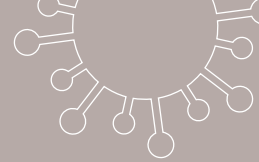




Food and Agriculture Organization
of the United Nations



27 July 2020 - Issue 2

Europe and Central Asia: Regional food market situation and policy bulletin in response to the COVID-19 pandemic



Highlights

MARKET SITUATION

- Despite the impact of COVID-19, a record global cereal production is expected in 2020, and the stock-to-use ratio is anticipated to reach a 20-year high worldwide.
- Total cereal production in Europe and Central Asia (ECA) in 2020 is forecast to decline from the record high in 2019 but still remain close to the five-year average.
- The ECA region is a large wheat producer, with a global share of about 40 percent in the 2015–2019 period. The 2020 wheat production in the ECA region is forecast at 271.9 million tonnes, down by 6.1 percent (or 17.7 million tonnes) from 2019 and some 4 percent below the five-year average.
- Export prices of wheat in the Russian Federation and Ukraine during the first six months of 2020 have been changing monthly, but with normal variation, despite export restrictions in response to COVID-19. However, a rapid increase has been experienced in Kazakhstan.
- As a result of the impact of COVID-19, the retail prices of most key staple foods in Tajikistan, Kyrgyzstan and Georgia during the first six months of 2020 saw large percentage increases over the previous year, implying a significant increase in the cost of diets.
- In some countries in the region (Tajikistan, Kyrgyzstan, Kazakhstan, Georgia, Republic of Moldova and Ukraine), more than 40 percent of household budgets are spent on food. This is true in particular for the vulnerable groups of the population, such as pensioners in Tajikistan, who spent 62 percent of their income on food in 2019. Significant increases in staple food prices as a result of COVID-19 have lowered the affordability of normal diets, resulting in significant negative impacts on food security and nutrition.

IMPACTS ON AGRIFOOD VALUE CHAINS IN EUROPE AND CENTRAL ASIA

- Prolonged logistics and trade/market disruptions across and within countries continue to pose operational challenges for entities along the agrifood value chain in most countries in the ECA region. The FAO Regional Office for Europe and Central Asia continues to monitor and assess the impacts of the COVID-19 pandemic on agrifood value chains through rapid weekly surveys in selected countries; these have been ongoing since early April 2020.

NOTE This edition does not cover European Union policies and impacts on food supply chains, as the authors first wanted to focus on the programme countries.

- Based on the latest two surveys, conducted in June 2020, the COVID-19 pandemic has had negative impacts on transportation, storage, sales, financial situations (especially financial loss and access to credit), input availability and labour markets.
- Despite the easing of measures regarding movement control, and despite special allowances for travel and work related to agricultural and food system operations in many countries, the function of **transportation** services in agrifood value chains is still disrupted, particularly in Bosnia and Herzegovina, Kyrgyzstan and Uzbekistan. The impact of COVID-19 on **storage** has become more severe with the beginning of the harvesting season in June, and more serious problems have been reported in Bosnia and Herzegovina, Kyrgyzstan and Uzbekistan.
- Of major concern to operators along food supply chains has been the slowing down of food exports because of tightened safety control and **sales** at the farm gate by small producers due to the disruption of local markets and reduced market demand. The sale problems are also strongly linked with significantly reduced or non-existent tourism and the closure of livestock markets. Problems are reported as more severe in the sale of fruits and vegetables, potatoes and living animal products.
- COVID-19 also has impacted the **financial situation** of operators along and across agrifood supply chains. A larger share of livestock farmers reported financial problems than did crop farmers and their traders/processors. The countries that highlighted the most severe problems included Tajikistan, Kyrgyzstan and Bosnia and Herzegovina.
- Crop farmers reported problems with **input availability** of seeds and fertilizers, in particular those in Kyrgyzstan and Tajikistan. For livestock farmers, the survey identified problems with access to feed, medicines and veterinary products. Only a small number of respondents reported problems with the availability of fuel, tools and materials, and technical assistance/advisory services.
- Overall, more than 90 percent of respondents in the region reported no problems with **labour availability**, and more than 80 percent reported that wage rates in June 2020 experienced normal variation. Nevertheless, a significant reduction (over 50 percent) in wages was reported in Kyrgyzstan and Uzbekistan, from reduced employment opportunities and/or oversupply of labour following the return of migrants due to COVID-19.
- More than 50 percent of farmers and traders reported in June that they have done nothing to cope with financial problems created by the pandemic. Among those who did, about one-fifth of the respondents reported borrowing money as a **coping strategy**. It is also worth noting that 9 percent of farmers reported reduced food expenditures, and 3 percent of farmers reported having sold productive assets to cope with financial shocks. Coping strategies are likely to have short- and long-term implications regarding food security and nutrition.



POLICIES

- The three main exporters in the region – Kazakhstan, the Russian Federation and Ukraine – implemented export restriction policies on wheat and other major food items in March, April and May 2020, but most were lifted by the end of June.
- The Government of the Russian Federation has extended the restriction on sunflower exports until 1 September 2020 and plans to increase the export duty on sunflowers in 2021.
- The Government of Ukraine signed a memorandum on the limits of grain exports for the 2020/21 season, with wheat exports expected at 17.2 million tonnes.
- Many export restriction policies in the net food importing countries in ECA have been lifted or adjusted to reflect the development of the market situation and changes related to COVID-19. Export bans/restrictions are still in effect in some countries, such as Kyrgyzstan and Uzbekistan.
- To facilitate regional agrifood trade, “green corridors”, a mechanism for customs clearance, have been strengthened

in countries such as North Macedonia, Uzbekistan and Turkey.

- Digital solutions have been adopted in agricultural marketing, including the Digital Agriculture Marketplace Platform (DITAP) in Turkey.
- Market intervention policies – such as price control and price stabilization programmes, the mobilisation of grain reserves, and transport subsidies – were in place in the Russian Federation, Tajikistan, Ukraine and Uzbekistan. Special movement permissions for farmers, traders and cargo remain guaranteed during the lockdown period in some countries, such as Turkey.
- Many countries – such as Armenia, Azerbaijan, North Macedonia, Republic of Moldova, Montenegro, Turkey and Uzbekistan – have implemented and extended financial initiatives, plans and programmes to address financial challenges related to COVID-19.
- Social support packages to provide food access to vulnerable populations have been implemented in Armenia, Bosnia and Herzegovina, Kyrgyzstan, Montenegro and Tajikistan.

Cereal production and food supply situation in the world and in Europe and Central Asia

1.1 FORECAST 2020 WHEAT AND CEREAL PRODUCTION IN THE WORLD AND IN EUROPE AND CENTRAL ASIA

2020 CEREAL PRODUCTION

Despite the impact of COVID-19, record global cereal production is expected in 2020, and the stock-to-use ratio is at a 20-year high worldwide.

The effects of the COVID-19 pandemic are expected to include a deterioration in food security conditions across the globe, including in the Europe and Central Asia (ECA) region, while agricultural production has been comparatively unaffected and supplies of staple foods are reported to be generally ample or stable at global markets.

Based on the FAO's latest forecast,¹ world cereal production in 2020 is set at 2 790 million tonnes (see Table 1), which would surpass the record high reached in 2019 by as much as 3 percent (81.3 million tonnes) and which would be 5 percent above the five-year average from 2015–2019. The forecast is based on near-average supply prospects in the new season, which, however, remain uncertain due to possible climatic shocks and the ongoing COVID-19 pandemic impact. In many parts of the world, local markets are bracing for the looming impacts of COVID-19 amid uncertainties related to demand, logistics and even access to food. Close monitoring of the market will be necessary for the next several months.

