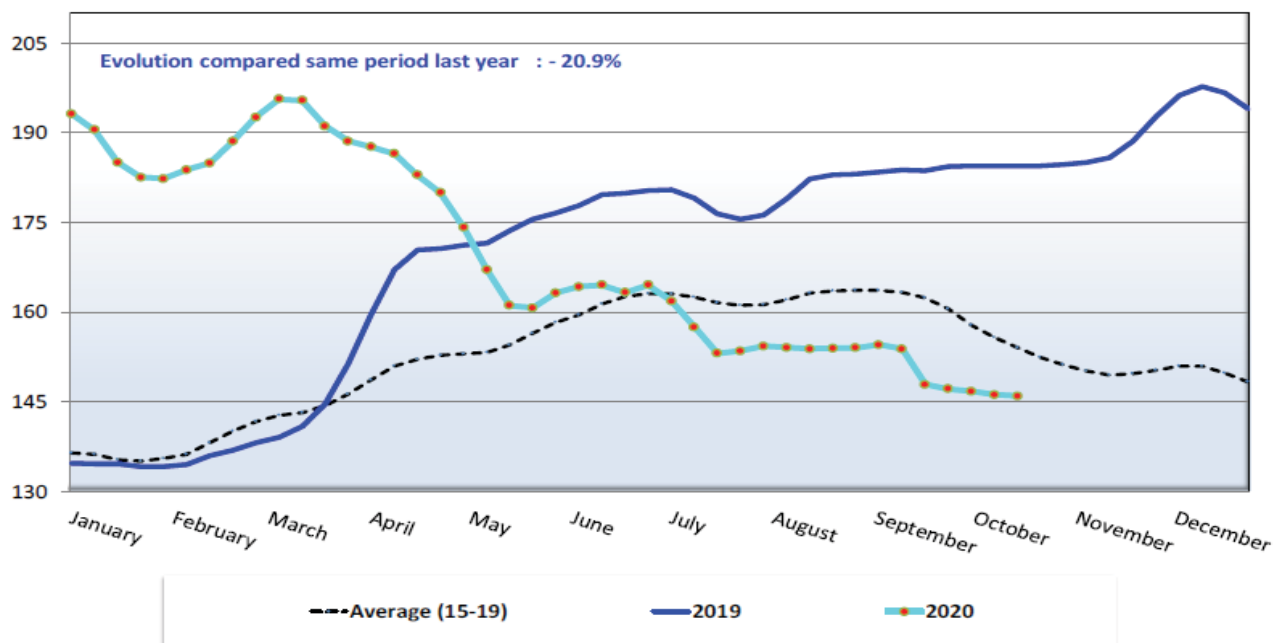


Fig.1: EU average Pig meat prices

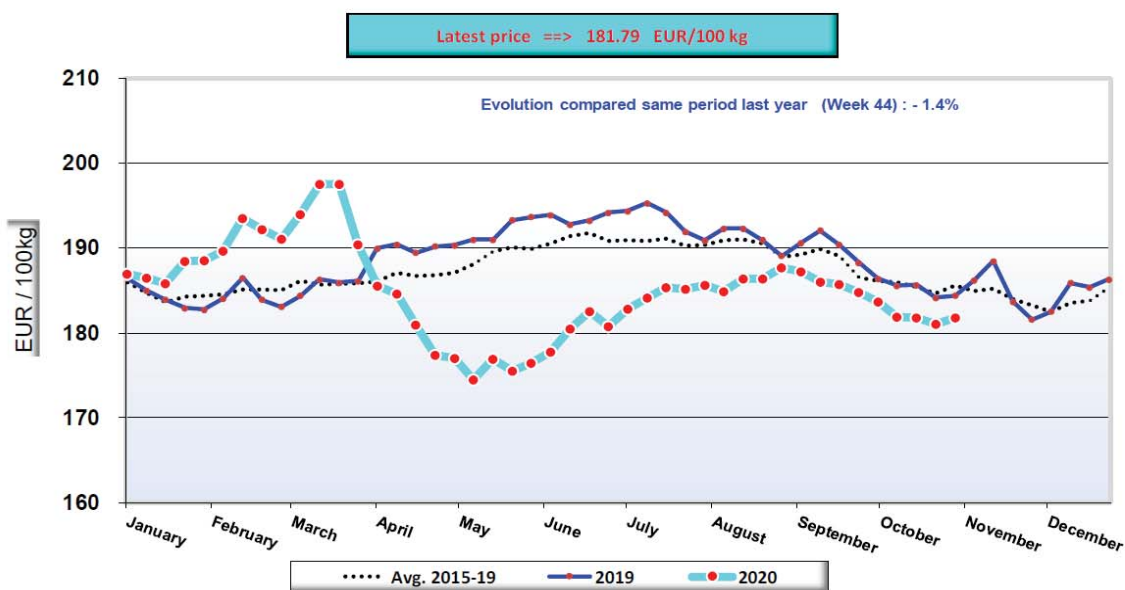
The average prices in the European Union have dropped by 20.9% compared to last year (looking at week 42). This average doesn't adequately reflect the situation of countries who have been hit even harder such as Belgium (-30.0%). One could argue that 2019 is not a good year for comparing prices due to its very high price levels, but the prices also go below the record-breaking low price levels of 2018.

Given the dire situation in the pigmeat market in these Member States, Belgium asks the Commission to consider the activation of market measures to counter the imbalances in the pigmeat market.

B. Disruption of the market situation in the poultry sector

Belgium would also like to underline the difficult situation in the poultry sector. EU market prices showed a sharp drop after the start of the Covid crisis, due to a lower demand in the food service and because of export problems. With additionally export problems of hatching eggs and one-day-old chicks. During summer, the prices showed an increase and a seasonal decline after summer, although still under the multi-annual average. But since a couple of weeks, prices are dramatically dropping in Belgium, to a historical depth.

