

## Covid-19: EU Agri-food support measures

On 22 April, following pressure from industry and a letter from the 27 EU Agricultural Ministers urging action, the EU Commission proposed a package of measures to support the agri-food sector in the light of the difficulties caused by measures introduced in Member States and the UK to counteract the spread of coronavirus. The measures announced included:

- **Private Storage Aid:** for dairy (SMP, butter and cheese) and meat (beef, sheep and goat) products
- **Flexibility for market support programmes:** for wine, fruit and vegetables, olive oil, apiculture and the EUs school schemes
- **Exceptional derogation from EU Competition rules:** applicable to milk, flowers and potatoes
- **Temporary aid measure to allow unspent rural development funds to be used to support farmers and SMEs**

The total budget for the support package is believed to be around €80 million.

The legislative acts are set to be adopted on 30 April with the measures coming on stream from early May and closing on 30 June 2020. The UK is eligible to participate in EU support measures until 15 October, the end of the budget year.

### Private Storage Aid:

**Dairy:** €30 million of the package has been allocated to support the dairy sector.

Product	Tonnage	Period in storage	Indicative Budget
<b>Cheese</b>	100,000t	To be kept in storage for a minimum period of 60 days to a max. of 180 days	€10m
<b>SMP</b>	90,000t	To be kept in storage for a minimum period of 90 days to a max. of 180 days	€6m
<b>Butter</b>	140,000t	To be kept in storage for a minimum period of 90 days to a max. of 180 days	€14m

Applications for skimmed milk powder, butter and cheese are limited to products already in storage. For cheese, the scheme will cover only types of cheeses that are suitable for storage.

### Aid rates:

- Butter: €9,83/tonne for fixed storage costs, €0,43/tonne per day of contractual storage
- SMP: €5,11/tonne for fixed storage costs, €0,13/tonne per day of contractual storage
- Cheese: €15,57/tonne for fixed storage costs, €0,40/tonne per day of contractual storage

Draft Annex to the Delegated Regulation opening a temporary exceptional PSA scheme for cheeses	
Member State	Maximum quantities (tonnes)
BE	1 130
BG	889
CZ	1 265
DK	4 373
DE	21 726
EE	434
IE	2 180
EL	2 121
ES	4 592
FR	18 394
HR	300
IT	12 654
CY	270
LV	459
LT	978
LU	27
HU	809
MT	28
NL	8 726
AT	1 959
PL	8 277
PT	775
RO	931
SI	157
SK	413
FI	843
SE	792
UK	4 499
<b>Total</b>	<b>100 000</b>

**Private Storage Aid: Livestock**

€26 million has been allocated to the beef sector for a total volume of 25,000t and €20 million to the sheep and goat sectors for a total volume of 36,000t. Veal is not included in the beef PSA Scheme despite the strong requests from a number of Member States. The temporary withdrawal of product from the markets will be allowed for a period of 90, 120 or 150 days. The scheme is only open for products that have not yet been placed in storage.

**List of products eligible for aid: Beef**

Custom nomenclature code (CN code) of products	Product description	Products conformation class as provided for in Section III of Annex IV to Regulation (EU) No 1308/2013	Amount of aid per storage period (EUR/tonne)		
			90 days	120 days	150 days
ex 0201 20 50	Separated hindquarters: the rear part of a half carcass, comprising all the bones and the thigh and sirloin, including the fillet, with a minimum of three whole or cut ribs, with or without the shank and with or without the thin flank	S: Superior E: Excellent U: Very good R: Good O: Fair	1 008	1 033	1 058

**List of products eligible for aid: Sheep and Goat meat**

Custom nomenclature code (CN code) of products	Products description	Amount of aid per storage period (EUR/tonne)		
		90 days	120 days	150 days
ex 0204 10 00	Fresh or chilled carcasses and half carcasses of lamb aged less than twelve months	866	890	915
ex 0204 50 11	Fresh or chilled carcasses and half carcasses of goat aged less than twelve months			

### Applications for Private Storage Aid:

Applications are expected to open from the 7<sup>th</sup> May. The last day to submit applications for PSA under the current campaign is 30 June 2020. The minimum eligible quantity for each application for beef has been revised to 10 tonnes, for sheep and goat meat 5 tonnes and for dairy the minimum quantity per application is now 10 tonnes.

### Flexibility for market support programmes:

The Commission has proposed flexibility in the implementation of market support programmes for wine, fruit and vegetables, olive oil, apiculture and the EU's school scheme (milk, fruit and vegetables). This will allow the reorientation of funding priorities towards crisis management measures. For instance, for producer organisations this could mean an increase in the expenditure that is eligible for crisis prevention and management measures, hiking up the ceilings for Union financial assistance in case of the reduction of product value and reducing administrative controls.

