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COVID-19 AND AGRICULTURE

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1 COVID-19 AND FOOD AND AGRICULTURAL SYSTEMS

1.1. The combined impacts of COVID-19, the resulting containment measures and subsequent global economic recessions will make hunger and malnutrition worse, increasing the number of people who are undernourished and poor, especially in low-income countries that depend on food imports. It is likely to erase a decade of progress on poverty reduction. The Food and Agricultural Organization of the United Nations (FAO) has been working since the onset of the outbreak on assessing the threats of the pandemic to food security and nutrition and providing evidence-based policy recommendations to Members, to avert a health crisis becoming a food crisis.

1.2. COVID-19 is unique in that it has resulted in a dual shock to both supply and demand, which are felt at different points in time. On the supply side, there are widely different views on how long the shocks would last, how they would affect the international and domestic markets, and what remedial actions could best soften the impact of shocks. On the demand side, however, there is a general agreement that agricultural demand and trade would slow down due to contraction in economic activity, rising unemployment and lower incomes. Furthermore, the pandemic threatens to affect the global economy at a level not seen since the Great Depression. This is a serious threat because it means people who must earn a wage to eat could lose their incomes and not be able to buy food. As countries move to strike a balance between keeping people safe and getting the economy back on track by easing lockdown measures, they must protect poor and vulnerable people's access to food and nutrition.

1.3. Following the COVID-19 outbreak, the measures to control or mitigate the spread of the virus have put under stress many segments of the supply chain. These include, inter alia, production and processing, logistics, trade and retail.

1.4. Concerning production and processing, for instance, restricted visa services implemented in various countries have led to reduced access of temporary workers, thus affecting harvests of several crops.[1] In some cases, operations in industrial sites – including slaughterhouses[2] and packaging plants[3] - have been suspended or reduced to minimize the community transmission of the virus.

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[1] FAO. (2020). *Food Outlook, Biannual Report on Global Food Markets*, June 2020. Rome: FAO.

[2] Food Dive. (2020). *Tracking coronavirus closures at food and beverage factories*. Retrieved from fooddive.com: https://www.fooddive.com/news/tracking-coronavirus-closures-at-food-and-beverage-factories/576559/.

[3] Rosenberg, M., Cooke, K., & Walljasper, C. (2020b, June 11). *Coronavirus spreads among fruit and vegetable packers, worrying U.S. officials*. Retrieved from Reuters: https://www.reuters.com/article/us-health-coronavirus-usa-farmworkers/coronavirus-spreads-among-fruit-and-vegetable-packers-worrying-us-officials-idUSKBN23I1FO.

1.5. Regarding the logistics sector[4], impacts have been manifold and varying depending on the product. The severe decline in commercial flights affected the distribution of many perishable food products, namely fruits and vegetables, while problems also emerged at the harbours, as countries globally modified their operation protocols, ranging from quarantine measures to additional documentation and examination. This led to increased risks for perishable goods on the one hand, and longer delays in supplying markets on the other. Disruptions have been reported also in relation to container and truck transport, following reductions in service operations. Using big data, FAO monitors trade and collects information on logistical issues, assesses how problems have been resolved and signals the market to reduce uncertainty. For example, the main delay in shipping has been happening during cargo unloading. Now it takes three days instead of one because of labour restrictions at ports. The delay is expensive for exporters, but they have been able to make up for it with the gains from exchange rates. Global shipping functions, notwithstanding the delay.

1.6. Further problems have been experienced in the retailing of several agri-food products, including meat, vegetable oils and fruits and vegetables due to the closure of food services, restaurants, hotels and cafeterias, and the adverse effects on tourism, affecting demand particularly for high value products.[5]

2 COUNTRIES RESPONSES TO COVID-19 RELATED MARKET DISRUPTIONS

2.1. With the outbreak of COVID-19, countries globally started implementing trade policy responses to offset the shocks of the pandemic on food and agricultural markets.

2.2. Similar to what happened during the 2007-08 global food price crisis, and with the objective of ensuring sufficient supplies to domestic consumers and stable prices, some major exporting countries decided to impose export bans on specific commodities. However, these have generally been limited and short-lived.[6] Similarly, few Members imposed import restrictions or introduced requirements for certificates attesting negative COVID-19 test results for the shipments. In most cases, such measures were temporary in their application.[7] FAO has been highlighting the importance of keeping markets open and the supply chains flowing smoothly in order to avert a global food security crisis.

