Introduction

- European agricultural production continues. The key risks for European food supplies arising from the Covid-19 virus outbreak are:
  - Labor availability issues that cause trouble in harvesting crops, collecting animals, and executing processing and packaging activities at food processing companies
  - Supply risks for grains, oilseeds, and meals from distant origins, following potential export restrictions by governments, along with hiccups at important choke points in North and South America and Indonesia/Malaysia.
- Furthermore, in several markets, the collapse in demand is resulting in farmers and processors facing heavy losses. The government will have to intervene in several of these markets in order to ensure the continued supply of these products into the future, when the situation has once again returned to normal.

Crops and Animals Continue to Grow

So far, the impact of the Covid-19 virus outbreak – along with related lockdown measures – on the growth of crops and animals at farms in Europe seems to be manageable. Primary agricultural production is continuing. In Europe, in general, the planting of crops in spring is not at risk. Inputs such as seeds, fertilizers, and crop protection chemicals are already either at the farm or in warehouses at nearby farm inputs retailers. Livestock rearing, and milk and egg production are also continuing. Animal feed is still reaching farmers. There are however, some issues in relation to feed ingredients such as amino acids and vitamins, along with some active ingredients for crop protection products from China – all due to uncertainty of supply out of China, the main supplier of these ingredients. These uncertainties are mainly resulting in increased price volatility of these ingredients.

Harvesting Is Increasingly Challenged

However, the harvest of some crops and the collection of animals at farms have become much more challenging. In sectors in which hired labor is a necessity for the harvesting of crops or collection of animals – such as vegetable harvesting and broiler collection – there are hiccups. The social distancing requirements limit the number of people who can work together in small areas. One shift cannot replace the previous shift without some time in between to prevent the risk of shifts contaminating each other. Transport of labor to sites requires people to travel separately. Furthermore, availability of immigrant labor has declined in most regions, as immigrant workers have returned to their home countries and/or are not allowed to travel across borders. These are all issues that raise costs and reduce capacity of harvesting. In some cases, this will lead to a loss in production.

Transport From Farm to Processors Is Facing Issues

The transport of agricultural products and animals from farms to processors is continuing in most cases. European governments have exempted food logistics companies and food processors – both considered vital sectors – from lockdown measures. Some specific issues are occasionally arising with regard to transport by truck to and from areas within Europe heavily affected by the
virus, leading to higher transport costs. The potential lack of drivers, following high rates of sick leave, also entails a risk for logistics.

**Processing Is Also Impacted by Labor Shortages**

At processors, labor issues are once more the most pressing concern. In addition to the aforementioned labor issues, many employees have been calling in sick. Sick leave percentages of 10 percent or higher have become common in many places. This impacts labor-intensive processing and packaging activities such as slaughtering, deboning, fish processing, and vegetable processing.

**Some Risks in Global Trade Flows**

Global trade in agri commodities is continuing. Those processing companies that source agri commodities from distant origins outside of Europe are facing some hiccups in South American ports and lower exports from the Black Sea Region due to, for example, export quotas set by Russia. Overall, however, EU imports are currently not hugely affected. Still, there is a risk of lower availability of protein meals and DDGS, following lower biofuel production in the US and within the EU – a result of lower global oil prices and lack of fuel demand due to lockdown measures. Grains could also become less available as more countries further limit exports. Also, the concentration of trade flows of oilseeds, meals, and palm oil at certain choke points in North and South America and Indonesia/Malaysia might lead to disruptions in Europe if, for example, port congestions become a reality.

**Collapse in Demand – Certain Sectors Are at Risk**

Although production and primary processing are continuing, the route to market from processor to consumer is heavily impacted. Demand in certain markets has almost disappeared, leading to significant losses for farmers and processors. For example, sales in the floriculture sector have currently declined by 70 percent and more, while production cannot be stopped or postponed, and costs incurred cannot be recouped. Also, a lot of potatoes for processing will remain unsold this season, due to the absence of demand for French fries by the foodservice sector. Similarly, there are fears are that lamb meat will face the same fate, while a significant volume of malting barley inventories could also build up – a result of a decline in the consumption of alcoholic beverages in the foodservice channel. Governments will have to come to the rescue in several of these sectors to ensure a continued supply of these agricultural products into the future, when the situation has once again returned to normal.

For more information about the situation per F&A sector in Europe, see our reports:

- Coronavirus in Europe: Foodservice Shutdown Impacts All F&A Sectors
- Beverages in the Time of Covid-19
- Covid-19’s Impact on Beverages in the Off-Premise and On-Premise
- Lockdown: Supply Chains in the Midst of Coronavirus Outbreak
- Coronavirus Concerns in the Global Fresh Produce Sector
- Floriculture Demand Collapses Dramatically Under Coronavirus Pressure
- Risks of Choking Global G&O Supply Chains