

October 2020

Freshfel Europe statement to COMAGRI
State of play COVID pandemic and fruit and vegetables
26 October 2020

My name is Philippe Binard, General Delegate of Freshfel Europe, the European Association representing the fresh fruit and vegetables supply chain, from production through to various trade segments down to retail.

I would like to thank COMAGRI and its chairman Norbert Lins for organizing this session on the impact of COVID-19 pandemic on fruit and vegetables. I am honored to present to you the socio-economic challenges created by the pandemic for our sector.

I would like first of all to underline the appreciation of the sector for the EU's prompt response to the initial business challenges when the pandemic spread. The sector welcomed in particular:

-) the prompt response to border closures, with "green corridors" especially important for perishable products.
-) the setting up of guidelines for the mobility of seasonal workers, essential to collect crops, ensure the maintenance of orchards and prevent food waste
-) the CAP's tools flexibility measures
-) the flexibility for promotion programmes and the introduction of a new call for programme
-) the trade facilitation measures such as electronic certification, now also accepted by 34 of our export markets, and
-) the enabling of state aid to support businesses most affected, namely those operating in food services.

The supply of fresh fruit and vegetable products throughout the pandemic demonstrated the sector resilience. The sector swiftly:

-) responded to panic buying,
-) adapted supply to the availability of produce while securing diversity,
-) adjusted to the latest customer/consumer requirements e.g. on packaging,...
-) repositioned sales to the new POS for consumers, including online sales
-) and coped with the consequences of food services closure , with the challenges of redirecting the specific product of that segment to other channels , as the varieties, the quality and standards are usually quite different than those of classical retailing

While fruit and vegetables were considered as “essential” and supply was secured, it should not mean that business continuity should be taken for granted. Many steps had therefore had to be taken to adapt to this new business environment. Last May, Freshfel Europe conducted an impact assessment covering different those challenges across the supply chain such as those relating to workforce, logistics, trade and market, added costs and other side effects.

This impact assessment estimated added costs of at least 500 mio € per month, corresponding to:

-) 350 Million € at picking and packing stages (based on an estimated average increase of costs by 10%).
-) 150 Million € for increased transport costs, increased by 25% due to delays and empty returns.
-) This calculation did not include the loss of businesses at food services stage, sales representing between 15 to 25% of the total fruit and veg market size.

During the first months of the pandemic, sales of fruit and vegetables were steady for most of the categories. Consumers understood the health and nutritional benefit of fresh produce. Sales of apples, pears and citrus were particularly strong. However, some other categories like asparagus, strawberries and sprouted seeds experienced difficulties being more perishable, more labour intensive or more dependent on the food services sector.

Overall, the fruit and vegetables market indicators for the first six months of 2020 showed stability in volume and increase in value for the intra EU trade and imports from third countries, while unfortunately EU exports decreased by 9 percent mainly due to logistic and market access uncertainty which represented additional risks to engage in international operations while the local and EU market was a safe bank.

As we are moving into a dramatic second wave of the pandemic in EU, I would like to highlight the following latest trends:

- 1) Growing pressure on prices due to economic crisis. After experiencing steady prices at the start of the pandemic and good demand for premium products, there is now in the context of a mounting economic crisis, much more price pressure at retail level. This will place more pressure on premium products, organic product and overall the sustainability of the chain.
- 2) Costs in the chain: while all the additional costs generated since the start of the pandemic remains, such as those resulting from social distancing, sanitary requirements, insurance etc., there is now also increased costs resulting from the demand for pre-packed products, with increase of prices for packaging as well as for recycling services.
- 3) Food Service sector: this sector continues to suffer from ongoing and new restrictions across the EU, with severe impact for fruit and vegetable operators sourcing these

multiple channels: restaurants and bars, hotel, canteens in the public and private sector, transport catering, business events such as conference, congress, fairs, festivals,

- 4) Availability of seasonal workers: the sector continues to face some punctual shortages. In this regard, we welcome the EU Council Recommendation (EU) 2020/1475 of 13 October 2020 on a coordinated approach to the restriction of free movement in response to the COVID-19 pandemic. The recommendation stresses that travelers with an essential function such as seasonal workers should not be required to undergo quarantine. It is crucial that all Member States follow this recommendation and could extend this approach to essential workers coming from non-EU countries.
- 5) Trade facilitation: Some actions need to be undertaken to maintain trade opportunities:
 - a. continue the electronic certification scheme to substitute original signed documents, including all customs, phytosanitary and organic certifications,
 - b. facilitate virtual audits of orchards for securing the good functioning of protocols demanded by third countries for our exports.
 - c. ensure on-going availability of credit insurance for traders with good coverage for political and economic risk otherwise market share abroad could be lost.
 - d. On a side note, the additional risks brought by the upcoming Brexit for businesses should be reminded. Shipment of fresh produce to the UK represent 3,2 million tonnes, 10 % of the intra-EU trade. Brexit, regardless of its final form will again increase the costs and constrains for the already fatigued sector, as new bureaucratic and logistics costs will be added. In a no-deal scenario, the imposition of UK tariffs for fresh produce exports, added to the COVID-19 impact, would be disastrous for the sector, and needs to be avoided as a matter of priority.
- 6) Consumption patterns: the changing lifestyle resulting from the pandemic represented an opportunity to stimulate consumption of fresh fruit and vegetables as consumers recognized nutrition and health properties of fruit and vegetables as important in a period of pandemic. This momentum needs to be further enhanced with the upcoming Farm to Fork Strategy recommending more sustainable diets and the year 2021 declared by FAO and WHO as the UN International Year of Fruit and Vegetables. This is a positive environment to boost the current average consumption of F&V standing at 345 gr/capita /day to the minimum of at least 400 gr recommended by WHO and the scientific community. Prevention is always best to remedy!

I will conclude on this positive note and would like to thank once again the interest of the COMAGRI to listen to the concerns of the fruit and vegetable sector.