

17 April 2020

Commissioner Janusz Wojciechowski
Commissioner for Agriculture and Rural Development
European Commission
Rue de la Loi 200
B-1049 Brussels

Dear Commissioner,

Despite providing an uninterrupted supply of fresh, safe and high quality fresh produce to consumers throughout the COVID-19 pandemic so far, the European fresh fruit and vegetable sector is facing significant challenges. Although the sector is well organized and committed to its responsibility to provide fresh produce to consumers confined at home the effects of the pandemic are being felt by all actors in the supply chain.

In our letter to Commission President Ursula von der Leyen on 20 March 2020 we raised three important points for our sector:

1. Effective operational implementation of EU Guidelines for border management and measures needed by the fresh fruit and vegetables sector to guarantee business continuity and an undisrupted supply of fresh produce to European citizens.
2. The need for an emergency workforce package to ensure Europe production and supply of fresh fruit and vegetables during the spread of COVID-19.
3. Implications of the spread of COVID-19 on fresh fruit and vegetable international trade from and to the EU.

Since then, some progress has been made to alleviate the difficulties experienced. In particular, Freshfel Europe welcomes the following:

- EU Practical Guidance of 23 March 2020 to ensure the continuation of EU border operations via proper implementation of EU green lanes. Given the perishable nature of fresh produce, it is important that it is secured that border crossing checks do not exceed 15 minutes. Nevertheless, these border crossing checks should be removed at the earliest.
- EU Guidance documents for seasonal workers published on 30 March 2020, which establish a framework for the mobility of essential agricultural workers within the EU and also for third country nationals. Freshfel Europe welcomed these documents as they encouraged Member States to take action to tackle workforce shortages. However, in the sector concerns remain as Member States have implemented different measures, some of which are deemed ineffective by the sector, such as volunteer schemes, which do not provide a solution in regard to skills and continuity of work. Seasonal workers are critical to the fruit and vegetables sector in terms of harvesting and planting. The European

Commission should continue to urge Member States to effectively implement effective mobility schemes.

- A first set of measures adopted on 2 April 2020 under the CAP instruments and in particular the flexibility brought within the European Agricultural Fund for Rural Development and the flexibility brought on the management of the promotion policy to cope with the COVID-19 crisis. Freshfel Europe takes good note of these measures provided including:
 - In the European Agricultural Fund for Rural Development the benefit for growers to access loans to cover operational costs of up to €200,000 at favourable conditions (low interest rates and favorable payment schedules).
 - Increase advances of direct payments (from 50% to 70%) and certain rural development payments (from 75% to 85%).
 - Derogation on state aid limit with a maximum aid of €100,000 per farm to be topped up with the de minimis aid.
- Heightened EU engagement with trade partners to prevent the imposition of additional burdens to trade (e.g. 'COVID-free' certifications), has provided certainty to exporters and introduced facilitations for trade to continue despite the difficulties, such as acceptance of scanned certificates and request for reciprocity for EU exports.

These timely measures have helped the sector to cope with the current exceptional circumstances and to continue supplying safe, healthy fruit and vegetables to consumers. However, this could not be performed without the sector being confronted to additional challenges and costs, which are deeply affecting the sector, whose economic sustainability is now at stake, and with it, the continuous supply of affordable produce to consumers. Accordingly, we would like to provide you with an initial assessment of the economic challenges faced today by the fruit and vegetable sector, together with some suggestions for your consideration regarding the on-going EU assistance needed.

ECONOMIC IMPACT OF COVID-19 CRISIS ON THE FRESH FRUIT & VEGETABLE SECTOR

Whilst the overall impact of the crisis on the sector remains difficult to fully assess at this stage, the following trends and figures can already be highlighted:

1) Significant short-term increases in costs for growers to adapt to the challenges and continue supply

The fresh fruit and vegetables sector has managed to quickly reposition itself to redirect 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. The sector had to adapt to changing demand in regard to volume, product assortment and specification as in some Member States consumers were increasingly requesting prepacked products instead of bulk.

This successful adjustment of the business reality 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. Most of these costs have not been fully compensated by customers and consumers.

At production stage our members estimate 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 as well as some losses due to non-harvesting (absence of seasonal workers) or quality damages due to slower operations. On an aggregate basis and considering that up to 7 Mio 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 Mio €/month.

When it comes to intra-EU shipments (excluding local distribution), it is estimated that costs of transport raised by ca. 25%. Consequently, average costs of intra EU transport to main consumption markets climbed from 3.000 € to 4.000 €. Given that about 2.6 Mio T are moved every month (150.000 trucks), the added cost is around 150 Mio € or about 0,05 € cts 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.

