

AIPCE CEP INITIAL IMPACT ASSESSMENT OF COVID-19 CRISES ON THE FISH PROCESSING AND TRADE SECTOR

Safety measures implemented by the EU Member States in the course of the last days and weeks to prevent an uncontrolled spreading of the Sars-Cov 2 and increasing COVID-19 have created an exceptional situation in the market that needs decisive and fast interventions at both the EU and national levels. Interventions in terms of coordinated actions that ensure the continued integrity of the Single market and the free movement of its goods.

AIPCE CEP accounts for more than 128,000 jobs and more than 3,900 companies whose purpose is to provide the market with healthy, sustainable and affordable fish and seafood products. The global, and consequently, the EU sourcing of seafood products and raw material for the processing industry has seen itself delayed or restricted.

In these past weeks, the industry has been dealing with a combination of issues that may lead to closures of production sites in the EU and loss of many, in particular, small businesses with severe consequences for the employment in e.g. coastal areas.

The following is a short overview of the initial impact assessment:

General supply shock that may result in a lack of fresh fish supply:

- no economic incentive for the catching sector to go out fishing as prices are decreasing sharply
- focus on only those products more requested by the retail
- fleet stopping activity due to crew problems (unable to change crew due to shortage of crew members)
- disruption of supply chains due to either a complete close down or a slow recovery of processing plants in China
- a lack of containers and shipping to the EU (containers blocked in Chinese ports)

A negative demand shock

- a **sharp decrease in or no demand** in food service industry (HoReCa) and fishmongers/markets
- the market for **fresh fish and seafood products has gone down dramatically** with partial closing of **fresh fish counters** at retail in some MS

Cash flow

- both the general supply shock and the drop in demand mentioned above will put cash flow at risk
- available stock is diminishing fast and uneven cash flow may already jeopardize rebuilding stock for the coming Easter period which is normally a crucial sales period in some EU countries

Fear-driven positive demand for products with higher durability (canned and some frozen products)

- companies active in frozen seafood and shelf stable products are **currently** seeing a rapid increase of fear driven demand at retail
- raw material stock is **temporarily** available at cold store for up to three months for e.g. major frozen whitefish species
- replenishing stocks in the near future may be negatively affected by restrictions of transport and availability of containers in i.e. China
- increased demand has also resulted in the unplanned extension of working hours at production plants thereby increasing production costs. These may lead to price increases that retailers (considering the current contractual obligations/open contracts) will most probably not be ready to pay. Therefore, both prices and supply may be a challenge for the processors.
- there has been a perceived increase in on-line sales, but so far insufficient to fill in the gap produced by the drop in out-of-home-sales

Reduced active work force and/or absences from the workplace:

- contracted COVID-19
- workers that have children at home with the kindergartens and schools closed
- foreign workers that returned home
- workers self-isolating on Government advice (the lack of testing in some countries means that this number can be unnecessarily high)
- necessary safety measures within the companies in terms of social distancing
- in some EU countries it has not been possible to perform official checks and trainings of new workers so to comply with the national law requirements

A major impact on transport services because of:

- reinstated border checks within the internal market
- possible delays currently at border sites
- un-availability of vehicles due to the delays produced at border sites
- a possible lack of the usual restaurant service and showering at highway gas stations for truck drivers

The Commission has adopted guidelines to ensure the flows of basic goods, but the situation on the ground remains problematic. For example, the green lanes for food are not a solution, if packaging material is stuck at border sites.

Furthermore, a closed EU border for delivery of fresh fish like salmon from Norway, via Denmark into the EU, would be seriously damaging fresh fish sales and create disruption of e.g. smoking activities in the EU.

National measures restricting free movement of essential safety supplies

- shortage of protective **glasses, facemasks, gloves or hydro-alcoholic solutions** making workers in various plants refuse to work their shifts because of safety concerns

Food waste

- the loss (destruction) of fresh fish and some already produced semi-preserved seafood products was unavoidable during the past two weeks as sale orders were cancelled on short notice

Maintenance of machinery at production sites

- components to repair machines may not be available on the market
- technicians that repair machines may be from a different country and unable to travel

Considering only the initial impact that the spread of Sars-cov 2 and the consequent imposing of the safety measures have had on the sector, AIPCE CEP advises that the following be implemented until such time we can return to normal activity:

- **EMFF – proposed amendments to the current Regulation should include processors**

The proposed amendments to the current EMFF are:

- Article 35 is modified to make it possible for the EMFF to contribute to mutual funds which provide financial compensation **to fishermen** for economic losses caused by a public health crisis, and
- Article 57 is modified to add the possibility for the EMFF to safeguard the income of **aquaculture producers** by contributing to an aquaculture stock insurance covering economic losses due to a public health crisis.