Evolution of the weekly EU* average price for Broiler



Source: MS notifications (Commission Implementing Regulation (EU) 2017/1185)
 * EU without UK

Fig.2: EU average broiler meat prices

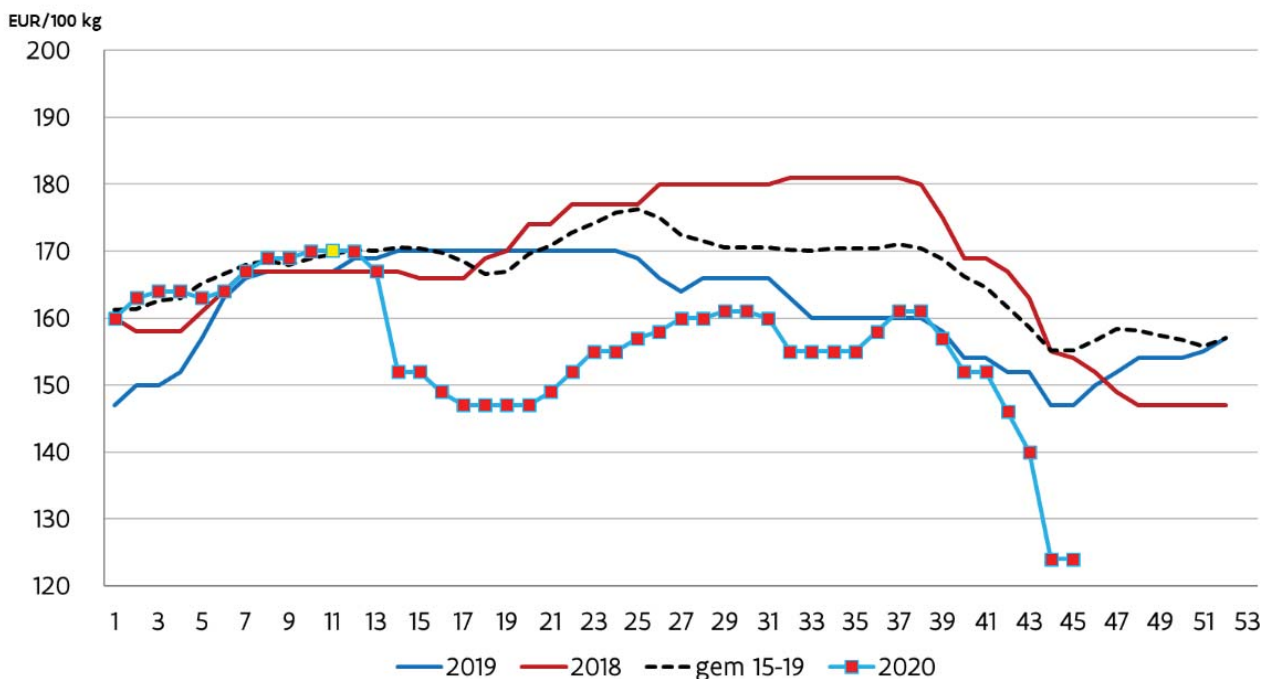


Fig.3: Belgium average broiler meat prices

Given the dire situation in the poultry market, Belgium asks the Commission to consider the activation of market measures to counter the imbalances in the poultry sector if necessary.

3. BULGARIA

The Bulgarian **wine sector** still remains in need of specific measures. The current measures are mainly for wine producers and do not provide support for the producers of wine grapes. There is an urgent need for actions at EU level for a flexible approach regarding the unspent funds from the national support programmes in the wine sector in order to support the producers of wine grapes. The investment support in the wine sector should be extended and better targeted. In order to decrease the production costs in the winegrowing sector and improve farms' efficiency we propose to provide the possibility to purchase agricultural machinery and equipment including anti-hail facilities.

Bulgaria proposes that, as a **derogation from Art 43 of Regulation № 1308/2013** (the CMO Regulation), the European Commission should enable the Member States to incorporate exceptional COVID-19 measures in their national support programmes in the wine sector. Each MS should have the possibility to use the non-committed funds from the 2020 budget for exceptional measure designed to fight the COVID-19 impact, which should be implemented in a simplified way and should be adapted to the sector's needs and specificities as defined by the Member State itself.

Member States themselves should be able to set the method for calculating compensation to wine grape producers to address the COVID-19 impact. The support should be given in the form of grants in order to support the most affected producers in order to alleviate the COVID-19 related market and economic effects, including the difficulties in finding workers.

Last but not least, we urge the European Commission to **undertake the necessary measures to urgently extend until 15 October 2021** all exceptional measures introduced in 2020.

COVID 19 implications on Fisheries products.

Bulgaria suggests that an opportunity for changing the current term of implementing measures until 31 December 2020 should be given in order to support special measures to mitigate the impact of the COVID-19 outbreak on the fisheries and aquaculture sector.

Given the fact that the whole world is facing a new very strong wave of the COVID-19 pandemic and the coming economic recession, we consider that the deadlines for the implementation of mitigation measures should be extended until at least 31 December 2021.

Bulgaria continues to argue that a fairer approach should be allowed by which more operators will be supported for temporary cessation of fishing activities, as taking into consideration the mitigation of eligibility requirements for operators pursuant to Article 33 “Temporary cessation of fishing activities” of Regulation (EU) № 508/2014, and more precisely - reduction of the days of fishing activity at sea during the last two calendar years for at least 120 days. Given the specifics of the Black Sea, the current requirement for 120 days is impossible to be met for almost 94-95% of the fishing vessels, and we would like to take care of them as well.

4. CROATIA

Croatia would like to highlight the difficult market situation in the pig meat, potato and wine sectors.

A. Pig meat

The evident decline in the prices of pig meat, and especially piglets, caused by the disruption of market flows, has an extremely unfavourable effect on primary producers' incomes. The price of pig carcasses decreased by 33.09 % in the last eight months. The price of piglets has decreased by 35,23 % in the last seven months. It should be emphasized that this situation occurs in the middle of the COVID-19 crisis, which generally causes difficulties in performing agricultural activity and in times when farmers are expected to ensure food security.

Diminished economic activity amplified through restrictions in tourism and HoReCa sectors, as well as the overall decline in consumption due to restrictions on all public gatherings and events throughout 2020 has severe negative effects all along the production chain, with primary producers bearing the bulk of the burden. In addition, it is important to stress that the ban on exports imposed by third countries due to the emergence of ASF has caused a change in market flows and resulted in surpluses that are being channelled into the internal market, while undermining its balance and decreasing prices. Therefore, we propose to activate the private storage measure, but also to consider activating exceptional measures in accordance with Article 220(1) of the CMO Regulation.

B. Potatoes

The potato sector, which has so far been regarded as one of the most resilient, faces a particular problem due to the closure of regular sales channels. Croatian producers recorded a 50% drop in exports and a 20% drop in price. Such a situation necessarily requires appropriate measures to balance supply and demand and to reduce the downward pressure on potato prices.

Therefore, we propose to activate a specific measure in accordance with Article 221 of the CMO Regulation.

C. Wine

The wine market is particularly affected by the overall situation caused by COVID-19 and its significant impact on tourism and hospitality sectors, as essential channels for wine consumption. In addition, there is an overall decline in consumption as a result of restrictions on all public gatherings and events. Due to those reasons, during 2020 there was a 50% drop in wine sales in the Republic of Croatia. Some improvement occurred in the short summer period and as a result of successful implementation of distillation and private storage measures.

However, as the new restrictive measures make the situation worse, the same is reflected in the further decline in consumption and consequently reflected on the wine market. Therefore,

Croatia is of the opinion that exceptional measures for wine programs should be extended to the year 2021.

