

# COVID-19 Export Restrictions Threaten Global Food Supply

By **Kristina Arianina and Patrick Morris** (May 20, 2020)

Across the world, countries are coming to terms with the economic devastation created by COVID-19 and measures taken to limit the virus's spread. One aspect of the global economy that has been directly affected by the pandemic is the global food supply chain.

Within the U.S., meat shortages have prompted presidential and congressional action, and across the world, staple crops such as rice and sugar have more than tripled in price. As a result, some countries have taken steps to limit exports of foodstuffs. If more countries enact these and other food protectionist policies, there could be an even greater threat to the global food supply chain.

This article explains current government actions affecting global food supply, as well as the threat posed if more countries are pressured into establishing food protectionist policies.

## U.S. Response to Potential Food Disruptions

As with many other countries impacted by the COVID-19 pandemic, U.S. food production and supply chains have been disrupted by the virus. Recently, a number of meat processing facilities have begun to reduce output or suspend production as workers fall ill with the coronavirus.

As of May 20, at least 57 meatpacking and food processing plants had closed at some point for at least a day, although some closures have lasted over two weeks.[1] As of May 18, these closures have resulted in a 10.6% reduction in the nation's pork slaughter capacity and a 24.6% reduction in beef slaughter capacity, according to the U.S. Department of Agriculture weekly livestock update.[2]

In addition, dairy farmers and other foodstuff manufacturers have been forced to dispose of excess food, as their main consumers — schools and restaurants — have been forced to cease or limit operations due to government-required lockdowns.[3] As this food goes to waste, food manufacturers are faced with even greater losses, potentially forcing them out of business.

The U.S. government has taken varied forms of action in response to these mounting food supply concerns.

On April 28, President Donald Trump signed an executive order invoking the Defense Production Act in regards to the production of meat and poultry.[4] The president's executive order classified meat and poultry production facilities as critical infrastructure under the law, thereby requiring them to remain open. However, as Americans buy more protein while they work from home, this measure in itself will not completely eliminate potential shortages and rising prices, particularly in the short term.[5]

On March 27, President Trump signed the Coronavirus Aid, Relief, and Economic Security Act into law. The CARES Act provides significant funding to support the U.S. food supply chain. With funds allocated from the act, the USDA has implemented a \$19 billion



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Coronavirus Food Assistance Program, or CFAP.

The CFAP will provide \$16 billion in direct support to agricultural producers "based on actual losses ... where prices and market supply chains have been impacted." In addition, the CFAP will provide assistance where there are losses "resulting from lost demand and short-term oversupply for the 2020 marketing year caused by COVID19." [6]

The USDA will also partner with area distributors to purchase \$3 billion in fresh produce, dairy and meat to maintain the nation's food supply. [7] It has up to an additional \$873.3 million available in funding to purchase a variety of agricultural products for distribution to food banks. [8]

Further, though historically limited to loan programs through the USDA, agricultural producers, farmers, ranchers and other agricultural businesses have been deemed eligible for the Economic Injury Disaster Loan program of the U.S. Small Business Administration. [9] These loans can now provide up to \$2 million in financial assistance to small agricultural producers, farmers, ranchers and other agricultural businesses, as well as other small businesses, that suffer substantial economic injury as a result of the declared disaster. [10]

### **Global Food Supply Concerns and Worries of Food Nationalism**

Beyond the U.S., the COVID-19 crisis has also forced many governments to reconsider their food supply chain and security policies. With almost a fifth part of the population under lockdown, global food supply chains are extremely strained. The virus has complicated shipping logistics and slowed commodity exports around the world. Food supply is further strained due to labor shortages, logistics interruptions, and limited access to markets.

This has resulted in food loss and waste. In India, a global rice and sugar exporter, the country's lockdown has disrupted several logistics channels. It won't be able to ship around 5 million tons of sugar because of a shortage of labor at ports and sugar mills. [11]

Lockdowns have also created obstacles to hiring a seasonal workforce. In the U.K. for example, farming leaders have called for almost 80,000 workers to replace a shortfall of seasonal foreign workers. [12] France and Spain, who generally rely on Eastern European labor for seasonal agricultural employment, currently have thousands of acres of rotting, unpicked crops due to boarder closures. Similar concerns will affect almost every country with lockdown measures in plan.