¹ CPFS No. 2, July 2020, and the AMIS Market Monitor No. 80, July 2020. http://www.amis-outlook.org/fileadmin/user_upload/amis/docs/Market_monitor/AMIS_Market_Monitor_current.pdf



TABLE 1
WORLD AND ECA CEREAL PRODUCTION, 2019–2020 (MLN TONNES)

	Five-year average	2019 estimate	2020 forecast	Change: 2019 over 2018	Change: 2019 over 2018
Asian CIS	35.2	33.8	34.5	- 0.9 %	2.0 %
Europe	516.3	541.5	526.1	1.9 %	- 2.8 %
EU-27 and the United Kingdom of Great Britain and Northern Ireland	310.2	325.0	288.8	- 6.9 %	- 11.1 %
Rest of Europe	206.1	218.1	238.8		
World	2 659.9	2 708.5	2 789.8	4.9 % (or 130 mmt)	3.0 % (or 81 mmt)
- wheat	751.3	761.5	761.5	1.4 % (or 10 mmt)	0.0 % (or 0 mmt)
- coarse grains	1 410.3	1 446.2	1 519.2	7.7 % (or 109 mmt)	5.0 % (or 73 mmt)
- rice (milled)	498.3	500.8	509.2	2.2 % (or 11 mmt)	1.7 % (or 8 mmt)

Source: FAO/GIEWS (CPFS July 2020).

Note: Totals and percentage changes have been computed from unrounded data. The abbreviation “mmt” refers to millions of metric tonnes.

World cereal stocks, by the close of the 2020/2021 season (July/June), are forecast at 929 million tonnes, representing a 6 percent year-on-year expansion. At this level, the global cereal stock-to-use ratio in 2020/21 would be at a 20-year high of 33 percent.

Despite a major production setback in the European Union, global wheat output in 2020 is forecast to remain close to 2019’s above-average level. World coarse grain (mainly maize) production is heading to a record, with an increase by 5 percent from the high volume reached in 2019 and a 7.7-percent increase compared with the five-year average, leading to a sharp increase in maize stocks.

The 2020 cereal production in ECA is forecast to decline from the record in 2019 but remain close to the five-year average.

The ECA region (Europe, CIS Asia and Turkey are included in the calculation) is a major producer of cereals, accounting for some 22 percent of the world’s total in recent years. Aggregate regional cereal production in 2020 is forecast at 599 million tonnes, a reduction by 2.0 percent (or 12.6 million tonnes) from the record high in 2019. This level is still 2.0 percent higher than the five-year average. Compared with cereal production in 2019, the reduction in ECA is mainly from the European Union (EU-27 and the United Kingdom of Great Britain and Northern Ireland) (11 percent), Ukraine (3.5 percent) and Uzbekistan (6.1 percent). The reduction in 2020 cereal outputs likely will be offset by expected increases in Kazakhstan (11.1 percent), Turkey (6.4 percent) and the Russian Federation (3.7 percent).

2020 WHEAT PRODUCTION

Reduced wheat production in ECA in 2020 is expected, as a result of unfavourable weather conditions in Europe and reduced plantings in Commonwealth of Independent States (CIS) countries in Asia.

ECA is a large wheat production region, with a global share of about 40 percent in the past five years (from 2015 to 2019). The 2020 wheat production in the ECA region (Europe, CIS Asia and Turkey) is forecast at 292.4 million tonnes, 5.2 percent (or 16.2 million tonnes) lower than the 2019 level and some 3.8 percent below the five-year average.

In the **European Union** (EU-27 and the United Kingdom of Great Britain and Northern Ireland), the harvesting of winter cereal crops is under way, and the planting of summer cereal crops was completed in May. Based on FAO’s latest forecast (Table 2), 2020 wheat production in the European Union will see a reduction of 19.3 percent (or 30 million tonnes) from 2019 to sit at 16.4 percent below the five-year average. The reduction is a result of reduced acreage due to excessive rainfall during the planting season; it also reflects expected lower yields owing to adverse weather conditions in other key producing countries.

In **CIS countries in Europe**, the subregional wheat production is forecast above average. The Russian Federation, the main wheat-producing country in the subregion, is expected to have a large increase from previous years (6 percent higher than in 2019 and 7.5 percent higher than the five-year average). By contrast, due to weather impacts, wheat production in Ukraine is forecast to decline by 11.7 percent from 2019 to an amount 5 percent lower than the average. Similar to Ukraine, wheat production in Belarus and the Republic of Moldova in 2020 is



also expected to be lower than average, reflecting low-yield expectations as a result of the negative impacts of scarce precipitation during the growing and development stages in March and April.

The major producing countries in **CIS Asia** are **Kazakhstan** and **Uzbekistan**. The expected 2020 wheat production for the subregion is 24 million tonnes, similar to that in 2019 but 5 percent below the five-year average. The

reduced wheat production is mainly due to below-average wheat harvests in Kazakhstan – and also in Armenia and Turkmenistan – following a gradual decline in planted areas in preceding years, with areas switched to more profitable crops' cultivation.

Turkey, another main producer in the subregion, is expected to see a 7.9 percent increase in wheat production for the 2020 season (up from 19 million in 2019), which would amount to 20.5 million tons, close to the five-year average.

TABLE 2
WHEAT PRODUCTION: LEADING PRODUCERS IN ECA, 2019-2020 (MLN TONNES),(FORECAST)

	Five-year average	2019 estimate	2020 forecast	Change: 2020/ five-year average %	Change: 2020/2019 %
Europe	257.9	265.9	247.9	- 3.9 %	- 6.8 %
EU-27 and the United Kingdom of Great Britain and Northern Ireland	150.2	155.6	125.5	- 16.4 %	- 19.3 %
Russian Federation	73.5	74.5	79.0	7.5 %	6.0 %
Ukraine	26.3	28.3	25.0	- 4.9 %	- 11.7 %
CIS in Asia	25.3	23.7	24.0	- 5.1 %	1.3 %
Kazakhstan	13.8	11.5	13.0	- 5.8 %	13.0 %
Uzbekistan	6.4	6.8	6.3	- 1.6 %	- 7.4 %
Turkey	20.7	19.0	20.5	- 1.0 %	7.9 %
Subtotal	283.2	289.6	271.9	- 4.0 %	- 6.1 %
World	751.3	761.5	761.5	1.4 %	0.0 %

Source: FAO/GIEWS (CPFS July 2020).

Note: Totals and percentage change computed from unrounded data. The five-year average refers to the 2015-2019 period.

1.2 INTERNATIONAL AND REGIONAL FOOD PRICES IN ECA

INTERNATIONAL EXPORT PRICES IN ECA

Export prices of wheat during the first six months of 2020 in the Russian Federation and Ukraine have seen monthly changes, but within normal variations, despite export restrictions in response to COVID-19. However, there has been a rapid increase in Kazakhstan.

Wheat export prices in the **Russian Federation** (milling, offer, free on board, deep-sea ports) varied monthly but were fairly within the normal range during the first six months of 2020, despite export restrictions in response to the COVID-19 pandemic (Figure 1). When compared with prices from the same month in 2019, the monthly price difference during the first six months are in the range of -1.5 percent (in June 2020) to +2.8 percent (in March 2020).

Similar to the situation in the Russian Federation, wheat export prices in **Ukraine** (milling, offer, free on board) varied slightly during the first six months of 2020. Wheat export prices from these two countries followed similar trends between January and June 2020.