5. CZECH REPUBLIC

A. Position concerning the sugar-sugar beet sector

The situation in the sugar and sugar beet sector has been bad for the last three years. The sector has been struggling with low prices for a long time and this situation is starting to be unbearable for growers and also for producers. Currently, the average sugar price is 378 EUR/t (August 2020), which is still below the EU reference prices (since December 2017).

Such a low price also affects the purchase of sugar beet. Growers are stressed and they are considering to grow other more profitable arable crops. At the same time, the sector has to cope with the impact of banning certain plant protection products without adequate replacement. This trend will lead to disease spread and pest resistance and consequently to major economic losses for growers.

In this difficult situation, the current harvest, which is primarily affected by very bad agrometeorological conditions (rain, pests) is underway. The quality of sugar beet is lower than expected which makes its processing difficult. Lower sugar production will further create pressure on the sector. **Therefore, the Czech Republic urges the Commission to monitor the situation closely and, if necessary, activate the available support measures in order to maintain sugar beet and sugar production in the future.**

B. Position concerning the pigmeat sector

Since 2018, the pig sector in the EU has been facing problems that have been deepened by the ongoing coronavirus crisis and African swine fever (ASF) disease.

Even though there was a short improvement in demand caused by a loss of Chinese production, the market is still vulnerable now as some Members States experience new ASF outbreaks. The HORECA sector is closed in many Member States again and 3rd countries do not recognise regionalisation, especially the biggest export destinations such as China and Japan. All these factors have a direct impact on the EU industry and probably will put further pressure on prices in the pig meat sector.

The Czech Republic would like to ask the Commission to provide a detailed analysis of the current situation in the pig meat sector and possible scenarios of future development and, in the event of further price drops, to adopt the necessary support measures.

It is crucial to ensure the competitiveness of pig meat producers and high standards of animal welfare and food safety. It is also important to reflect the increased production costs related to veterinary measures to combat the spread of ASF.

C. Position concerning poultry meat and eggs

The poultry meat market is still stable, despite the impact of the COVID-19 pandemic. Prices are relatively stable and sales secured. In the third quarter 43,777 t of poultry meat was produced, which represents a change of 1.2% compared to the second quarter.

The egg market in the Czech Republic is relatively stable despite the impact of the COVID-19 pandemic. Due to the gradual decline in agricultural producer prices and consumer prices since the beginning of 2020, the market needs to continue to be monitored and an adequate response given to significant changes.

Currently, the Czech Republic is free of avian influenza AI (H5N8) since June 2020. However, due to the autumn migration of wild birds, measures are taken against the introduction of AI into poultry farms. Compliance with biological rules against the introduction of AI into poultry farms is increasing even with the current incidence of AI in commercial poultry farms in some Member States. **The Czech Republic considers it important to continue close monitoring of the situation.**

6. FINLAND

Finland considers that there are three main concerns on agricultural markets at the moment.

A) Situation in the pig meat sector and ASF

Finland considers the ASF situation and its impact on the pig meat sector a significant risk for the whole **pig meat sector** in EU. Finland wishes that the preparatory document would contain a comprehensive analysis of the difficult situation in this sector.

B) Concerns stemming from the second wave of COVID-19 and possible market disturbances

Finland considers it important **that free movement of input supplies, workers and food is guaranteed** in the single market during possible further restrictive measures.

C) The end of the Brexit transitional period and possible adverse market effects of a no deal Brexit outcome

For these reasons, Finland thinks that it is **important to closely monitor the market situation of agricultural products in the European Union** and the readiness to implement market measures, in case of market disturbance, needs to be maintained.

7. FRANCE

France expresses its concern about the market situation and calls on the Commission to be more vigilant in monitoring the various agricultural markets in the context of the reintroduction of containment measures in the various Member States, including France. In particular, the closure of out-of-home catering has repercussions on certain sectors, in particular **the wine, beef and veal sectors, and certain very specific poultry sectors (ducks, pigeons, quails, etc.)**. In addition, **the horticultural sector**, whose products are considered non-essential (closure of sales outlets), will again be severely impacted by the containment measures at the end of the year.

France also emphasises the current difficulties on **the pig market**, which, in a context of falling prices (prices down by more than 20% over one year at the end of October and below the five-year average) is likely to be faced with an excess of supply in the European Union, linked to the closure of third country markets, including China for certain Member States, due to the presence of African swine fever on their territory. A number of warning signals (falling prices, increasing carcass weight, lack of auctioning of a significant proportion of animals...) can be detected in the main producing Member States. The Commission should monitor developments on the EU pig market very closely so that it can react as quickly as possible if the trend continues.

As regards the sectors directly affected by the Covid-19 crisis, France would like to draw the Commission's attention to the following sectors:

The situation of certain poultry sectors and game farmers is all the more worrying since the lockdown measures are taking place against a background of a high risk of highly pathogenic bird flu and in the middle of a period of peak activity in preparation for the festive season. The palmipeds and game sectors thus make more than 50% and 90% of their annual turnover between October and December respectively, given the "festive" nature of production for one and the hunting season for the other.

The beef and veal sectors are highly dependent on out-of-home catering and could therefore be impacted by the new lockdown measures. In the spring, household purchases were not able to compensate for the loss of traditional outlets for veal, which saw its consumption fall by 35% and prices fall sharply over the same period. At the Council of Agriculture Ministers on 19-21 October, France and Spain issued a joint paper warning of the difficulties facing these sectors.

For the horticultural sector, the spring lockdown has already had strong repercussions and the sector will experience new difficulties due to this second wave. The marketing of Christmas trees, cut flowers and end of year plants will be severely impacted, whereas the turnover of the Christmas tree sector alone represents nearly €158M (5.8M units purchased). For some producers, this represents 80% of their annual turnover. From All Saints' Day to the end of the year, the sector's turnover represents a total of €530M.

For the alcoholic beverage sector, and in particular **the wine sector**, the impact of the Covid-19 crisis is being felt on all outlets, whether on the domestic market or for exports. Indeed, the closure of cafés and restaurants (30% of outlets) has not been compensated for by sales in supermarkets during the first period of lockdown; the lockdown measures in the main exporting countries have moreover added to the effects of American retaliation which has led to a drop in the trade balance of the sector over the 2019/20 campaign (- 10%, to 8 billion euros). The 2020 harvest, which promises to be abundant, not only in France (45 million hectolitres of wine, up 6% compared to 2019) but also in other Member States, is taking place in a context of high stocks and an already saturated market, with a high risk of further market disruption. The new lockdown measures and closures of cafés, hotels and restaurants announced by several countries will further aggravate the market situation. In this context, France hopes for a rapid publication of the delegated act extending the possibility of opening crisis measures for the wine sector.

In view of the context linked to the Covid-19 crisis, **France hopes that the derogations authorised in April 2020 for the management of CAP measures can be renewed**, in particular to allow the substitution of on-the-spot checks by remote controls (when the latter are likely to provide relevant information), and more generally a reduction in control rates. France will shortly send the Presidency and the Commission a written contribution on the need for the necessary flexibility.