2.3. On the other hand, to facilitate availability of critical food items and contain food prices, many Members decided to lower their existing import-restricting measures, including both tariff barriers and technical regulations. In fact, as it was the case during the 2007-08 food price crisis, many importing countries responded to market uncertainty by suspending or reducing import tariffs. In some cases, these policies applied to all food products. Likewise, to address disruptions that may have affected the operations of economic players, some Members temporarily relaxed their Technical Barriers to Trade (TBT) measures on food products, including on content requirements and standards, and labelling requirements.[8] Further to that, several countries increased flexibilities and efficiencies in trade-related procedures and implemented measures to facilitate the flow of agricultural goods and foodstuff. In fact, acknowledging the role of the containment measures in hampering normal trade operations, including the provision of certificates and other licenses and approvals needed for trading agricultural products, governments implemented measures to accept electronic certificates of phytosanitary and veterinary certificates on a temporary basis, and simplify import licensing procedures for selected products.[9]

2.4. Concerning the measures put in place to support producers, many developed countries adopted domestic support policies aiming mainly at protecting the incomes of farmers and processors. This was pursued by means of direct transfers, facilitated loans, as well as food purchases for domestic food aid. In some cases, custom tailored airfreight assistance programmes have been implemented to address some of the logistics and marketing bottlenecks caused by the pandemic and to support

[4] FAO. (2020). J. Schmidhuber, COVID-19: *From a global health crisis to a global food crisis?* Rome: FAO. Retrieved from http://www.fao.org/3/ca9509en/covid.pdf.

[5] FAO. (2020). *Food Outlook, Biannual Report on Global Food Markets*, June 2020. Rome: FAO.

[6] *Ibid*.

[7] ITC. (2020). Market Access Map, *COVID-19 Temporary Trade Measures*. Retrieved from macmap.com: https://macmap.org/en/covid19.

[8] *Ibid*.

[9] WTO. (2020). *Trade costs in the time of global pandemic*. Available at wto.com: https://www.wto.org/english/tratop_e/covid19_e/trade_costs_report_e.pdf.

the trade operators.[10] At the same time, some developing countries implemented measures to expand their food reserves and/or decided to provide input subsidies or direct transfers. Moreover, to support consumers and prevent price spikes, some countries introduced price control policies.

3 BEST PRACTICES TO MEET POLICY OBJECTIVES: DRAWING ON EXPERIENCES[11]

3.1. Agricultural and trade policy responses can support production and income, contain price rises and protect consumers. They can play (and are playing) a very important role in addressing both supply and demand disruptions that emerged in the current crisis.

3.2. Table 1 below describes policy responses used by governments during previous food and health crises and the best practices according to the objectives the policy is designed to achieve. Drawing from experiences, the aim of the provided information is to support countries in their decision-making processes.

Table 1. Policy objectives and typical policy responses during food and health crises

Policy objective		Typical policy responses	Suggested best practices
Supply Side	Ensure sufficient domestic supply	• Export restrictions • Expansion of domestic procurement	• **Avoid** pre-emptive export restrictions • **Avoid** expansion of stock procurement where stock levels are already high • **Encourage** market transparency and international governance mechanisms
	Ensure food safety	• Import bans	• **Avoid** blanket import bans • **Encourage** travel and trade corridors, following WHO recommendations
	Support producers, particularly poor/ smallholders	• Input subsidies to expand production • Direct income transfers	• **Avoid** excessive subsidization, which may exacerbate market volatility • **Encourage** balanced and time-bound domestic support measures to maintain adequate production levels and farmers' income
Demand Side	Contain rising prices	• Lowering of import tariffs • Domestic price controls	• **Avoid** excessive imports' stockpiling • **Encourage** lowering import tariffs • **Encourage** careful price controls' design in partnership with private sector, if used
	Support poor consumers	• Cash transfers • Food aid/ transfers	• **Encourage** cash transfers and/or domestic food aid, adapted to the current context

Source: FAO. 2020. Agri-food markets and trade in the time of COVID-19. Rome.

4 CURRENT FOOD MARKET SITUATION

4.1. Measures introduced by countries are influenced by market fundamentals, i.e. supply and demand conditions. Current market conditions for the major food commodities, namely cereals, indicate higher stock levels and favourable harvests this year. Furthermore, more diversified exporting and importing countries and the increased digitalization of value chains and logistics have allowed better adjustments to supply disruptions. Compared to 2007-08, the current supply-and-demand situation is very different with the world agricultural market conditions not supportive of a global food crisis. However, the deep economic recession could cause people, particularly in low-income countries, to experience a food security crisis by lack of income, constraining access to food. The extent of the pandemic's impact on food demand would depend on the depth and length of the economic shock, the actual effect on employment, the availability of savings and access to credit and social safety nets.