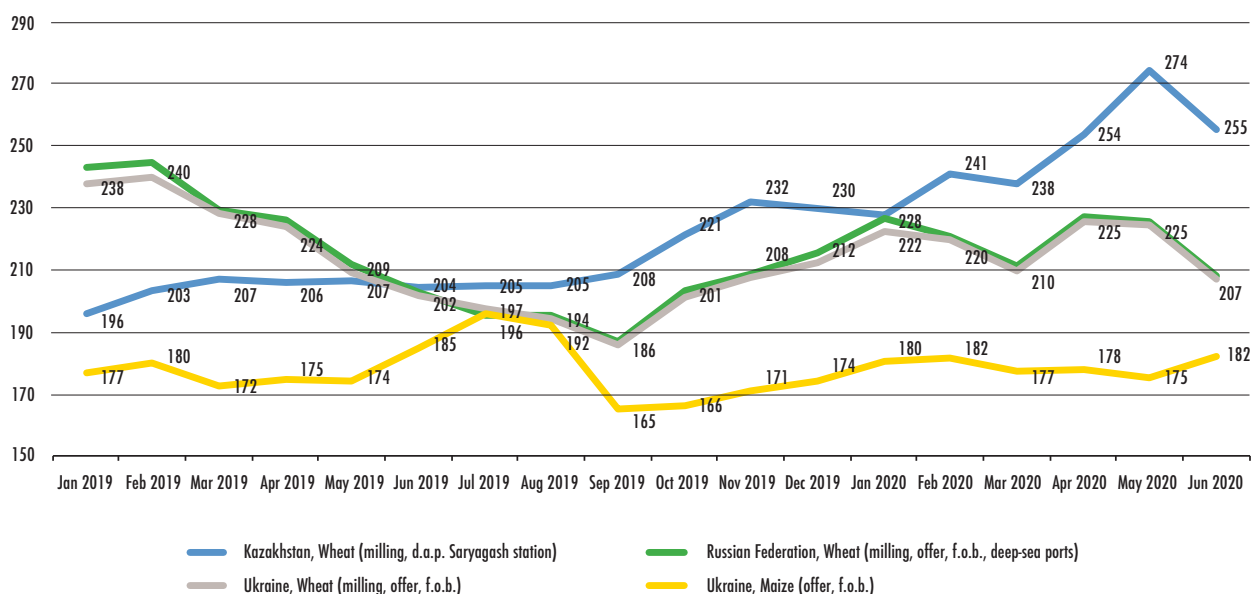
In contrast, wheat export prices in **Kazakhstan** (milling, delivered-at-place Saryagash station) increased between January and May 2020. The price was USD 227.8/tonne in January 2020 and increased to USD 274/tonne in May 2020 before declining to USD 255/tonne in June.

Compared with the same period in 2019, wheat export prices in Kazakhstan in the first quarter of 2020 were 17 percent higher, and they were 27 percent higher in the second quarter of 2020. The highest difference was in May 2020, in which the price was 32 percent higher than in 2019.

Figure 1 also presents maize export prices in Ukraine. **Ukraine** is one of the larger maize exporters in the world, and the data show stable export prices over the first six months of 2020.



FIGURE 1
SELECTED INTERNATIONAL WHEAT AND MAIZE EXPORT PRICES IN ECA (USD/TONNE)



Source: Calculated based on FAO/GIEWS data.

IMPACT OF COVID-19 ON FOOD PRICES IN TAJIKISTAN, KYRGYZSTAN AND GEORGIA

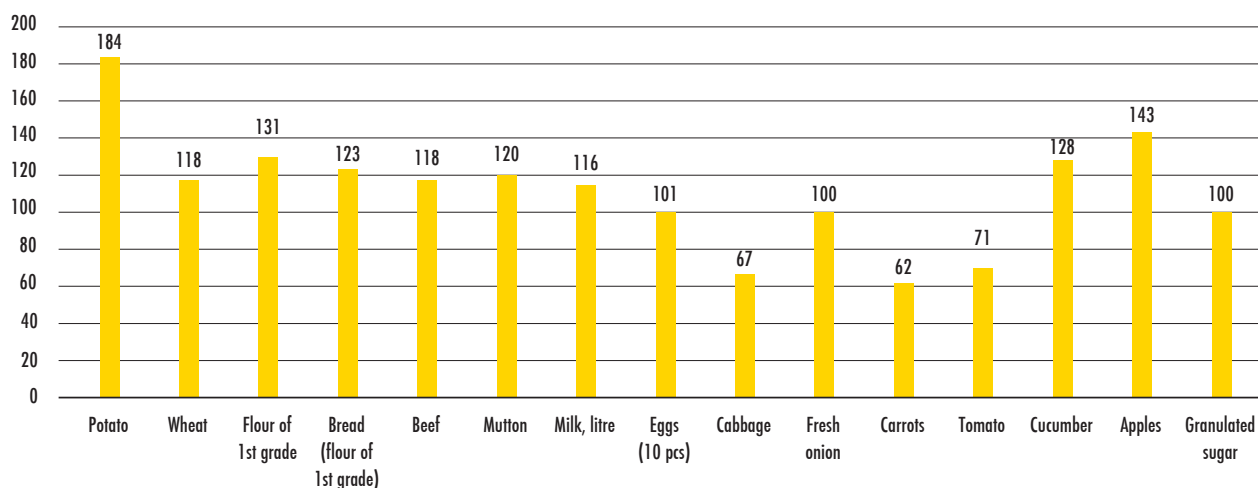
In some countries in the region (Tajikistan, Kyrgyzstan, Kazakhstan, Georgia, Republic of Moldova and Ukraine), more than 40 percent of household budgets is spent on food. For example, households in Tajikistan, on average, allocate 53 percent of their expenditures on food. Vulnerable groups of the population spend even more on food; for example, pensioners spent 62 percent of their budgets on food in 2019. The sharp increases in staple food prices as a result of COVID-19 are causing surges in food costs, with significantly negative impacts on food security and nutrition.

Impact of COVID-19 on food prices in Tajikistan

During the second quarter of 2020, the retail prices of most key staple foods in Tajikistan saw large percentage increases over the same period in 2019 (see Figure 2), implying a significant increase in the cost of diet (both basic and nutritious foods). In particular, the prices of the following staples had large increases: potatoes (84 percent), wheat flour (31 percent), mutton (20 percent), beef (18 percent), milk (16 percent) and apples (43 percent).

In contrast, the prices of fresh vegetables saw significant decreases in the second quarter of 2020 compared with the same period of 2019: cabbage (33 percent), carrots

FIGURE 2
TAJIKISTAN (DUSHANBE): RETAIL FOOD PRICE CHANGES (PERCENTAGE) IN THE SECOND QUARTER (APRIL-JUNE) OF 2020 (SAME PERIOD IN 2019=100)



Source: Calculated based on data from the National Statistical Office of Tajikistan.

(38 percent) and tomatoes (29 percent). These price reductions, which may be due to a fall in demand, will have a negative impact on farmers' incomes, since most of these products are produced by local small producers.

Most staple food prices in June 2020 were down from the previous month (May 2020) but were up from the same month in 2019 (June 2019) in Tajikistan: potatoes (77 percent, compared with June 2019), wheat grain (14 percent), wheat flour (29 percent), beef (9 percent), mutton (8 percent) and milk (15 percent).