Finally, for many sectors, **the uncertainty over trade relations with the United Kingdom** after 1 January 2021 is also a factor of concern and vigilance.

In conclusion, France believes that the Commission should be ready to consider further market and crisis management measures if they become necessary. The current situation also shows the importance of having a wide range of market and crisis management tools that are reactive and adapted to the different situations of imbalances encountered, and it once again calls on the Council to take up the European Parliament's proposals to develop these tools in future programming period.

8. IRELAND¹

A. Covid-19 impacts

The agri-food sector is critical to maintaining food supply chains, from farm inputs to retail distribution and therefore has continued in operation throughout this difficult Covid-19 period. The Covid-19 crisis has posed major risks in terms of disruption to production, supply chains and markets. A concerted effort by all stakeholders has ensured to date that production and supply chains have not been significantly impacted. However, this remains a risk necessitating ongoing vigilance. In particular this is an issue for livestock farming, which unlike many other sectors of the economy is not able to adjust production costs downward in reaction to demand shocks. Animals still need to be fed and animal welfare standards must be maintained.

¹ Further details on the impacts of Brexit and Covid-19 pandemic are having on Ireland's agri-food sector can be found in the Annex the Irish position paper circulated by the Irish Delegation in preparation to this discussion, and published in Delegates Portal.

While production was not significantly impacted, **demand for food and drink products were subject to widespread market disturbance**, in particular due to periodic shutdowns of the hospitality sector across Europe and beyond. That demand imbalance had and is still having **significant consequences for primary producers and agri-food businesses**.

For an export led economy like Ireland the key metrics which show this are the export statistics.

- Agri-food exports for January to August 2020 are down 3.3% in value compared to the first 8 months of 2019 while Prepared Consumer Foods (PCF) exports are down 4.4% in value compared to first eight months of 2019.
- Year to date exports of agri-food to 8 of our top 10 destinations are down compared to the same period in 2019. °
- Some categories of agri-food exports have been badly hit, with exports of beverages down 17.8% or €189m in the first eight months of the year. Beef exports are down 5.3% or €82m, fish exports are down 10.5% or €44m and live animals exports are down 23% or €42m.

B. Brexit risks

In tandem with this we are coming to the end of the Brexit transition period. We all hope that a comprehensive Free Trade Agreement between the UK and the EU will be achieved. However, even in the most benign scenario, **there will be additional administrative costs and delays arising from the UK leaving the Single Market**; including customs and SPS checks and more complex logistics. The impact of a No-Deal Brexit would be extremely serious for the Irish agri-food sector. The UK remains our largest export market, with 38% of overall Irish agri-food exports to the UK in 2019.

An indication of the differential impact on the various agri-food sectors is illustrated if we look at both the reliance of the sector on the UK market and estimated tariffs in the event of a no-deal Brexit.

| Sector | Reliance on UK market as % value of 2019 exports | Potential Tariff Rate equivalent (based on UKGT as announced) |
|---------------|---|--|
| Beef | 43% | 72% |
| Sheep | 20% | 58% |
| Dairy | 20% | 40% |
| Poultry | 73% | 37% |
| Pigmeat | 52% | 20% |

Significant support will be required in the context of the dual challenge of ongoing Covid-19 disruption and the end of the Brexit transition period, in order to keep crucial supply chains operational and, in the case of a No-Deal outcome, to mitigate severe market disturbance in vital sectors.

C. Ireland's view of appropriate responses

Ireland's view is that EU funding should be distributed through the existing CAP instruments to ensure it is sufficiently targeted on those sectors most impacted. It is Ireland's view that there is sufficient flexibility in the existing market support framework to allow the development of measures to address the key risks.

The full range of **traditional market supports (PSA and Intervention) should be available under the CMO**, as required, in response to market disturbances arising from these challenges. However, it is essential that such measures are targeted sufficiently. For example PSA earlier this year for beef was not availed of as it required the entire carcass to be put in storage whereas the market disturbance was more specific. Dairy PSA, in particular in cheese, was oversubscribed in some Member States. While these measures alone would not mitigate the risk; they have a role as part of a wider solution.

Exceptional Aid under CMO should be deployed as required in response to market disturbance arising from Covid or Brexit. Exceptional aid provisions are important in allowing flexibility to Member States to address particular issues.

The Covid-19 **Temporary State Aid Framework** has been extremely useful in allowing Member States to react quickly to this crisis and continued State Aid flexibility is crucial.

Support for food industry investment in market and product diversification would also be appropriate in assisting a long term sustainable solution.

9. ITALY

The Covid-19 pandemic is still hitting EU countries and the future development of the situation is uncertain. Restrictions in movement of persons, closures of business and HORECA distribution are still causing economic disruption to the agricultural sector and rural communities.

In addition to the consequences of the pandemic crisis, further concerns are also due to the uncertainty of the agro-food exports to the US and UK.

Italian farmers are very concerned, several sectors are already affected by the crisis, and there is an increase in stored production that cannot be sold.

Therefore, the persistence of the Covid-19 pandemic and the uncertainty of the export development requests a swift reaction utilizing all the tools available.

In this context, we propose to act in two directions:

1. In order to respond to the impact of the crisis deriving from the Covid-19 outbreak, last spring an exceptional and temporary measure under the Rural Development was proposed by the Commission, aimed to address the liquidity problems of both farming activities and small businesses active in processing or marketing of agricultural products. Therefore, we believe that it is appropriate to extend throughout the year 2021 the application of the current Art. 39b of Reg. (EU) No 1305/2013. We have already sent a drafting suggestion that could be included in the Transitional Regulation proposal and we hope it could be taken in due account;
2. The Temporary Framework for State aid measures to support the economy in the current Covid-19 outbreak has been recently amended, extending its application for six months. However, we deem that the increase of the ceiling regarding the overall aid per undertaking foreseen in point 3.1 of the Temporary Framework, should accompany such an extension. This will help the sector to overcome the current period of crisis.

10. LATVIA

Latvian agri-food industries and markets have been strongly affected by Covid-19 since March 2020 - in the second quarter exports reduced in total by 12% or 82 million EUR, in particular, - **cereal exports** have fallen by 35%, **live cattle exports** by 17%, **beef exports** by 24%, **milk and milk products exports** by 13%, and **pork exports** by 6% (compared to the corresponding period in 2019).

The effects of Covid-19 have contributed to a significant decrease in **pigmeat and raw milk** prices, jeopardizing the economic viability of farmers.

The average price of pigmeat in Latvia has decreased by 25.7% since the beginning of 2020 and reached 149,64 EUR/100 kg in September. This price level is below the cost of production. Additional pressure on the pigmeat sector and price has recently been caused by oversaturation of EU pigmeat market due to closure of large export outlets as a result of African swine fever cases in Germany.