EMFF should have provisions that guarantee the liquidity and continuity of the **businesses in the processing sector**.

- **Delay any legislative/regulatory procedures and entry into force dates**

*Commission Implementing Regulation (EU) 2018/775 of 28 May 2018 laying down rules for the application of Article 26(3) of Regulation (EU) No 1169/2011 of the European Parliament and of the Council on the provision of food information to consumers, as regards the rules for indicating the country of origin or place of provenance of the primary ingredient of a food – **scheduled to enter into force on 1 April 2020***

The industry finds itself unable to meet the requirements imposed by the Regulation 2018/775 before the indicated date of its entry into force. Many suppliers (including photoengravers) have decreased or stopped their activities. There are delays in the work being carried out to comply with the regulation on labelling creation, labelling validation, photoengraving, printing and delivery of labelling and packaging. In order to avoid ruptures, companies had to request identical reprints of non-compliant labelling. In view of the exceptional circumstances that the whole industry is encountering we ask that the date of application be postponed, so that time can be allowed to companies to organize better.

- **Underline the need for green lanes for both food and packaging materials and organise a centralized coordination between MS**

- **Ensure there are no delays in procedure for EU listing of 3rd country establishments ready to export fishery products** - with the current increased demand in retail and in order to help maintaining a continued supply in the EU

- **Ensure priority to essential food components imported from non-EU countries**

The decision to close the EU outside borders should not apply to transport bringing in foods, particularly when these foods are either in short supply in the EU, or where the EU is dependent on foreign imports to maintain production

- **Consider focused communication to consumers to *flatten the curve* of the unnatural and temporary increase in demand** by smart communication from governments to citizens that supply will be ensured and shopping should not be ‘panic provoked’

- **Ensure clear, structured and timely information on possibilities to import raw material in order to guarantee certainty to businesses and allow them time to prepare**

- take into consideration an alternative solution in case the ATQs regulation negotiations and approval are delayed

- **Consider extending the Brexit transition period**

- **Ensure flexibility/feasible alternatives for mandatory labour education**

Consider alternatives to the mandatory labour training/education such as possibility to offer it at the plant, during such time the official government agencies are unable to execute them.

- **Reduce the administrative burden as much as possible/make import procedures more flexible**
With disrupted supply chains, it is important authorities are flexible when performing border controls and plant inspections. Procedures should not unnecessarily obstruct the provision of food to markets:
 - shipments may not come on time;
 - documents may arrive later due to reduced airline services;
 - **copy of documents should be allowed and originals presented at a later stage.**

AIPCE CEP welcomes the proposed economic measures to counter the impact of this crisis, among other, via the *Coronavirus Response Investment Initiative*, regulation initiative for a *European Unemployment Reinsurance Scheme* and the temporary relief on the *State Aid* rules and expresses support for:

- proposing **targeted fiscal support measures**, i.e. *deferred payment of corporate taxes, social security contributions and VAT; advancement of government payments and arrears; tax rebates; direct financial support;*
- proposing that financial instruments financed by the Structural Funds should provide support in the form of **working capital** to SMEs if necessary as a temporary measure to provide an effective response to the crisis;
- proposing the immediate relief to hard-hit SMEs with **liquidity from the EU budget** that complements measures taken at national level for those companies that are struggling to pay their suppliers and employees;
- continuous work on the EU level to secure **production, stocking, availability and rational use of protective equipment** (glasses, facemasks, gloves or hydro-alcoholic solutions) so to avoid unilateral measures that restrict the free movement of these essential goods;
- for working on adequate control mechanisms to **ensure security of supply** in the Single market, and **launching an accelerated joint procurement procedure** for these goods.

This is only the initial assessment of the situation in the sector. AIPCE CEP will provide updates to the document, when and in case there are any.