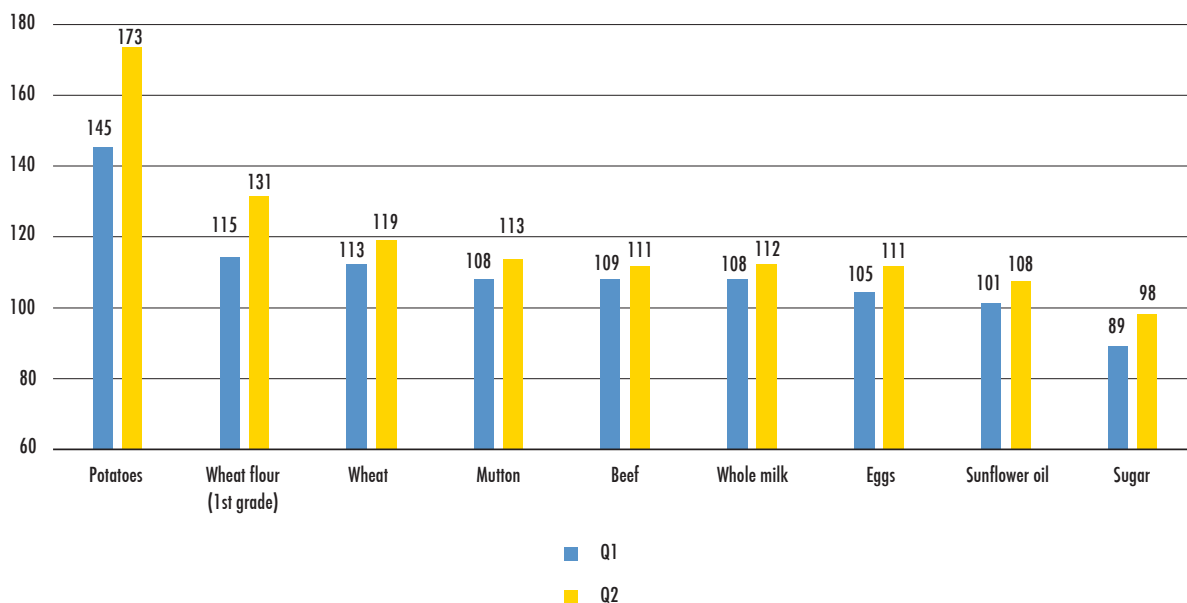
Impact of COVID-19 on food prices in Kyrgyzstan

During the first two quarters of 2020, the retail prices of most key staple foods saw large increases over the same period in 2019 (see Figure 3) as a result of COVID-19. This was particularly true for potatoes, wheat grain and flour, and livestock products.

As shown in Figure 3, potatoes and wheat grain and flour had much higher retail prices in the first six months of 2020 compared to a year before, with the differences in the second quarter being higher than the differences in the first quarter. The price of potatoes was up 45 percent in quarter one (Q1) and up 73 percent in quarter two (Q2). Wheat grain was up 13 percent in Q1 and 19 percent in Q2, while wheat flour was up 15 percent in Q1 and 31 percent in Q2. The price differences of livestock products in Q2 was much higher than in Q1, with prices between 8 and 9 percent higher in Q1 and between 11 and 14 percent higher in Q2.

On a monthly basis, most staple foods in June 2020 in Kyrgyzstan were almost unchanged or had declined slightly (less than 3 percent) from the previous month (May 2020). The only exception is the price of potatoes, which increased by 15 percent from the previous month, mainly due to seasonality.

FIGURE 3
KYRGYZSTAN (NATIONAL AVERAGE): RETAIL FOOD PRICE CHANGE (PERCENTAGE) IN THE FIRST AND SECOND QUARTERS OF 2020 (SAME PERIOD IN 2019=100)



Source: Calculated based on data from the Kyrgyzstan National Statistical Committee.

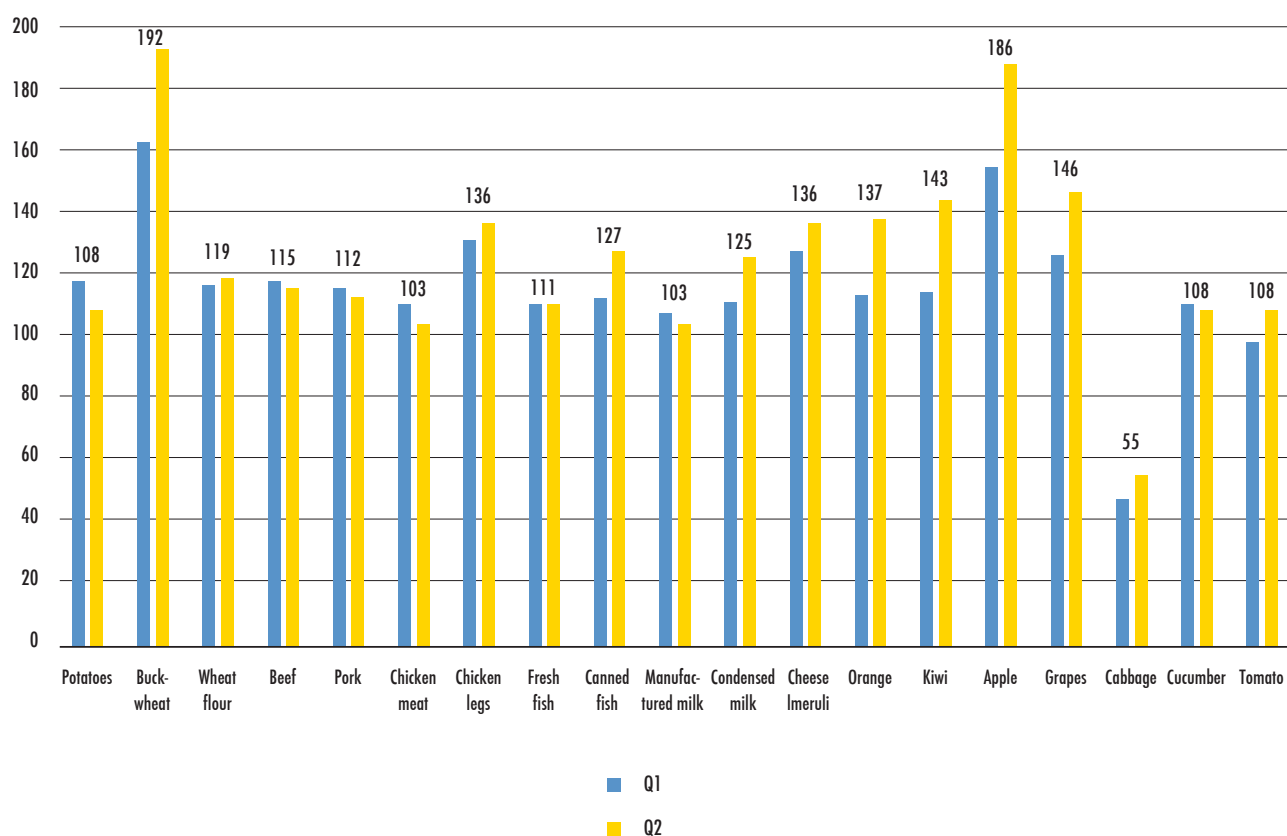
Impact of COVID-19 on food prices in Georgia

In Georgia, similar to the situations in Tajikistan and Kyrgyzstan, the retail prices of most staples in the first six months of 2020 saw large increase over the same period in 2019, but with some variations by commodity, due to COVID-19. The commodities with the largest price increases in the first two quarters of 2020 are buckwheat, chicken legs and most fruits (apples, in particular). The prices of potatoes saw much smaller changes in Georgia than in Tajikistan and Kyrgyzstan.

As shown in Figure 4, unlike the situations in Tajikistan and Kyrgyzstan, the prices of potatoes in Georgia increased much less (17 percent in Q1 and 8 percent in Q2). Buckwheat saw a significant increase in retail prices (62 percent in Q1 and 92 percent in Q2). Wheat flour, the major staple food, increased by 17 percent in Q1 and 19 percent in Q2. For animal and fish products, the following products experienced higher increases: chicken legs (30 percent in Q1 and 36 percent in Q2), canned fish (11 percent in Q1 and 27 percent in Q2); and cheese (27 percent in Q1 and 36 percent in Q2).



FIGURE 4
GEORGIA (NATIONAL AVERAGE): RETAIL FOOD PRICE CHANGES (PERCENTAGE)
IN THE FIRST AND SECOND QUARTERS OF 2020 (SAME PERIOD IN 2019=100)



Source: Calculated based on data from the National Statistics Office of Georgia.

Overall, fruits had much higher price increases (in Q2 in particular) compared with other groups, ranging from 37 percent to 86 percent in Q2.

According to the *Regional Overview of Food Security and Nutrition in Europe and Central Asia 2018*, poorer and more vulnerable households tend to spend more of their incomes on food, and in conflict-affected countries or those with higher incidence of poverty, the share of income spent on food is even higher.²

In contrast with fruit prices, the prices of some vegetables (cucumbers and tomatoes) increased only slightly, while others (cabbage) significantly decreased.