On **dairy**- the price of milk in Latvia decreased by 17% during the second quarter of 2020 and showed a slight improvement in the 3rd quarter. However, in September the milk price was still about 7% lower than the 3-year average.

Given the sharp increase in the spread of Covid-19 in recent months, Latvia **has serious concerns** that the market situation will start **deteriorating further**.

Latvia considers that the market situation should be monitored and, if necessary, the Commission should implement the necessary support measures.

11. LITHUANIA

Lithuania is highly concerned regarding the second wave of COVID-19 and its negative effect to some of agricultural markets, in particular **dairy and poultry**. Regrettably, current developments very much echo the situation we witnessed during the first half of the year.

From 7th November quarantine has been reintroduced nationwide. The **HoReCa** sector is closed, most educational institutions are using distance learning, all sport, cultural events and some other activities are banned. This leads to a sharp shrinkage of producers' sales possibilities. Some companies suspend or limit their activity. The reintroduction of severe pandemic related restrictions and thus reduced market opportunities for the processing industry will further have a negative effect down the production chain, leading to even lower prices for primary producers, which constantly observe some of the lowest prices across the Union.

Lithuania is primarily concerned regarding the **situation in the dairy sector**, which is of utmost importance for the country. Despite recent signs of recovery the situation in the sector is not stable. Due to shortage of producer sales possibilities, dairy processing companies are forced to re-orientate their production focusing more on long shelf-life production, such as cheeses and skimmed milk powder. The dairy processing industry already reports that stocks of cheeses have started building up with sales prices starting to fall. Export markets are also negatively affected by the closure of the HoReCa sector in many countries.

In addition, in the case of Lithuania, the second wave of COVID-19 coincides with the end of contractual obligations under the current private storage aid for cheeses. Lithuania has used up its entire allocated cheese quota, with the maximum possible storage period of 180 days. The dairy processing industry will start removing cheeses and launching them onto the market at the end of November.

Considering this, Lithuania calls for a pro-active role of the Commission in taking necessary measures before situation becomes severe again and, therefore, **Lithuania asks the Commission to activate targeted private storage aid for cheeses**, which it would deem to be welcome and necessary in reducing the forthcoming anticipated pressure on this particular market.

In view of the current situation, it appears that the **poultry sector** too may also need exceptional support in the near future.

As a result of the closure of the HoReCa sector, companies will need to freeze and store at least a part of their production, leading to a reduction in its value as well as a increase in storage costs. Losses in the sector would become inevitable. Taking this into account, **Lithuania asks the Commission to activate an exceptional private storage aid type measure for poultry**.

12. MALTA

While most agricultural products are consumed locally, some sectors are still being negatively impacted due to the COVID-19 pandemic. One of these sectors is the **milk sector**. The closure of restaurants and the airport (during certain months), also led to a decrease in demand for agricultural products such as **wine** (affecting the wine industry).

Maltese agriculture also experienced a negative impact in the **potato** export sector. In fact, the partial lockdown measures together with the closure of establishments in several European countries led to a decrease in consumption which also meant a decrease in the price of the potato produced in Malta.

13. POLAND

The COVID-19 pandemic has a negative impact on the situation on agricultural markets. Its effects, including restrictions that led to **disruption of supply chains** and the growing number of coronavirus infections, pose a real threat of a **reduction of processing activity**, and even the complete closure of slaughter and meat processing or dairy plants. The collapse of tourist traffic and a ban on public gatherings result in a strong **recession in the HoReCa sector**.

This negative picture of the situation in the agricultural sector related to COVID-19, but also ASF in the case of pork, overlaps with the problems that may arise in the **scenario of no bilateral EU-UK free trade agreement**. For some sectors, these effects may be even more severe than those caused by the pandemic. The UK is the largest trading partner for the EU-27. In 2018, the value of EU-27 exports to this market exceeded EUR 40 billion, and the surplus was EUR 25 billion. This surplus is comparable to the EU's trade surplus with all other third countries taken together. Disruptions in trade with the UK therefore carry a great potential to destabilize the situation on the EU agricultural markets, especially in the scenario of no bilateral agreement.

A. The current market situation, including the COVID-19 epidemic

The **pork** market is currently the most problematic. Since March this year the downward trend in prices continues. Poland pointed to this at the meeting of the Ministers of Agriculture and Fisheries on 19-20 October 2020, requesting the Commission to launch support.

The current, average purchase price of live pigs in Poland is 23.6% lower compared to last year's price, 32.6% lower than the price recorded at the beginning of March this year and 7.8% lower than the average price for the last five years. The price level on the pork market does not guarantee the profitability of production, threatening the financial liquidity of farms. The pork market is under severe price pressure from the spread of the ASF virus. Farmers keeping pigs in areas subject to veterinary restrictions, in addition to lower prices offered by meat factories, face difficulties in selling pigs. Since the confirmation of ASF in Germany at the beginning of September this year and restrictions on pork imports from the German market, among others by China, the price pressure affects the entire EU market. In the long run, the lack of recognition of regionalization by third countries may lead to increased imports of pork by China from non-EU markets. Such a scenario will be a serious problem for the EU pork market, as so far Chinese market accounts for 2/3 of EU pork exports.

The **beef** sector is also under strong pressure from re-imposed restrictions in the fight against COVID-19. Beef prices in the EU are low, below the 2017-2019 average.

A problematic situation arises in the **grain** market. Persistent high Polish exports of wheat for consumption, among others as a result of changes in global demand caused by the COVID-19 epidemic, lead to high wheat prices. This also entails an increase in the prices of feed wheat and other grains. This translates, on the one hand, into improved profitability for cereal cultivation but, on the other hand, into increased costs in animal production, as well as in flour prices. Hence the need for detailed monitoring of the cereals market.

The closure of cemeteries due to COVID-19 on 1-3 November this year, resulted in flower producers suffering huge losses. COVID-19 poses a further risk of problems in the **ornamental plants** market, particularly in cut flowers. With regard to the **fruit and vegetable market**, a threat may be a decline in demand from the HoReCa segment. It is also necessary to provide seasonal workers for future **nursery** work and in horticulture and vegetable growing.

B. The effects of Brexit

It is estimated that the imposition of customs duties on imports to the British market (in the event of a no-deal Brexit) will result in a significant decrease in Polish exports of **poultry** meat and poultry products. In this situation, the supply of those products on the EU market will increase. Poland's exports of poultry meat (CN 0207) to the UK in 2019 amounted to EUR 351.9 million.

In 2019, 1/3 of EU **beef** exports went to the UK, and the remaining 2/3 to other third countries. This implies that if customs duties are imposed on imports to the British market, approx. 200 thousand tonnes of beef destined to the UK market may remain on the EU market, destabilizing the beef market in the EU-27. In 2019, beef exports from Poland to the UK amounted to 5% in value and 4.2% in volume of total beef exports from Poland. An additional threat is competition for the British market with Mercosur countries, where the costs of beef production are significantly lower. The effects of Brexit, in the no-bilateral EU-UK FTA scenario, may be more severe than those caused by the pandemic. These effects will be even more severe, if the UK concludes free trade agreements with major world exporters such as Mercosur or the US, and if the EU and the UK undertake not to use WTO tariff quotas resulting from the division of former EU-28 quotas in their mutual trade (which the European Commission is considering even in the scenario of failure to negotiate a bilateral agreement).