Overall, most EU growers are therefore facing an additional charge of 0.1 € cts/kg to produce and ship their products to the market.

2) Loss of high-value business channels and market instability

As a result of the COVID-19 crisis almost 100% of business was lost for the high-value food services sector in a diverse range of areas including hotels, restaurants and restaurant chains, business and school canteens, transports catering etc. This development also had a significant impact not only on food services companies but also on many fruit and vegetables wholesalers across the EU, providing services and added value to food service customers.

Depending on the Member State, food services could range from 25 to 30% of the total fruit and vegetables market supply. While supermarket partially uptake these volumes, not all of them were absorbed by the increased retail sales for consumption at home.

This has created significant market instability for certain commodities demanded by food services, such as asparagus, cucumbers, strawberries, as well as 'convenience' produce (e.g. pre-cut salad) and will soon impact melons and watermelons, as well as citrus in the summer months.

On the export side and despite efforts to simplify documentary procedures, exports to third country markets have been challenged by market access uncertainties and logistics constraints, such as delays in ports and the availability of containers. This has discouraged operators to engage in these activities, which sometimes have a high risk of non-payments. These uncertainties faced by EU exports have implications on a current business trade value for EU produce close to a 5 billion €.

3) Concerns over long-term economic sustainability of the sector if the current situation continues

After almost two months of uncertainties and constant adaption of the sector to cope with its responsibility of supplying essential goods to consumers, growers have supported added costs of ca 1 billion €, a value alone close to the annual EU support budget for the fruit and vegetables sector.

Growers cannot sustain this level of additional costs in the long-term. Financial support is therefore essential, as well other measures that will allow the sector from production to retail to continue balancing additional costs with economic sustainability.

Additional EU financial assistance is not only crucial for the sake of growers balanced remuneration, but also for them to be able to continue performing their essential tasks towards orchard maintenance and

harvesting, which are essential to ensure Europe's food supply at affordable prices to consumers in the coming months.

4) The fruit & vegetable sector as an 'essential' sector

Given their important role of fruit and vegetables as part of a healthy diet and in consideration of their perishable nature, the European Commission should insist Member States to classify the fruit and vegetables sector as an 'essential' activity to secure access to protective measures. Steps should indeed be taken at the earliest to alleviate measures of social distancing which are delaying operational activities and affecting the efficiency of the fresh produce supply to consumers. To facilitate operations in the sector appropriate equipment, including disinfectant hydrogel and masks, should be available to the sector to maintain high safety levels. Moreover, regular testing of workers should also take place to prevent further virus propagation while going back to normal working conditions. These measures would highly facilitate operations, especially in orchards and packing stations, and ensure the continuous supply of fruit and vegetables to consumers over the coming months and in the long-term.

PROPOSALS FOR ADDITIONAL ASSISTANCE TO ENSURE THE SUSTAINABILITY OF THE FRUIT AND VEGETABLES SECTOR

On the above background, Freshfel Europe urges the European Commission to take additional measures from the CAP to help fruit and vegetables growers to cope with this unprecedented crisis and continue supplying European citizens. Several measures should be considered:

1) Financial measures:

- Activation of Article 219 of Regulation (EU) N° 1308/2013 to allow production to quickly react against threats of market disturbance allowing withdrawal, green harvesting or non-harvesting operations. For efficiency these measures should be extended to producers that are not members of a recognized producer organization. For producer organisations, removing the 5% ceiling of the volume of the marketed production should be envisaged. In April the sector experienced difficulties on some perishable and labour intensive crops, such as strawberries and asparagus, but more market stability problems could soon be experienced either due to continued labour shortages and/or continued lack of market outlets given food services closure. Melons, watermelons, cherries, berries and summer fruit are some of the markets that could be soon affected.
- Activation of Article 221 of to resolve some of the specific problems to which the sector is exposed to secure supply of fruit and vegetables in the medium and long term despite higher costs to prevent a deterioration of production and market conditions. As indicated above Freshfel Europe estimates that on a monthly basis fruit and vegetable suppliers are absorbing additional costs of at least 500 million € with most of these costs not being recovered by higher sales returns.
- Activation of Article 222 of Regulation (EU) N° 1308/2013 to resolve and better respond to market instability and volatility that could occur for some fresh fruit and vegetables in particular the highly perishable products and those heavily depend from the foodservices sector.
- Review of the Union financial assistance currently limited at 50% under Art 34.1 of Regulation (EU) N° 1308/2013 in the operational programme. This assistance should be raised to 70% for all interventions, including those referred to in Article 34.3 of Regulation (EU) N° 1308/2013, but not covering Article 34.4 which already stands at 100%. This would allow producer organizations to partially cover exceptional costs such as social distancing impacts and transport costs increases.