Retail prices in June 2020 were still volatile, with some increases and some decreases from the previous month. The price of potatoes in June 2020 was much lower than in June 2019, but the prices of most staple foods were higher in June 2019.

In June 2020, most staple food prices were unchanged or were slightly lower in Georgia (potatoes and some vegetables in particular, due to seasonal changes) from the previous month (May 2020). The only exception is the price of buckwheat, which increased by 26 percent from the previous month. When compared with the situation in June 2019, prices were much higher for some staple foods: buckwheat was 123 percent higher, apples were 97 percent higher, other fruits were over 40 percent higher, chicken 30 percent higher, canned fish 29 percent higher (and over 10 percent for other fish), and wheat flour 17 percent higher.

² FAO. 2018. *Regional Overview of Food Security and Nutrition in Europe and Central Asia 2018*. Budapest. 110 pp. <http://www.fao.org/family-farming/detail/en/c/1179791/>





Impact of the COVID-19 pandemic on agrifood value chains in Europe and Central Asia

2.1 BACKGROUND AND SURVEY

To limit the spread of the novel coronavirus in Europe and Central Asia (ECA) and throughout the world, many countries have restricted the movement of people, implemented export and import policies, added border controls for people and merchandise, and closed wet markets, restaurants, food stalls and hotels, as reported in Issue 1 of the *ECA Regional food market situation and policy bulletin in response to the COVID-19 pandemic*, published in April 2020.³ Because policies and measures like these have the potential to negatively impact agrifood value chains, FAO has emphasized the need to closely monitor the functioning of agrifood value chains and to identify and flag problems that could compromise food security and nutrition.

The FAO Regional Office for Europe and Central Asia's Task Force on COVID-19 developed a rapid survey questionnaire and tool to explore how the pandemic has been affecting domestic agrifood value chains. The survey consists of a questionnaire that collects data from operators along agrifood value chains, including input suppliers, farmers, processors, wholesalers and retailers. In responding to the questionnaire, operators answer questions about the functioning of major agrifood value chains, including grains, livestock, fruits and vegetables, dairy and fisheries.

The analysis that follows is based on information collected during the fifth round of the survey, from 27 May to 7 June 2020, and during the sixth round of the survey, from 16 June to 22 June 2020. The samples of food supply operators in the fifth round consisted of 728 informants/respondents, with 533 in the sixth round. Among crop production farmers, 321 responded in the fifth round and 280 in the sixth round. Among livestock production farmers, 210 responded in the fifth round and 117 in the sixth round. Finally, among traders and processors, 397 responded in the fifth round and 136 in the sixth round. Respondents are located in 14 countries: Albania, Azerbaijan, Belarus, Bosnia

and Herzegovina, Georgia, Kazakhstan, Kosovo,⁴ Kyrgyzstan, North Macedonia, Republic of Moldova, Serbia, Turkey, Ukraine and Uzbekistan. It is worth noting that because of the non-representative (non-random) character of the samples used in the surveys, the following summary results may not be representative but may be more indicative for some key issues.

2.2 MAJOR FINDINGS FROM THE SURVEY ON THE IMPACTS OF THE COVID-19 PANDEMIC ON AGRIFOOD VALUE CHAINS IN SELECTED ECA COUNTRIES

The impacts of COVID-19 on regional agrifood supply chains are organized by the following issues: impact on transport, storing capacity, sales of output and input, financial situation of the operators, input access, labour availability, coping strategies and received subsidies.

Impact of the COVID-19 pandemic on transport and storing

The control of the movement of people and transportation has changed in recent months, and special regulations to allow free movement for agriculture and food products have been implemented in some countries. However, COVID-19 impacts on transportation along the agrifood supply chains still exist in some countries, as evidenced by the survey data.

The countries reporting the most severe impacts of COVID-19 on the transportation of fruits and vegetables are Bosnia and Herzegovina, Kyrgyzstan, and Uzbekistan.

In terms of the transportation of livestock, impact reported in the following countries Kosovo,⁵ Ukraine and Bosnia and Herzegovina.

The most-affected agrifood sectors are fruits and vegetables (moderate to high impact), followed by livestock, milk and dairy, grains and pulses, and roots and tubers (mild to moderate impacts).

³ FAO. 2020. *Europe and Central Asia: Regional food market situation and policy bulletin in response to the COVID-19 pandemic*. Rome. <https://doi.org/10.4060/ca8869en>

^{4,5} Kosovo as per United Nations Security Council Resolution 1244 (1999) on the situation relating to Kosovo.

Overall, the impact on storage has been much smaller than the impact on transportation. Based on the latest surveys, the country with the highest reported score in terms of storage is Uzbekistan, followed by Bosnia and Herzegovina.

Impact of the COVID-19 pandemic on product sales

According to the survey, a major concern of operators along food supply chains has been the slowing down of sales at both ends of the chains. At one end, retailers have seen a rapid decrease in food purchases from consumers. Sales in some countries are strongly dependent on the tourism sector, which has suffered from restrictions on the movement of people due to the COVID-19 pandemic. The sale of agrifood products also has been impacted by reduced agrifood exports due to the lockdown of loads, tightening controls on food safety, and extended customer procedures.

By food commodity group, the most-affected sectors in June were fruits and vegetables, potatoes and animal products. Smallholder farmers have had difficulty in accessing markets (especially city markets) due to low volumes of produced products, restrictions on small cars used by small-scale farmers, and the closures of roads leading to the cities. Also because of a lack of storage facilities, farmers have reported being forced to sell wheat at lower prices at the markets.

The countries with large shares of respondents reporting sale problems as a result of the COVID-19 pandemic in June are Uzbekistan, Bosnia and Herzegovina, Kosovo⁶ and Kyrgyzstan.

Impact of the COVID-19 pandemic on access to financing

The survey results show a significant impact from COVID-19 on access to financing across all operators and countries in the region (Table 3).

TABLE 3
IMPACT OF THE COVID-19 PANDEMIC ON FINANCING IN AGRIFOOD VALUE CHAINS IN SELECTED ECA COUNTRIES

	Crop production	Livestock production	Traders/Processors
Armenia	60.0 %	81.8 %	81.3 %
Azerbaijan	75.0 %	79.2 %	80.0 %
Georgia	72.7 %	100.0 %	50.0 %
Kazakhstan	21.4 %	100.0 %	N/A
Kyrgyzstan	90.0 %	100.0 %	75.0 %
Tajikistan	100.0 %	100.0 %	100.0 %
Uzbekistan	71.8 %	80.0 %	86.7 %
Republic of Moldova	95.5 %	70.0 %	61.1 %
Ukraine	71.4 %	63.6 %	87.5 %
Albania	75.0 %	91.7 %	50.0 %
Bosnia and Herzegovina	81.3 %	87.5 %	75.0 %
North Macedonia	61.5 %	70.0 %	50.0 %
Turkey	81.8 %	100.0 %	61.5 %
Serbia	36.8 %	60.0 %	52.4 %
Kosovo* (UNSCR1244)	63.8 %	64.3 %	85.0 %
Total sample	71.0 %	78.1 %	76.6 %

Source: FAO Regional Office for Europe and Central Asia survey, 2020.

Note: As there was no random sampling, the results may not be representative.

The overall impact of COVID-19 on the financial situation across all sectors, operators and countries was reported as severe. Farmers have suffered financial losses due to reduced sales and increased input costs, and there have been concerns regarding potential future financial losses due to pessimistic business prospects. All entities along agrifood

supply chains have highlighted the difficulties in accessing affordable credit, which has emerged as a major problem in solving cash shortage caused by the COVID-19 pandemic.

⁶ Kosovo as per United Nations Security Council Resolution 1244 (1999) on the situation relating to Kosovo.