Polish **pork** exports to the UK market account for 7% in terms of value and 5% in terms of quantity of all exports of this type of meat. Uncertainty about the rules of trade and distortions in the meat markets, which are anticipated in this context, especially in the poultry meat market (competitive to pork), for which the UK is an important export destination, may be an additional factor destabilizing the difficult pork market situation.

D. Measures requested

Solutions from the first wave of the COVID-19 crisis, in particular to **ensure smooth trade flows**, need to be maintained or re-applied.

Due to problems in agricultural **markets, measures should be taken** without delay, including intervention purchases, private storage aid and financial support for agricultural producers.

The effects of Brexit may be most felt in the poultry and beef sectors, but may indirectly affect other sectors. The Commission should **prepare an action plan to prevent destabilization of agricultural markets**, taking full advantage of the legal possibilities provided for in the EU regulations.

14. PORTUGAL

Portugal notes that at the moment, there are no major concerns and there is a considerable stabilization of the market situation in the agri-food sector.

It should be noted, however, that the production chain is currently in full operation in order to supply the expected consumption increase, during the Christmas season. An eventual confinement situation may compromise the flow, especially of products that are more dependent on the HoReCa channel, namely those with high added value and those of a seasonal nature, such as turkey and lamb, which may suffer a similar negative impact to that which occurred at the beginning of the pandemic (March / April this year).

It is therefore essential to continue monitoring and a very direct follow up of the sectors' evolution. Currently the biggest concern is the possible aggravation of the measures due to restrictions on circulation, either of goods, or of labour in the agricultural holdings and in the slaughterhouses and processing facilities, fruit and vegetable plants, among others.

On the other hand, in the current context of the world market, some possible difficulties are highlighted: prospects for successive downward revisions of the world cereal stocks, with consequent implication in some export markets (Argentina, Ukraine, Brazil); continuous increase in demand from China; futures markets are high with rising raw material prices, negatively impacting animal feed costs; possibility of implementing unilateral protectionist measures that may compromise the smooth functioning of the internal market and the smoothness of supply in the food chain.

It is therefore essential **to make every effort to maintain the current regular situation of supply chain activity** at the level of the European market, and guarantee in this second wave of the pandemic the same capacity to ensure the same levels of supply to the populations and the capacity of agricultural and agri-food production that occurred during the most critical period of the beginning of the pandemic.

The experience obtained in the first phase of the pandemic, in terms of performance needs to guarantee the correct functioning of the food supply chain, maintenance of agricultural activity and the market, in view of the negative consequences resulting from constraints arising from pandemic control measures, enhanced by the expectations of disturbances that may occur in sectors such as pig meat, due to the evolution of ASF at EU level, justify the continued and systematic monitoring of the evolution of the situation now, in order to adopt the best form of action whenever necessary.

15. ROMANIA

A. Market situation in the pork sector

Romania expresses its concern about the occurrence of African swine fever (ASF) cases in Germany and the export ban, which could lead to oversaturation of the EU market and a drastic drop in producer prices. The situation is exacerbated by the COVID-19 pandemic, with a negative impact on profit margins.

Thus, the prices for pigs are decreasing for producers from one month to another, in September 2020 being 150.39 Euro / 100 kg carcass or about 21% lower than in September 2019 (189.31 Euro / 100 kg carcass); in the last week of October 2020 pork prices fell by up to 26.5% compared to the same period in 2019.

B. Market situation in the poultry sector

Romania is carefully analysing the situation of farmers and the negative financial effects as a result of the intra-community exchange of poultry and egg products prices below the production cost in the country of origin.

Therefore, in order to avoid financial losses for farmers in the pig and poultry sector, Romania kindly requests the EC to closely monitor the evolution of these two markets and to intervene quickly in the event of major economic distortions and when needed.

C. Market situation in the arable crops sector

The situation of arable crops is affected by pedological drought and the agricultural year 2019-2020 was marked by severe drought in Romania. Representatives of the arable crops sector in RO estimate a decrease in cereal production of up to 40% in the 2020 harvest year, due to severe weather conditions.

Thus, 1.21 million ha were severely affected by the spring drought, of which over 700 thousand ha were cultivated with corn, 357 thousand ha sunflower, with a total of 91,600 farmers being affected.

D. Market situation in the dairy sector

Even though the market situation is currently stable, we need to remain vigilant in the context of the pandemic which has already generated fluctuations in the various market segments. The private storage package for skimmed milk powder, butter, cheese was a welcome initiative from the COM, but it was only a small support for farmers.

Therefore, we should identify new support tools to provide increased support to farmers in the face of new challenges.

E. Market situation in the wine sector and the effects of Brexit

In relation to the EU relationship with the UK after 1 January 1 2021, it seems that DEFRA will require the mandatory use of the VI 1 document for all wine imports from the EU unless otherwise agreed with the EU by 31 December 2020.

For EU wine producers this is extremely serious because there is not a sufficient network of laboratories and inspectors to issue around 1 million VI 1 documents a year and, secondly, it is extremely slow, bureaucratic and expensive.

Ideally, trade between the EU and the UK should continue after 1 January 2021 without any additional documentation, especially as it is well aware that EU standards and procedures remain unchanged.

Another issue that worries us is the plans under discussion in the UK to change their wine legislation so as to lower the standards and allow a number of issues not allowed by EU law and which in our opinion will create unfair competition with EU products marketed in the UK.

It seems that the UK would agree to allow the use of any wine, from anywhere in the world for the production of sparkling wine, using carbon dioxide and allowing wines with added water, artificial colours, or oenological materials with genetically modified organisms.

It is very important for the EU to insist that the UK does not allow oenological practices that provoke unfair competition.

In the case of concluding a free trade agreement with the UK after 1 January 2021, it would be desirable to agree on a simplified procedure for issuing certificates of preferential origin, such as the current system used with Canada in the EU-Canada Free Trade Agreement, and not the option used in the free trade agreement with South Korea which is very difficult, much more complex and expensive.

16. SLOVAKIA

The Slovak Republic would like to draw attention to the problems in the wine sector.

The Slovak Republic can not apply the measures recently allowed in Regulation (EC) No. 2020/592 – green harvest, crisis storage and crisis distillation. Our producers are affected by COVID–19 crisis without an effective possibility for support. Therefore, we call on the EC to allow also other measures for the support of the wine sector.

The Slovak Republic proposes that MS be allowed to grant national payments for the measures referred to in Article 46 of Regulation 1308/2013 under EU state aid rules.