4.1 Cereals

4.2. According to the latest FAO estimates, the world **production** forecast for cereals in 2020 stands at 2,765 million tonnes, an all-time high and 58 million tonnes above the 2019 production. Coarse

[10] WTO. (2020). *COVID-19 farm support packages and export-restrictive measures under scrutiny*. Retrieved from wto.com: https://www.wto.org/english/news_e/news20_e/agri_18jun20_e.htm.

[11] Based on FAO. (2020). *Agri-food markets and trade in the time of COVID-19*. Rome. Available at fao.org: http://www.fao.org/documents/card/en/c/ca8446en.

grains constitute the lion's share, with production expected to reach 1,496 million tonnes, up 52 million tonnes from last year. Wheat production is forecasted to amount to 760 million tonnes, marginally below the good outturn of 2019. Rice production (milled basis) is expected to reach 509 million tonnes, up 1.7% from the 2019 reduced level.

4.3. FAO's forecast for world **trade** in cereals in 2020/21 is pegged at 441.4 million tonnes, up 6.3 million tonnes (1.6%) from the 2019/20 level. The forecast for world wheat trade in 2020/21 (July/June) has been raised to 181.5 million tonnes, marginally (0.3%) above the 2019/20 record level. The forecast for world trade in coarse grains in 2020/21 (July/June) points to a likely expansion of nearly 4.0 million tonnes (1.9%) from the 2019/20, to almost 213 million tonnes.

4.4. With regard to cereal **stocks**, it is expected that they will reach 895.5 million tonnes by the close of 2021 seasons, representing a 1.7% increase from their opening levels and marking an all-time high. Coarse grain stocks are projected to reach 432.1 million tonnes (2.6% above their opening levels), wheat inventories are forecast at 282.2 million tonnes (2.0% above their opening level) while those of rice are seen falling 1.0% below their opening levels to 181 million tonnes, still the third highest volume on record. World stocks-to-use ratio is forecast at 31.8%, a relatively high level from a historical perspective.

4.2 Meat and dairy products

4.5. World total meat **production** in 2020 is forecast to fall to 333 million tonnes (carcass weight equivalent), 1.7% lower than in 2019, marking the second year of consecutive decline. Much of the contraction is again expected to reflect a sharp drop in global production of pig meat, largely concentrated in Asian countries affected by the African swine fever (ASF) viral disease, but also of bovine meat, especially in the United States of America (USA) and Australia. By contrast, global production of poultry meat is forecast to expand, albeit at half the rate recorded last year. Modest output growth is also predicted for ovine meat. The pace of expansion of all the meat sectors has been negatively affected by COVID-19 market disruptions, aggravating the effects of animal diseases.

4.6. International **trade** in meat is forecast to grow to 37 million tonnes in 2020, up 2.4% year-on-year, but considerably slower than the 6.8% registered in 2019, in large part due to a likely reduction in world meat consumption, consistent with the widespread economic downturn. Logistical bottlenecks, limitations in shipping and port backlogs are also likely to restrain growth in world meat trade.

4.7. Global milk **production** is forecast to grow by 0.8% in 2020 to 859 million tonnes, while trade in dairy products could register the steepest contraction in three decades. World exports of dairy products in 2020 are forecast to contract by 4.1% (3 million tonnes) to 74 million tonnes (in milk equivalent), which, if confirmed, would mark the sharpest year-on-year decline in three decades. This negative outlook is attributed to the COVID-19 lockdowns and physical distancing measures, as well as the widespread economic slowdowns and low petroleum prices. The predicted overall decline in global dairy trade conceals significant variations at the individual dairy product level. Under current market conditions, exports of milk powders and butter are forecast to decline most, while trade in cheese and most other dairy products may rise or remain stable.

ANNEX I - FAO: POLICY BRIEFS AND TECHNICAL NOTES

- FAO Policy Brief: Agri-food markets and trade policy in the time of COVID-19;
- FAO Policy Brief: Ample supplies to help shield food markets from the COVID-19 crisis;
- FAO Policy Brief: Food safety in the time of COVID-19;
- FAO Technical Note: COVID-19 Channels of transmission to food and agriculture;
- FAO Technical Note: Comparing crises: Great Lockdown versus Great Recession;
- FAO Technical Note: COVID-19 and its impact on food security in the Near East and North Africa: How to respond?