By sector the Commission has proposed a number of changes for the current year 2002 to offset the disruption caused by Covid-19 and allow Member States and farmers to adapt:

#### Fruit and Vegetables:

- Increase of expenditure eligible for crisis prevention and management measures
- Admissibility of Union financial assistance for withdrawal exceeding 5% of marked volume for goods disposed for free distribution to charitable organisations
- Increase possibility for producer members to sell products outside PO
- Increase of ceiling for Union financial assistance in case of reduction of value of products
- More flexible management of operation programmes due to issues related to Covid19 in year 2020
- More flexibility on market withdrawals and on the support provided for them in 2020 as well as on green harvesting rules
- Less stringent conditions on controls of operational programmes and national strategies
- Postponement of the deadline for POs to spend the aid applied for in 2019 (from 30 April to 30 June)
- Reduction of administrative controls prior to the approval of operational programmes
- More flexibility on first and second-level checks concerning withdrawal operations

#### EU's School Scheme:

- Duration of the 2019/2020 school year extended until 30 September 2020 with payments to applicants for the activities concerned until 15 October 2020 and the possibility for Member States to grant advances
- Adaption of deadlines for applications and payments taking into consideration the current situation
- Level of use of the EU budget in the 2019/2020 school year not taken into account when reallocating among countries among countries available resources for next school year 2021/2022
- Introduction of possibility for Member States to pay advances to aid applicants

### Exceptional derogation from EU Competition rules:

In order to help certain sectors of the agricultural industry find a balance in this period of severe market imbalance, the Commission believes it is appropriate to allow for agreements and decisions of farmers, farmers' associations, or recognised producer organisations, and recognised interbranch organisations. Only applicable to the milk, flowers and potatoes sectors, the Commission will authorise the derogation from certain competition rules under Article 222 of the Common Markets Organisation Regulation that allows operators to adopt self-organisation market measures. These sectors will be allowed to collectively take measures to stabilise the market. For example, the milk sector could plan milk production and the flower and potatoes sector be allowed to withdraw products from the market. Storage by private operators will also be allowed. **\*Agreements would only be valid for 6 months.**

For the milk sector, the proposed measure will only allow for the temporary planning of production. For potatoes, any agreements and decisions concerning potatoes for processing could include:

- withdrawing potatoes from the market for orderly product destruction or for free distribution to food banks or to public institutions;
- processing potatoes for other purposes such as animal feed, production of starch or for methanisation
- creating and finding storage capacities and preparing potatoes for longer storage periods
- promoting the consumption of processed potatoes products
- planning measures to reduce volumes for future plantations and adjusting existing contracts for potatoes from the 2020 campaign.

As soon as the agreements or decisions referred to in Article 1 are concluded or taken, the bodies, associations and/or organisations involved must communicate those agreements or decisions to the competent authorities of the Member State having the highest share of estimated volume of production of potatoes covered by those agreements or decisions, indicating the following:

- the estimated production volume covered;
- the expected time period of implementation.

No later than 25 days after the end of the 6-month period referred to in Article 1, the bodies, associations and/or organisations involved must also communicate the production volume of potatoes actually covered.

## Rural Development Funding

We understand the Commission is considering amending the rural development basic act (Regulation (EU) No 1305/2013) to introduce a new standalone measure by which support may be granted for emergency situations linked to the Covid-19 outbreak.

The measure in consideration is expected to take the form of a one-off lump sum of up to 5,000 EUR for farmers and 50,000 EUR for SMEs (to be defined in RDP). Member States will have to substantiate the targeting of the support based on objective and non-discriminatory criteria. Beneficiaries receiving support would not have to justify their use of the funds since the lump-sum payment will not be based on invoices. Member States would need to include the measure in the RDPs via a modification, although expenditure would be eligible since the moment of the Covid-19 outbreak. Reimbursement to Member States will use the normal co-financing rate of the programme.

The amendment will be focused on those Member States who have unused rural development funds.

## The situation in Europe and beyond:

The impacts of the closure of food service is not limited to the UK and effects similar to those seen on our market are being seen in other Member States and, indeed, in countries around the world. In addition to pressing the European Commission to introduce measures to help restore confidence to the market, some Member States are considering national packages utilising the greater flexibility provided by the Commission under its temporary state aid regime, as below.

### Netherlands:

- Following a relaxation of State Aid Rules, on the 15 April the Dutch Minister for Agriculture announced a 600million euro support package for Holland's Horticulture and Ornamental Sectors. In practice the fund will provide compensation for 70% of a business's loss in turnover (up to a maximum amount) with the other 30% of losses being borne by the business itself. Further details of the scheme are expected to be announced shortly before being sent to the European Commission for approval based on Art 107(2)(b) TFEU.

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- Alongside this, a € 50 million aid package was also announced to provide compensation for potatoes growers for French fries. These growers will be compensated for the amount of potatoes they still have in storage. The fee is determined on the basis of the 1 million tons of potatoes, which can no longer be processed into French fries this season. The fee will amount to up to 40% of the average market value of these French fries from September 2019 to February 2020.

#### Belgium:

- A Brussels-capital region scheme to support agricultural and aquaculture schemes has been approved under the EU's [state aid temporary framework](#) for dealing with the COVID-19 pandemic. The public support in the form of direct grants aims to help firms facing financial difficulties during the outbreak.

#### The USA:

- **Direct Support to Farmers and Ranchers:** The programme will provide \$16 billion in direct support based on actual losses for agricultural producers where prices and market supply chains have been impacted and will assist producers with additional adjustment and marketing costs resulting from lost demand and short-term oversupply for the 2020 marketing year caused by COVID-19.
- **USDA Purchase and Distribution:** USDA will partner with regional and local distributors, whose workforce has been significantly impacted by the closure of many restaurants, hotels, and other food service entities, to purchase \$3 billion in fresh produce, dairy, and meat. This will begin with the procurement of an estimated \$100 million per month in fresh fruits and vegetables, \$100 million per month in a variety of dairy products, and \$100 million per month in meat products. The distributors and wholesalers will then provide a pre-approved box of fresh produce, dairy, and meat products to food banks, community and faith-based organizations, and other non-profits serving Americans in need.

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