As a justification, the Slovak republic notes that, through this measure, Member States would be able to finance measures other than crisis distillation and crisis storage, in particular restructuring.

In the context of the Covid-19 crisis, it would be appropriate to introduce this measure with the possibility of financing from the state's own resources, as in the case of implementation without parallel planting, production will be reduced to 4 years and it will be possible to market this year's surpluses for three years, without creating additional wine surpluses.

17. SLOVENIA

Due the stepping up of measures to prevent the second wave of the epidemic, in particular due to the closure of educational institutions in the HoReCa sector, in Slovenia we again detected problems in some sectors, in particular in those supply-oriented sectors, namely catering, tourism and supply to educational institutions.

An extraordinary and long-term impact on agricultural markets is expected. Therefore, appropriate crisis prevention and management measures must be taken immediately, taking into account, in addition to economic aspects for primary producers, aspects of food security in Member States and throughout the EU.

In the beef market, a further reduction in purchase price is expected, and due to the closure of schools and catering establishments, purchase of cattle is foreseen to be reduced. We have already noticed problems in traffic of live cattle as sales in other Member States almost stopped. High-quality pieces of beef, which previously found a buyer in catering and tourism, also remain unsold. The current purchase price for animal of 12-24 months is around 3.10 EUR/kg, and for animal of 24 months and over 3.00 EUR/kg.

A similar situation also exists on the milk and dairy product market. The purchase price in September was around 30.97 cents/kg, while the EU average price is around 33.4 cents/kg. The purchase SPOT price in Italy, where raw milk is also exported from Slovenia, was around 36 cents/kg.

We ask the Commission to monitor the market situation (milk, cattle) closely and, in the event of unstable market conditions, to react immediately to stabilize the market as part of a set of possible measures. In the event of a deepening crisis, we propose the activation of private storage and intervention buying-in measures in the milk and beef sector.

The pork market has been recording relatively low purchase prices since the spring, in Slovenia almost 20% lower than in the same period last year. In recent weeks, we have also seen problems with restrictions on imports into Asian markets in connection with the outbreak of African swine fever in the EU. In the event of a deepening crisis, we propose activating the appropriate market schemes for pigmeat.

Fruit, vegetables and potatoes have seen a sharp drop in demand due to the closure of educational institutions and the HoReCa sector. Sales in retail chains are much lower due to a drop in purchasing power. The fall in prices is already perceived as the pressure of lower prices of EU origin due to accumulated stocks. Direct sales on the farm reach only a tenth of the quantities usually sold, mainly for apples due to the restriction of movement between municipalities. In warehouses, stocks of unsold crops are thus accumulated, and the search for new markets is almost impossible during this time.

We believe that the implementation of interim intervention measures under EU Regulation 1308/2013 should be accessible to all primary producers, regardless of membership in producer organizations.

Slovenia would also like to point out that, due to school closures, we expect a smaller take-up of the school scheme both in the procurement of products from the school scheme and in the implementation of accompanying measures. Over 550 tons of fruit, 25 tons of vegetables and 250,000 litres of milk and dairy products are supplied annually for the school scheme, of which 50% from local producers.

The re-closure of catering and tourism activities will also have an impact on the wine market. A further increase in wine stocks is expected in 2021. We therefore welcome the announced extension of the crisis measures for the wine sector in 2021, including higher co-financing rates for other provisions. We propose that higher co-financing rates for individual measures be maintained not only in 2021, but for a longer short-term period. The viticulture sector will need several years to reach a stabilized market situation. Taking into account the seriousness of the situation in this sector, we propose that additional EU funds are used to implement crisis measures for the wine sector.

Due to the closure of catering and tourism activities, disruptions in the hop and beer market are also noticeable, both at the wholesale and retail level.

Finally, it should be pointed out that even in these difficult times, we must not put aside efforts to maintain and raise the quality of products, raising awareness of consumers and producers.

18. SPAIN

The COVID-19 pandemic and the tightening up of lockdown measures with the consequent **shutdown of the Hotel, Restaurant and Catering (HORECA)** channel, has led to a significant imbalance in a large part of the agricultural product markets.

The short and medium term outlook, with the general decline in the economy, is not positive, to which must be added other uncertainties generated in the markets as a result of the United Kingdom's withdrawal from the EU, the evolution of international trade and the **rising volatility of the prices of raw materials for animal feed**.

This situation puts under additional pressure producers' margins, which are already in a complicated context. In this sense, the prices of soya flour, which have accumulated increases over the last nine weeks, clearly reflect the uncertainty and volatility that currently characterize the international markets for raw materials and it seems that this trend will continue over time in the face of growing demand from countries such as China. This strong upward trend is also reflected in the price of cereals, such as corn, which has skyrocketed and is registering increases of over 12% with respect to the first weeks of 2020.

Given that the health crisis caused by the COVID is continuing, the Commission must remain vigilant with regard to the behaviour of the markets in order to adopt the necessary measures within the framework of the CMO Regulation that will enable us to anticipate a more serious situation, paying special attention to the sectors most exposed to the sharp increase in the prices of raw materials, and to the difficulties that the HORECA sector is experiencing, in particular sheep meat and specialist markets such as piglets, which are closely linked to the celebrations during the Christmas holidays.

The situation is particularly worrying in those sectors closely linked to consumption outside the home, such as **beef** and veal or the **wine** sector, which are very seriously affected by the difficulties that disrupt the catering business.

A. Beef and veal sector:

We are especially concerned about the situation that the beef market is going through due to the low demand for cuts with high added value (loins, sirloin,...) whose consumption is especially linked to the catering channel which is absolutely compromised at the moment.

The average price of the representative categories of the EU has been for more than a month 5.5% below the average of the years 2017 to 2019 and week by week the deviation from the average is increasingly acute, as Spain warned on 19 October when a statement was presented in the AGRIFISH Council, to ask the Commission to adopt market measures that allow us to anticipate a more serious situation.

In Spain, the situation is particularly sensitive in the case of the yearling carcasses (A) (with prices 8.5% below the average of the last 5 years) and veal (Z), which have been suffering from an almost uninterrupted fall in prices since the start of the pandemic.

The Commission therefore needs to launch measures as quickly as possible by exploring all the possibilities offered by the CMO Regulation, over and above private storage aid, in particular measures such as those set out in Articles 219 or 221, which have already been applied in the past.

Wine sector:

In the case of the wine sector, the situation is extremely worrying, with prices significantly lower than those of the previous campaign and the five previous campaigns, for both red and white wines.

The increase in household consumption cannot compensate the loss of the HORECA channel and the demand decrease from foreign markets. Furthermore, the uncertain situation related to the December celebrations means that the market situation is expected to deteriorate even further.°

Additional measures are therefore needed in the wine sector.