2) Additional flexibility for the management of CAP tools to reduce constraints for producer organizations and their members as well as for national administrations

- The amendments to operational programmes set by Articles 34 of European Commission Delegated Regulation (EU) 2017/891 should be facilitated within simplified procedures:
 - Allowing increased flexibility to adapt actions within the activities breakdown of the operational programme as provided in Article 33 of Regulation (EU) N° 1308/2013 to those more needed to remain competitive within the crisis. This would allow producer organizations to best adjust their priorities without fixed ceilings on crisis prevention and mutual funds for example.
 - Producer organizations should be allowed to modify their operational programmes and to raise their activities up to the 4,6% (Article 34.2 of Regulation (EU) 1308/2013) if this was not the case so far, to raise their capacity to adapt to the new requirements dictated by the COVID-19 crisis.
 - For specific products under market pressure to allow to raise the limit of 5% of the volume of the marketed production for market withdrawal (Article 34.4 of Regulation (EU) 1308/2013). The first weeks of the COVID-19 crisis clearly demonstrated that within the fruit and vegetables sector different market realities could be experienced.
 - Producer organizations are allowed to complement the supply for their customers from producers who are not member of their producer organization. (Article 11.2 of Regulation (EU) 2017/891). Under challenging circumstances (such as impact of COVID or climatic havocs) producer organizations should be authorized to secure their supply even beyond the value of the marketed production of its producer members.
 - Role of Interbranch organizations should be facilitated with the necessary tools to conduct the necessary actions for the benefit of the whole supply chain to assist the sector to recover from this crisis
- Softening of the level of checks of producer organizations set by European Commission Implementing Regulation (EU) 2017/892 set by Chapter IV, so that they can concentrate their efforts on coping with market uncertainties rather than on administrative constraints.
- The European Commission should urge Member States to direct funds available under the European Agricultural Fund for Rural Development to change priorities and redirect support for farmers who are victims of the current crisis and in particular for those in the fruit and vegetable sector, which remains the most valuable contributor to the total EU agricultural value while also being the sector least rewarded in the CAP (less than 3% of the agricultural budget).

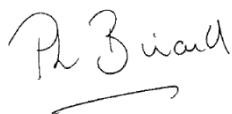
3) The impact of the COVID-19 crisis on other EU policies should be evaluated:

- Research and Innovation: Evaluation of the capacity of the sector to invest in R&I subsequent to the significant financial consequences of the COVID-19 crisis, and whether current R&I reflects adapted priorities of the sector or lessons that will be drawn from the COVID crisis.
- Promotion policy: Re-assess priorities of EU promotion policy and activate the possibility of new promotion projects under exceptional crisis situations.

- Organic legislation: Reform of the organic legislation and the introduction of the new rules with the necessary time for the producers and operators to adapt to the new requirements. A delay of the coming into force of the new requirements should be considered.
- Farm to Fork Strategy: It will be necessary to take the COVID-19 crisis into account in the new CAP budget as well as in the transition envisaged through the Farm to Fork Strategy. It will be essential to increase the resilience of the fruit and vegetables sector to crises in the coming year.
- International trade: Continue to step up engagement with trade partners to secure additional facilitations to encourage European exports, in particular negotiating the removal of redundant procedures to facilitate trade during the period of the COVID-19 pandemic, including pre-clearance, orchard registration and duplication of controls. Freshfel Europe supports the World Bank's call for SPS agencies in importing countries to work their counterparts in exporting countries, especially in neighbouring countries, to identify key critical commodities produced under equivalent processes that allow clearance controls to be either reduced or removed altogether.
- Impact of other financial aspects should be reassess including
 - Difficulties experienced with increased rate for insurance and more difficulties to secure credit insurance. Since the start of the COVID outbreak, difficulties were experienced in this respect and the process was more complicated to be secured, creating.
 - Number of steps were already taken to relief primarily hard-hit SMEs. The EU budget indeed deployed its existing instruments to support so far SME companies with liquidity, complementing measures taken at national level with EUR1 billion redirected from the EU budget as a guarantee to the European Investment Fund to incentivise banks to provide liquidity to SMEs and midcaps. It would be important to extend these instruments to all operators in the fruit and vegetable sector, including larger producer groups or companies. It often occurs that larger structure in the agri-food sector are regrouping the interest of smaller producers. An easy access to these tools should also be considered for these operators

Together with all the Freshfel Europe members from across the European supply chain, I remain available to further discuss the various aspects included in this letter with you and your cabinet colleagues while keeping in close contact with the services of DG AGRI.

Kind regards,



Philippe Binard
General Delegate
Freshfel Europe