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Brief Analysis:

Impacts of the Coronavirus on German Agriculture

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Introduction & Summary

In this short analysis of the impacts of the coronavirus (COVID-19) on German agriculture, latest media news was assessed to display the current status quo of March 30, 2020. Due to constantly changing numbers of infected people and many short-term announcements of new regulations, this analysis can only be a snapshot of the current state. The outcome of the sections below is summarised in the following key messages:

Key Messages:

- The **agricultural production** of most important crops is guaranteed. However, due to the lack of seasonal workers, who often come from abroad and who are currently not permitted to enter Germany, the labour-intensive production of some horticultural crops is at risk. However, serious shortages in diesel fuel or high rates of sick leave among agricultural workers could still threaten the agricultural sector.
- Due to Germany's high self-sufficiency rate in most basic foodstuffs (148% for potatoes, 126% for cheese, 116% for dairy products, 107% for grains, 119% for pork) impacts of the coronavirus on **trade** do not affect food security. However, as only 40% of domestic demand's fruits and vegetable are produced in Germany, delays in supply from southern Europe could lead to shortages and higher prices. The German international trade is mainly affected by delayed cargo ships which remain in China due to the outbreak of the coronavirus.
- With regard to **supply chains**, so far no physical shortages of agricultural products were reported. However, due to delays in logistics perishable products are most vulnerable to interruptions of the cold chain. According to experts, shortages in one link of the supply chain can be compensated by other producers. With regard to 2021, the production of sufficient amounts of fertilisers is crucial for next year's agricultural production.
- As the agricultural sector is highly mechanised, production is not yet endangered by impacts of the coronavirus on **employment**. Only the lack of seasonal workers in horticultural production is worrying.
- The German government provides **financial support** to farmers, which is supplemented by **mitigation measures** implemented by the federal states. Furthermore, the lack of seasonal workers from abroad might be compensated by domestic workers.

1. Impacts on Agricultural Production

At present, the coronavirus has no relevant negative implications for German farmers with regard to delayed supplies in seeds or planting material. Most important crops like grains or oilseeds were sown in previous autumn, and seeds and planting materials for most important spring crops – maize, sugar beets, potatoes – as well as sufficient quantities of fertilisers and pesticides are normally stored by farmers individually. The only limiting factor for the production of these crops would be shortages in the supply of diesel fuel which have not occurred so far. The highly mechanised agricultural production of most crops in Germany is not very dependent on human labour force and therefore, less susceptible to negative effects like shortage of staff due to coronavirus-related illnesses. However, if new curfews or illness prevents most employees in the agricultural sector from working, this would have far-reaching implications. An exception is the production of some horticultural crops which is very labour-intensive (on average 68 workers per 100 ha) and therefore, German farmers depend on seasonal workers who mostly come from Eastern Europe. After an entry ban to Germany from other countries was decided on March 17, German farmers lack workers for the upcoming, labour-intensive harvest of asparagus and strawberries (SMC, 18.03.2020).

2. Impacts on Trade

German experts expect a slight reduction in domestic demand, whereas the projected supply of main agricultural products (grains, sugar, oilseeds etc.) is expected to stay more or less the same. As a result, prices for agricultural raw materials should be stable. However, shortages in supply of fresh vegetables from southern Europe could result in higher prices or limited availability. As Germany and its European neighbouring countries are net exporters for most agricultural products, i.e. they have a high self-sufficiency rate for many products (148% for potatoes, 126% for cheese, 116% for dairy products, 107% for grains, 119% for pork (TAZ, 27.03.2020)), and therefore food security is not at risk (SMC, 18.03.2020). On the other hand, only 40% of domestic demand for fruits and vegetable are produced in Germany. As these numbers also include exotic fruits, the supply of basic foodstuffs is not at risk (Spiegel, 25.03.2020). The delay of cargo containers from China leads to increasing price pressures as companies try to compensate loss of revenue by raising consumer prices. Furthermore, the export of milk powder to China came to a halt due to a lack of containers which are stuck in Chinese harbours, leading to increasing prices of containers and freights (DBV, 20.03.2020).

3. Impacts on Supply Chains

Within German supply chains of agricultural products, mainly perishable agricultural products can be affected by the coronavirus. If the processing or transport logistics are disrupted due to political restrictions or a lack of workers, the cold chain might be interrupted or storage space might turn out to be insufficient. As normally more than one producer can supply a

certain good, it is expected that others can compensate temporary shortages in a certain link of the supply chain. According to experts, only specialised products that rely on supply from certain enterprises or production facilities are likely to be affected to that extent that they are temporarily unavailable on the market. With regard to agricultural production in 2021, it is crucial to ensure the production of sufficient amounts of nitrogen and potassium fertilisers this year in order to safeguard agricultural production of 2021.

In light of the high density of supermarkets in most German towns and the variety of products in most stores, no serious supply shortages are expected. Even if a high proportion of the shops' employees become ill, there are enough stores to provide the most necessary basic supply.

In terms of international supply chains, no physical shortages of agricultural products are reported as so far there were no production losses in Germany or Europe. Due to the high level of technology in agricultural production and therefore, a low dependence on human labour force, experts only expect some pinch points in the delivery of labour-intensive, specialised agricultural products (SMC, 18.03.2020).

4. Impacts on Employment

As mentioned above, farmers are mainly affected by the lack of seasonal workers from other European countries who cannot enter Germany due to the new travel ban. Suggestions to hire Germans who are temporarily unemployed for this task are controversial. Experts doubt that workers without any experience are suitable to take over these physically demanding and – regarding asparagus harvesting – challenging jobs. Furthermore, it is questionable whether Germans would accept the local working conditions that would require living directly on the farm and accepting a comparatively low salary (SMC, 18.03.2020).

5. State Support and Mitigation Measures

The agricultural sector was officially recognised as “systemically relevant infrastructure” by the German federal cabinet. As a result, the government tries to support farmers and mitigate the effects of COVID-19-related restrictions.

Lack of seasonal workers:

After several suggestions to hire university students, long-term unemployed or temporarily unemployed persons from the sport or tourism sector for the physically demanding work, German Minister of Agriculture, Julia Klöckner, supports the employment of asylum seekers for this task. Furthermore, the ministry launched a website to connect people who are willing to help out in agricultural field work with farmers who lack workers (<https://www.daslandhilft.de/>). In total, about 30 000 workers are required for agricultural

work in March, increasing to 85 000 in May (Spiegel, 25.03.2020). On March 30, more than 38 000 people registered with the agricultural field work campaign's website.

Financial difficulties of farmers:

Leasing contracts of farmers who are affected by economic losses as a result of COVID-19 and who cannot pay their lease, must not be terminated until June 30, 2020. Furthermore, farmers are eligible for credits from the Landwirtschaftliche Rentenbank (Agricultural Annuity Bank). According to the new regulations (applicable until October 31), seasonal workers can work 115 days – instead of 70 days – without social insurance which reduces the costs of farmers (BMEL).

Due to the German federal system, in addition to the governmental support mentioned above the federal states implemented their own measures to support their farmers. Often these programs address not farmers in particular but offer financial support to enterprises in general. For instance, in Brandenburg, small and medium-scale enterprises are eligible for fundings between 9 000 and 60 000 Euros. Other federal states provide loans without interest rates, debt rescheduling or follow-up financing to help farmers to compensate for COVID-19-related financial losses (agrarheute, 26.03.2020).

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