The extraordinary measures proposed in Spain, on the basis of the package of measures launched by the Commission last May in response to the COVID-19 crisis, have allowed the withdrawal from the market of 2 million hectolitres of wine, private storage of 2.25 million hectolitres and green harvesting of 4,301 hectares of vineyards. However, the need to apply a coefficient of 0.56 to the applications submitted, and the price levels experienced, indicate that the funds used have been insufficient.

In this situation, an extension of the extraordinary measures implemented is highly necessary. Moreover, in this sense 13 Member States have already signed a joint declaration asking to maintain the extraordinary measures and specific provisions for the sector beyond 15 October 2020.

These extraordinary measures must be able to be implemented immediately, and their financing carried out from the 2021 and 2022 budget years. The need to make funding possible from 2022 is related to the fact that 2021 is an ongoing financial year, which began on 16th October, and that the support programs for the wine sector require programming, so that the funds corresponding to 2021 have already been allocated to their beneficiaries.

These issues should be reflected in the extension of the measures, which should be approved as soon as possible, as the only way to alleviate the impact of this pandemic on the wine market.

19. THE NETHERLANDS

The Netherlands would like to point out the following regarding the current situation, the risks in the coming months, and the appropriate response to avoid crises in the agricultural sector.

A. Current situation.

The second wave of the Covid19-pandemic is flooding Europe. Many Member States, including the Netherlands, have again had to take stringent measures to stop the spread of the virus. Some of these measures, especially those which involve partial or complete closing of all types of **hospitality services** like restaurants and other food services, do not only have severe consequences for these sectors themselves, but also for the agricultural sectors delivering products to these services. Although the retail sector reports higher than usual sales, extra sales of agricultural products in the retail sector do not fully make up for the sales losses in 'out of home' markets like the hospitality industry. This negatively affects many agricultural products and sectors, and not only the farmers but also other actors in production chains.

Situation in the animal sectors

Dairy prices are low and under slight pressure, partly as a result of Covid19 measures to close out of home markets and partly due to less demand for animal dairy feed for calves.

Poultry meat: prices are under pressure as a result of the closure of the European catering industry due to Covid19 measures. The Covid19 measures have also affected the viability of some companies in this sector: a Dutch poultry slaughterhouse, which mainly sells to the catering industry and food services, has applied for a moratorium. With the avian influenza cases recently reported in the Netherlands, the pressure on parts of the (exporting) poultry meat sector is increasing.

Eggs: prices are at a normal level; import bans for hatching eggs in major export destinations in connection with the outbreak of avian influenza is putting pressure on prices in this market.

Veal: Prices for ‘white’ veal seem to be stabilizing at a low level. Prices for calves intended for ‘rose’ veal are at a very low level as this meat is mainly exported to foodservices and restaurants in the Southern part of the EU. This has major consequences for the business continuity for many independent calf breeders in particular, and to some extent causes loss of income to dairy producing farmers.

Pig prices have shown a dramatic downward trend as a result of developments in the German pig market (loss of slaughter capacity as a result of Covid19 infections among employees, loss of German exports to China due to the African Swine Fever (ASF) contamination of wild boar). Developments in the German market affect the entire European pig market.

Situation in the fruits and vegetables, floriculture sectors

Floriculture: According to sector representatives, due to measures to stop the Covid19 pandemic 4% of output has been withdrawn from the market with supply restrictions having been implemented for some flowers. Prices have shown a 15% decrease mainly due to the closure of non-essential stores in some important sales outlets outside the Netherlands. Prices may further decline as more countries implement similar measures.

Fruit and vegetables: According to sector representatives, the EU ‘out of home’ market, which accounts for 15% of the fruit and vegetable market in the Netherlands, has more or less collapsed as a sales channel for Dutch growers, who produce year-round, once again due to Covid19 measures. Part of the fruit and vegetable production originally intended for the out of home market is/will be sold via the retail channel, but this causes displacement effects in the retail segment, where increased supply of some products cause pressure on prices. The estimated damage to the sector in the second wave is estimated to be more than € 75 million in the fourth quarter of 2020. Further restrictions in more countries could even further increase that damage. At the same time producers are confronted with extra costs due to extra measures taken to prevent the spreading of Covid19 (hygiene, design of workplaces, etc.).

B. Risks in the coming months

Below we focus only on risks which we consider presently and in the short term to be of special interest to the agricultural sector. The agricultural sector is confronted with other risks as well but that would require a separate note and discussion.

Duration of the Covid19-pandemic

Partly depending on when one or more vaccines become available on a large scale, recurring stringent measures to stop the spreading of the virus might be necessary, in the period to come. This means that agricultural sectors which already have suffered in the first and second wave could expect more financial distress, threatening ever more individual farms and other companies in the agricultural sector and agricultural production chains.

No deal Brexit

For the agricultural sector in the Netherlands, and especially, but not only, for the floricultural sector and the fruit and vegetable sector, a ‘no deal’ Brexit would have significant negative consequences. Some agricultural sectors in the Netherlands like floriculture and the fruit and vegetable sector (about 20% of fruit and vegetables produced in the Netherlands go to the UK), but also the dairy, egg, poultry meat and pig meat sectors, would suffer direct consequences due to possible tariff barriers, higher costs of exports and a decrease in exports. Many agricultural sectors in the Netherlands would be indirectly affected due to the fact that products that normally would be exported to the UK would remain within the EU market. This would put pressure on the prices of these products. A positive outcome to the negotiations with the UK is therefore very important for agriculture in the Netherlands and the EU.

Animal diseases

Outbreaks of animal diseases like ASF and avian influenza not only have deep impact on individual farms and farmers but also on sectors in individual Member States and in the whole Union, as is shown by the effects of the recent outbreak of ASF in Germany for the whole pig market in the EU. The spread of diseases like ASF and avian influenza is therefore a serious threat which could even further worsen the outlook for individual sectors.

C. Appropriate responses to avoid crises in the agricultural sector

In times like these, it is important to **closely monitor the developments on the agricultural sectors**. The monitoring performed by the Commission is crucial to formulate an effective, timely response to the challenges.

The Regulation on the Common Market Organisation (1308/2013) includes a set of market measures and crisis measures to deal with situations and crises like the current crises caused by the Covid19 pandemic. We would like the European Commission to keep the **full range of possible measures at hand and actually deploy it if the current situation continues or deteriorates further for severely affected sectors**. We think that, especially for some subsectors in the meat sector, measures at EU level are necessary. With regard to the **veal** sector in particular measures are urgently required as this is one of the sectors most severely affected by the Covid19 measures, during both waves with little to no time to sufficiently regain its balance. At the same time, we believe this sector needs to set further steps to improve animal welfare. We are therefore in favour of crisis measures that would help the sector to weather the crisis but at the same time stimulate improvements to animal welfare.

In the worst case scenario of a **no deal Brexit**, there is an additional reason to be ready for the actual **deployment of the EU market and crisis measures**.