Livestock farmers have reported financial problems due to COVID-19 at a percentage higher than crop farmers and traders/processors. By country, Tajikistan, Kyrgyzstan and Bosnia and Herzegovina have suffered more across agrifood sectors among crop farmers, livestock farmers and traders/processors. By severity, more than 70 percent of respondents reportedly suffered at the moderate or severe level (medium, high, severe) in Tajikistan and Kyrgyzstan, while mainly mild

problems were reported in Armenia, Uzbekistan, Albania and Bosnia and Herzegovina.

Based on the survey, all respondents among livestock farmers in five countries (Georgia, Kazakhstan, Tajikistan and Kyrgyzstan) reported that their operations had suffered from financial problems as a result of COVID-19. In these countries (excluding Georgia), all respondents reported suffering financial problems at moderate or severe levels (Table 4).

TABLE 4
IMPACT OF COVID-19 ON FINANCIAL SITUATIONS AMONG LIVESTOCK FARMERS

	Mild	Moderate or severe	Total
Armenia	27.3 %	54.5 %	81.8 %
Azerbaijan	45.8 %	33.3 %	79.2 %
Georgia	75.0 %	25.0 %	100.0 %
Kazakhstan	25.0 %	75.0 %	100.0 %
Kyrgyzstan	30.0 %	70.0 %	100.0 %
Tajikistan	20.0 %	80.0 %	100.0 %
Uzbekistan	75.0 %	5.0 %	80.0 %
Republic of Moldova	60.0 %	10.0 %	70.0 %
Ukraine	45.5 %	18.2 %	63.6 %
Albania	33.3 %	58.3 %	91.7 %
Bosnia and Herzegovina	50.0 %	37.5 %	87.5 %
North Macedonia	20.0 %	50.0 %	70.0 %
Serbia	50.0 %	10.0 %	60.0 %
Kosovo* (UNSCR1244)	23.8 %	40.5 %	64.3 %
Total sample	42.4 %	35.7 %	78.1 %
Country average	38.7 %	44.5 %	83.2 %

Source: FAO Regional Office for Europe and Central Asia survey, 2020.

Notes: 1. Samples cover all observations from all countries.

2. As there was no random sampling, the results in the table may not be representative.

Impact of the COVID-19 pandemic on input availability

For crop farmers, the latest surveys, conducted in June, indicated problems with the availability of seeds (imported seeds in particular) and fertilizers for most crop farmers. In Kyrgyzstan and Tajikistan, over 90 percent of crop farmers reported problems with seeds and fertilizers. Crop farmers in Bosnia and Herzegovina and Georgia also reported problems with seeds and fertilizers.

For livestock production, farmers in the region reported a problem in access to animal feed and animal medicine/

veterinary products. Based on the survey in June, the countries most impacted by COVID-19 in access to feed are Tajikistan, Bosnia and Herzegovina, Albania, Republic of Moldova, Kazakhstan and Kyrgyzstan; in each of these countries, over 60 percent of respondents reported the problem. Regarding access to animal medicine/veterinary products, more than 60 percent of livestock farmer respondents reported the problem in Kazakhstan, Kyrgyzstan, Tajikistan, Albania and Bosnia and Herzegovina.

In the region overall, for access to fuel, tools, materials and technical assistance/advisory services, only a small proportion of respondents reported problems caused by COVID-19.

However, a large share of livestock farmers (over 60 percent) reported problems in accessing fuel in Tajikistan and Turkey. More than 60 percent reported problems with access to tools/materials in Tajikistan and Bosnia and Herzegovina, and more than 60 percent reported problems with technical assistance and advisory services in Tajikistan.

The availability of and access to imported farm inputs also was a major concern voiced by input suppliers, who saw higher import prices due to currency devaluations, transport difficulties at the border, and rapid decreases in their inventories.

Impact on labour cost/wage rate (percentage change with respondents) in livestock projection

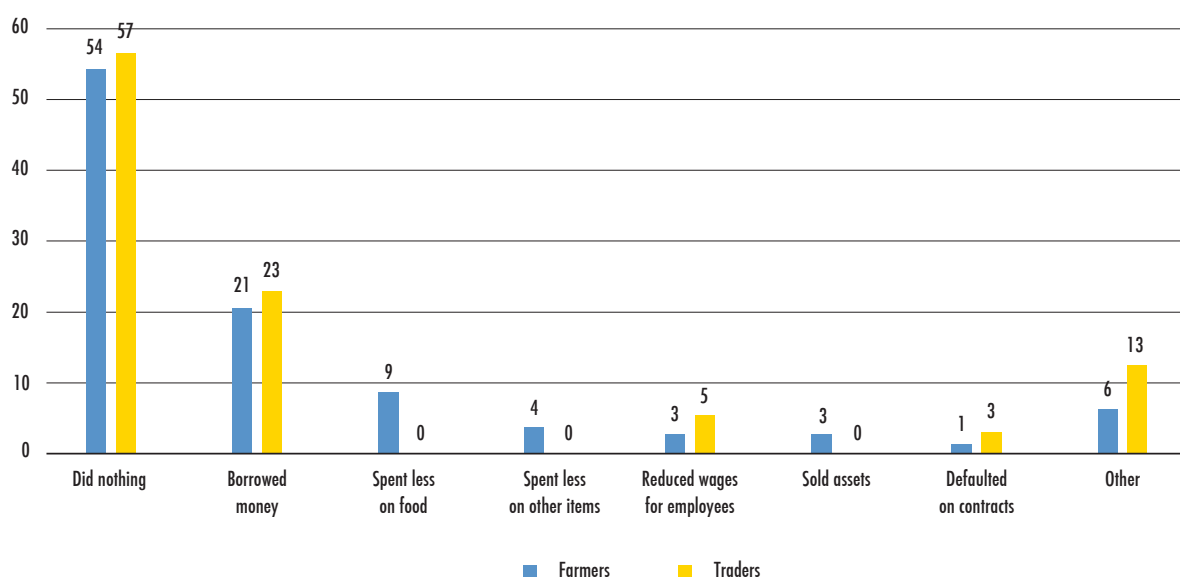
The survey also asked about labour availability and the cost of hiring labourers. Overall, more than 90 percent of respondents reported no problems regarding labour availability, and more than 80 percent reported that the wage rate in June 2020 was within the normal variation within the range from decreased 20 percent to increased 20 percent. In particular, all participants reported that wage rates were in the normal range in Kazakhstan, Republic of Moldova, Ukraine, North Macedonia, Serbia and

Kosovo.⁷ However, some countries reported a big change (reduction) in the labour wage. In Uzbekistan, 30 percent of livestock farmers reported a wage rate reduction of more than 50 percent, and 23 percent reported a reduction of between 20 percent and 50 percent. In Kyrgyzstan, 30 percent of livestock farmers reported a reduction of more than 50 percent in the wage rate, and 10 percent reported a reduction of between 20 and 50 percent. The wage reduction may reflect the oversupply of labour forces in rural areas, due to returning migrants. Remittance incomes account for over 30 percent of the national gross domestic product (GDP) and constitute a large share of household income for the rural poor. Reduced wage income, together with reduced remittance incomes, may have significant impacts on food security and nutrition.

Government support and coping with financial problems

In coping with financial problems caused by the COVID-19 pandemic, most farmers (54 percent) and traders (57 percent) have reported that they have done nothing, as presented in [Figure 5](#). About one-fifth of respondents stated that they had

FIGURE 5
MEASURES TAKEN TO COPE WITH FINANCIAL PROBLEMS RELATED TO COVID-19



Source: FAO Regional Office for Europe and Central Asia survey, 2020.

Notes: 1. Samples cover all observations from all countries.