In response to these concerns, leaders of the G-20 pledged on March 26 to inject over \$5 trillion into the global economy to preserve jobs and to maintain trade flows, limiting disruption to supply chains. [13]

The U.K. passed legislation to, among other things, support the food industry and maintain suppliers. [14] The European Commission published guidelines to protect health and ensure the availability of goods and essential services. The guidelines provide that "[c]ontrol measures should not undermine the continuity of economic activity and should preserve the operation of supply chains." [15]

However, other countries have taken a more self-supply focus in implementing pandemic-related food policies.

Seventeen countries have imposed export restrictions on food and agriculture since the end

of March.[16] Russia has approved a 7 million ton grain export quota;[17] Serbia has suspended shipments of sunflower oil;[18] Kazakhstan restricted exports of wheat flour, buckwheat, sugar and sunflower oil;[19] the Eurasian Economic Union countries have introduced quotas on some vegetables until September;[20] and Vietnam, one of the world's largest global rice producers, implemented export restrictions on the crop fearing a spike in global demand.[21]

These export restrictions will only add to the strain on food supplies. Export restrictions have generally pushed global prices for food higher, as the food supply reduces in quality.

An example of this can be seen during the Great Depression, when food protectionism exacerbated and extended the economic and social disaster. More recently, during the 2008-2011 economic crisis, governments worldwide imposed 85 new export restrictions on food. These actions pushed world food prices up by 13% on average — including a substantial 45% increase in the price of rice.

Just in the last few weeks, when Vietnam suggested pausing its rice exportation, prices for rice shot higher.[22] These prices could devastate the economies of food importing countries, while also pricing out poorer consumers. Moreover, the restrictions will severely limit the amount of food available globally. Vietnam's restrictions on rice exports could have reduced the global supply rice by 10% to 15%.[23]

Not only will these restrictions harm the global food supply, they will also cripple food producers domestically. The international markets provide endless numbers of buyers, especially of staple crops like rice and wheat. When export restrictions are imposed, domestic sellers cannot find buyers of their products, leading to excess supply and waste, as well as potentially huge economic losses for the producer.

Further, such restrictions of exports are not necessary to maintain food supply. The USDA projects that global production of rice and wheat this year will be enough to meet global demand, and the United Nations World Food Program analysis reported that global stocks of staple commodities are well supplied, assuring food availability.

However, the head of the World Food Program warned that if countries continue to restrict the global food supply, "we could be looking at famine in about three dozen countries." [24] While many of these export restrictions are meant to be temporary, any extended application of such policies could be devastating, for both the global supply of food and the country implementing such policy.[25]

### **What Should Governments Do?**

While governments should make all efforts to keep the food supply chain operating, they should not succumb to the illogic of food export restrictions or other food nationalism policies.[26] Rather, countries should follow the example of the U.S., Group of 20, and European nations and implement fiscal stimulus and lending programs to ensure continued production.

Further, lowering import tariffs could help address rising food prices and ensure a stable supply of food, especially for food importing countries, which are more vulnerable to potential food shortages.[27] Additional measures, such as temporarily reducing value-added taxes and other duties would further help stabilize world food markets.

Beyond fiscal policies, governments should ensure social distancing policies do not disrupt

essential food supply sectors, similar to the executive order signed by President Trump. Countries have successfully done this.

For instance, in the Philippines, the government has permitted food-producing companies to operate with 50% of their workforce despite a countrywide lockdown,[28] and in Chile, salmon farms and their employees are exempt from the lockdown restrictions.[29] Ireland's Department of Agriculture allowed all food production to continue close to normal over the coming weeks but restricted gatherings to less than 100 people.[30]

### **Pandemic May Bring Lasting Changes**

Currently, experts believe that the U.S. domestic food supply chains are secure, and while short-term disruptions may happen, they are not likely to be critical. Closed food processing plants can be backed up by other facilities to avoid disruptions, and oversupply can be turned into secondary processed goods (for instance, milk to ice cream and yogurts). Meanwhile, the producers should be flexible and proactive in accessing the market and consumption changes and adjusting their production and operations to the new model.

Globally, the pandemic is going to change the way supply chains are operating and force businesses to reconsider their contracts and prepare for other crises in the future.[31] The situation today allows businesses to detect where the links in the supply chain are broken and to strengthen them before the next emergency.

Further, governments should abandon the idea of food nationalism through import restrictions. While it may make sense in theory to keep foodstuff exports within a domestic market due to fears of supply shortages, in reality such policies only lead to higher prices, waste and, eventually, food shortages.

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*The authors thank Lilia Popova, a public policy intern at the firm, for her substantial contributions to this article.*

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