2. As there was no random sampling, the results in the table may not be representative.

borrowed money (21 percent of farmers and 23 percent of traders). For other coping measures related to financial problems, farmers and traders used different approaches. For farmers, 9 percent spent less on food, 4 percent spent less on other items and 3 percent sold assets. Traders neither reduced the amount of money they spent on food or other

items nor sold assets. Instead, they coped by reducing wages for their employees and taking other measures. This finding indicates that farmers' food security and nutrition have been

⁷ Kosovo as per United Nations Security Council Resolution 1244 (1999) on the situation relating to Kosovo.

negatively affected by the ongoing COVID-19 pandemic, both in the short and long terms.

Farmers reported that they have received various government supports: job support (in Armenia); permission to travel between regions and work in the fields (Azerbaijan); subsidies for seeds

and fertilizers (Bosnia and Herzegovina); vouchers to buy fuel (Georgia and North Macedonia); wheat seeds and government support in obtaining approval documents (Kyrgyzstan); and subsidies for vegetables in greenhouses, tax payment extensions and soft loans (Uzbekistan).

Food trade and domestic policy brief in Europe and Central Asia

3.1 EXPORT POLICIES OF MAJOR REGIONAL EXPORTERS IN ECA AMID THE COVID-19 PANDEMIC

Three large exporters of agricultural commodities (in particular wheat, maize and oilseeds) in the region are Kazakhstan, the Russian Federation and Ukraine. As reported in the first issue of this report, these three countries have implemented export restrictions for staple food products in order to ensure enough food for domestic markets. Most of these export policies were lifted before June 2020.

Kazakhstan

On 15 April 2020, Kazakhstan announced that its export ban remained in effect for buckwheat, white sugar, potatoes and onions. The ban was lifted on 1 June 2020, with the exception of sunflower seeds, for which a special export permission certificate should be obtained from the Ministry of Agriculture.

On 15 April 2020, the Ministry of Agriculture and the Ministry of Finance imposed a ban on the export of live cattle, sheep and goats (effective until 25 October 2020).

The Russian Federation

In accordance with a decree from the Government of the Russian Federation, the non-tariff quota for the export of grain crops outside the territory of the Russian Federation to non-member states of the Eurasian Economic Union (EAEU) ended on 30 June 2020. The policy had begun on 1 April 2020.

The restriction on sunflower exports outside the EAEU, which was originally set for 12 April to 30 June, has been extended until 1 September 2020.

The Russian Federation plans to increase the export duty on sunflowers to 20 percent, but not less than EUR 80/ton, from the current 6.5 percent, but not less than EUR 9.75/ton. If this decision is made, it will be valid from 1 February 2021 to 31 August 2021.

Ukraine

On 2 April, the Cabinet of Ministers of Ukraine declared a temporary ban on the export of buckwheat (until 1 July 2020) in order to ensure the availability of the common household staple cereal on the national market and prevent price volatility. The ban was lifted on 1 July 2020.

On 1 July 2020, cereal market players and the Ministry for Development of Economy, Trade and Agriculture of Ukraine signed a new memorandum on the limits of grain exports for the 2020/21 season. The maximum volumes allowed for export for the 2020/21 season is a subject of further discussion; it is expected to be finalized by 10 August 2020. According to the market players, the Ministry for Development of Economy, Trade and Agriculture is planning to set the maximum amount of wheat exports allowed at a level of 17.2 million tonnes for 2020/21, which is lower than the volume exported in 2019/2020 (estimated at 20.5 million tonnes).

3.2 NATIONAL POLICY RESPONSES TO LIMIT THE IMPACT OF THE COVID-19 PANDEMIC ON FOOD MARKETS IN ECA

A number of countries in Europe and Central Asia have implemented new policy measures in an effort to ensure sufficient domestic supplies, avoid price increases of staple foods in the face of the COVID-19 pandemic, provide financial supports to agricultural and business financial challenges as a result of COVID-19 (as discussed in Part II of this report), and provide assistance to vulnerable populations.

Armenia

The Government of Armenia established a zero interest rate for loans in order to boost the farming sector's potential through modern irrigation systems, hail-proof networks, intensive orchards, smart farms for high-blood animal husbandry, and the lease of farm machinery and equipment.



The Ministry of Labour and Social Affairs, in collaboration with the Armenian Red Cross, plans to provide between one and three food and hygiene packages to 1 400 citizens. The packages are earmarked primarily for elderly people living alone, people with disabilities, Syrian-Armenian refugees and people living in social housing.

Azerbaijan

The Government of Azerbaijan has taken a series of actions to facilitate trade and food marketing in response to COVID-19. These actions are to simplify the import and export of agricultural and food products and inputs, organize the uninterrupted sale of agricultural products in local markets, allow the free movement of trucks carrying agricultural products between regions, and exempt the movement of agricultural producers, suppliers and agricultural specialists from restrictions.

Approximately USD 1.5 billion – equal to 3 percent of the gross domestic product (GDP) of Azerbaijan – has been allocated for financing measures aimed at reducing the negative impacts of COVID-19 and at stimulating the economy. Authorities in Azerbaijan have extended until 4 December 2020 a blanket deposit guarantee that covers all AZN (foreign currency) deposits within a 10-percent interest rate cap.

A mechanism from the Agrarian Credit and Development Agency for providing unsecured microloans in the agricultural sector has been increased from USD 12 million to USD 15 million.

Belarus

On 31 March 2020, the Government of Belarus issued a decree imposing a three-month export ban on a number of staple foods, including buckwheat, buckwheat groats, onions and garlic. The ban expired at the end of June.

On 1 April 2020, the Government resorted to administrative price controls. According to the Government's resolution, companies of any form of ownership should not increase prices by more than 0.5 percent per month.

Bosnia and Herzegovina

The Government of Bosnia and Herzegovina allocated EUR 5.5 million (which can be increased to EUR 10 million) for unemployment benefits for 2020. In addition, local governments are providing a significant amount of money to assist the elderly and families with little or no income.

Georgia

On 15 March 2020, Georgia introduced a temporary emergency price control mechanism on imported food items, including rice, buckwheat, wheat grain and flour, pasta, sunflower oil, sugar, milk powder and legumes. The policy ended on 15 May 2020 and was not extended.

On 17 April 2020, the Government launched a subsidy

programme for wheat imports. The programme ended on 20 May 2020.

Kazakhstan

On 23 March 2020, a package of measures providing support for agricultural producers was introduced, including land tax exemptions for all agricultural producers, value-added tax payment reductions on certain agriculture products, and a three-month grace period for loans (both principal and interest payments). The measures will be in effect until 1 October 2020.

On 25 March 2020, customs duties were lifted and borders were opened for the prompt import of six products that are vulnerable in Kazakhstan: onions, potatoes, cabbage, buckwheat, poultry and sugar. These policies are in effect until 30 September 2020.

On 16 April 2020, the Ministry of Agriculture tripled the funding of concessional loans for crop sowing, to KZT 170 billion.

On 1 April 2020, exemptions from taxes and other obligatory payments were granted to small and medium-sized business entities for 29 types of activities from the national wage fund; these will be in effect until 1 October 2020.

The Minister of Trade and Integration of Kazakhstan has reported on plans to create a national wholesale distribution network for food products, consisting of 20 wholesale centres across the country. The first construction works will start during May–October 2020, and the construction of the entire system is due to be completed by 2022.

Kyrgyzstan

On 23 March 2020, the Government of Kyrgyzstan imposed a six-month ban on the export of a range of products, including wheat grain, wheat flour, rice, vegetable oils and sugar. The ban will be ended on 23 September 2020.

The Government signed an agreement with the Russian Federation in early April 2020 on the purchase of 33 000 tonnes of wheat for the public distribution to the most-affected families.

On 6 May 2020, the Government approved an initiative to establish an anti-COVID-19 crisis fund to support sectors of the economy and business entities. The plan contains 19 activities that also support food security. The plan will provide an initial budget of KGS 14 billion, and the budget will be increased to KGS 40 billion by the end of 2021.

North Macedonia

On 27 March 2020, to facilitate the trade of agricultural produce and livestock among farmers, producers and buyers, the Ministry of Agriculture, Forestry and Water Economy promoted the use of its interactive web tool, called "Supply-Demand," within the existing Agricultural Market Information System.

As of 14 April 2020, three Macedonian border crossings were included in the system of "green corridors" within the Central European Free Trade Agreement region, which aims to facilitate

the trade of goods within the region. The three crossings are at Tabanovce (on the border with Serbia), Blace (on the border with Kosovo)⁸ and Kfajasan (on the border with Albania).

On 11 March 2020, the Government of North Macedonia issued a measure freezing the retail prices of bread, salt, cooking oil, milk, dairy products, flour, meat, eggs, pasta, lemons, oranges, tangerines, grapefruits and clementines. It also froze the prices of medical products and disinfectants.

As of 15 April 2020, the deadline for payment of the annual rent for state agricultural land for 2019 was extended by the Ministry of Agriculture, Forestry and Water Economy until 12 November 2020.

On 17 May 2020, the Government announced a EUR 76.1 million package of measures in agriculture that includes the following: 1) EUR 5 million to support the agricultural sector through the Development Bank; 2) EUR 5 million to support micro, small and medium enterprises in the production, processing and export of primary and processed agricultural products; 3) the provision to farmers of a payment card for subsidizing 50 percent of green oil costs; and 4) an increase from 30 percent to 50 percent of the subsidy for the consumption of green oil. The package is expected to cover 50 000 farmers.

The Republic of Moldova

On 10 April 2020, the Government of the Republic of Moldova approved a regulation allowing the retail distribution of agriculture products in open markets. According to the regulation, open markets are to be held in places approved by local authorities and should respect the criteria for protection against a COVID-19 outbreak.

On 30 March 2020, the Government supplemented the national fund for agriculture subsidies with an additional MDL 50 million as a measure to support farmers during the COVID-19 crisis.

Montenegro

The Government of Montenegro plans to provide one-off assistance in the amount of EUR 50 to all unemployed persons on the records of the Employment Agency of Montenegro who do not receive any social transfers.

The Government also plans to provide one-off assistance to commercial fishermen, and it plans to pay contributions to people injured because of agriculture.

The Russian Federation

Commodity interventions in the Russian Federation have been ongoing since 13 April 2020, with the State selling grain from the fund.

The Cabinet of Ministers allocated more than RUB 31 billion for additional support of the agro-industrial sector of the economy.

In particular, RUB 27.2 billion of transfers will be distributed among 75 regions to reimburse part of the costs of interest on investment loans in the agro-industrial complex.

A programme of soft loans for the resumption of activities, at 2 percent interest, aims to support more than 3 million jobs in the Russian Federation. A month after the start of the programme, banks have approved 134 000 loans worth more than RUB 315.6 billion.

Tajikistan

On 25 April 2020, the Government of Tajikistan introduced a temporary ban on the export of some domestically produced agricultural products, including all cereals and legumes, rice, wheat flour, eggs, potatoes and all types of meat.

Government price stabilization measures have been observed, including the release of staple foods from strategic reserves to be sold in markets throughout the country at cheaper prices and the setting of purchase quotas to mitigate panic purchases.

The Government endorsed the social protection system's COVID-19 preparedness and response plan. The plan has three key areas of support – cash-based transfers, social services and in-kind support – and a total budget of USD 115 million.

On 31 March 2020, the Government introduced a supplementary temporary cash benefit to certain categories of beneficiaries of the targeted social assistance programme.

Turkey

The removal of import tariffs for cereals and pulses was extended from 20 June 2020 to 30 September 2020. The import of livestock and meat products to Turkey was eased on 30 April 2020.

All export restrictions for potatoes and onions, which had been started on 7 January 2020, were removed by the Government on 19 July 2020. The export restrictions for lemons that had begun 14 May 2020 also were removed.

Turkey reopened land border customs gates on 4 June 2020. The border with Iran had been closed since 23 February 2020, and the border with Iraq had been closed since 1 March 2020. Foreign truck drivers making deliveries in Turkey who do not show signs of COVID-19 have not been subject to a 14-day quarantine, provided they leave the country within 72 hours. Trucks carrying medicine, foodstuffs and medical equipment have been given priority to enter. On 22 May 2020, 54 Turkish dairy companies were granted clearance for dairy products exports to China, through initiatives from the Ministry of Trade and the Ministry of Agriculture and Forestry.

On 29 April 2020, the Government announced the initiation of its Digital Agriculture Marketplace Platform, or DITAP. The online marketplace aims to promote contract farming through the effective use of digital platforms and voluntary participation. Producers will have access to preferential credit opportunities to be offered for contract farming by banks.

⁸ Kosovo as per United Nations Security Council Resolution 1244 (1999) on the situation relating to Kosovo.



To ensure the uninterrupted continuation of agricultural activities, agriculture has been exempt from COVID-19 pandemic mitigation measures and restrictions. Farmers and seasonal workers are permitted to move, using precautionary measures, based on the agricultural production calendar. To avoid crowding, the Turkish Grain Board's grain purchasing centres are operating on an appointment-only basis.

Payment deadlines for farmers' treasury-backed loans due in May and June, totalling about TRY 6 billion (approximately USD 859 million), have been postponed by six months. Effective 17 April 2020, agricultural sales cooperatives' debt payments to public entities were postponed without interest for one year. On 30 April, through a new regulation, the Ministry of Agriculture and Forestry postponed for three months the credit back payments of forest villagers and cooperatives, without the accrual of interest. The postponement is effective for loan instalments due in April, May and June. The Ministry is authorized to extend the postponement for up to three months.

The social protection measures introduced on 17 April 2020 with the Law on Reducing the Effects of COVID-19 – including short-term work allowances, cash support and a ban on work termination – were extended by the Government until 31 July 2020.

The import surveillance of fish and seafood products, which had been implemented since May 2011, has been removed. The regulation was published on 2 June 2020 and is effective as of 17 June 2020.

Ukraine

On 22 April 2020, in an effort to avoid price increases, the Government introduced state regulations on prices of a range of food items, including wheat flour, buckwheat, pasta, bread, milk, eggs, poultry, mineral water, butter and sugar.

Uzbekistan

As of 12 May 2020, the Government cancelled the practice of checking the availability of debts for all types of obligatory payments and documents for individuals and companies during

the customs clearance of goods transported for export through the Uzbekistan border. The Export Promotion Agency provides compensation to reimburse insurance premiums when exporters use insurance services as collateral. The policy will be effective until 31 December 2020.

Effective from 1 April 2020, import tariffs were removed on certain products, including poultry meat and edible offal, fish, milk and cream, butter, eggs, vegetables, dried leguminous vegetables, wheat or meslin flour, and cereal grains. The policy will be effective until 31 December 2020.

Starting April 1, 2020, a mechanism for fasttracking the customs clearance of imported food products was introduced, including by issuing permits prior to the arrival of the goods in Uzbekistan. The policy will be effective until 31 December 2020.

A presidential decree dated March 25 provides for the provision of public support to strategic enterprises through interest-free budget loans to repay loans attracted under the Uzbek government's guarantee and priority expenses. The programme also offers compensation for the transport costs of business entities carrying out foreign trade activities. The policy will be effective until 31 December 2020.

The Government has established a SUM 10 million anti-crisis fund under the Ministry of Finance. The State Fund for Supporting Development of Entrepreneurship has expanded the provision of guarantees and compensation to cover interest expenses on loans given primarily for the production, purchase and sale of socially significant consumer goods. The policy will be effective until 31 December 2020.

On 19 March 2020, tax rates for the use of water resources for the irrigation of agricultural land were reduced by 50 percent of the established rates. The policy will be effective until 31 October 2020.

In April 2020, the Government created a national body to ensure the implementation of urgent tasks in agriculture and identified a set of measures for the development of food projects, such as the creation of new intensive orchards and vineyards. The policy will be effective until 31 December 2020.

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