



SARS-CoV-2 pandemic:

The Impact of COVID-19 on the Organic Sector in Ukraine

Assessment by the German-Ukrainian Cooperation in the field of Organic Agriculture (COA)



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1. Summary

So far, the COVID-19 pandemic and restrictions/quarantines did not have any drastic negative impact on the organic sector in Ukraine. Companies developed strategies of adaptation and are hoping to survive the crisis without too much damage. In spite of the new reality, it will be encouraging to see the Ministry, NGOs and donor projects to guide organic farms and businesses through the COVID-19 crisis including giving adequate response to the potential post-effects they might encounter in the near future.

2. Organic Inspections and Certification

Interview with three organic Control Bodies (CBs) have shown that they continue operating their offices and serving clients in Ukraine while observing all requirements of the ongoing quarantine/restrictions. Although there is no evidence of loss of operators by cancelled contracts in Ukraine, CBs with activities in other countries are under larger stress: travel restrictions i.e. of Kazakhstan, Belarus and Moldova make it presently impossible to use Ukraine-based inspectors for carrying out audits.

Due to the fact that the main activity of organic control bodies (CBs) is on-site audits and sampling, quarantine measures directly affected the timely implementation of the inspection plans and finalization of annual certification procedures. CBs were able to adjust by moving most of their activities on-line and to electronic communication by re-building internal processes and communication with clients:

- The EU Commission has authorized certification bodies (CBs) to postpone physical inspections until May 30. In the meantime, CBs are authorized to do remote inspections (including new operations) that includes a combination of virtual inspection, distant physical checks, and desk document audits.
- Full on-site inspections for high risk operations are postponed to later in the year.
- Physical inspections are partly continued by using company/personal vehicle transportation for single-inspector visits with limited/no contact with clients' personnel. In particular, this was possible for one of the national CBs that has the advantage of operating regional offices and employs local inspectors based throughout Ukraine.
- The fact that the EU Commission has allowed to use a simplified electronic form of the organic import certificate has helped to keep exports going without significant delays (see also chapter 3.2).

As a result of the present situation, the annual inspection program will have to be squeezed into the 2nd half of the running year, resulting in high overwork for inspectors and delayed certification procedures.

3. Trade & Markets

3.1 Supply and Production

No closures of organic operators or their production facilities due to COVID-19 were reported so far. As producers of foodstuff, all organic operators (farms and processors) were included by the Government in the list of so called “critical infrastructure” which allowed them to continue operating with minimum disruptions. They had to adjust their internal processes to minimize contact between individuals but overall, they did not have to stop neither their farming activities nor operations.

3.2 Export and Import

Export deliveries of organic products continue largely as planned. There were temporary cases of difficulties with export deliveries, such as delays in ports due to quarantine measures and a break on air-based deliveries during the first several weeks of air-travel lockdown, but these were temporary and the issue was resolved and the deliveries resumed. There were no major disruptions with road and train deliveries. Increased costs are reported but overall export deliveries of organic products continue as planned.

The European Union has authorized temporary, exceptional measures for Member States, Competent Authorities and Control Bodies to continue to operate under the restrictions imposed by Member States during the COVID-19 crisis. These measures are intended to minimize serious disruptions to control systems while complying with restrictions on travel, in-person inspections, and anticipating overloads on certain systems including TRACES. With its” circular on the inspection of control certificates in times of COVID-19” of 30 March, the EU-Commission lifted the strict regime of inspection certificates for imports into the EU. Original documents are no longer necessary to be presented at customs, but it is accepted as an online document with electronic signature. This temporary work solution, that helped to cover the fact that most CBs send their staff into home office, will be in effect until June 1, 2020.

As for imports, the devaluation of the national currency (up to 15% at a certain period) has made imports more expensive and substantially squeezed the margins of importers who were not able to adjust prices immediately.

3.3 Domestic Market

On the domestic market sales of organic products went reasonably well at the end of March and early April, followed by a drop in sales in the second part of April. One possible explanation is that people were stock-piling foodstuff during the first several weeks of the quarantine and later moved out of cities which reduced the demand for food products in general.

Sales of domestic fresh organic products have seen a significant increase in the last 6 weeks. This is related to operators who sell on-line or to supermarkets. Some are saying they can't meet all orders they receive. One possible explanation to this could be a closure of farmers' markets in Ukraine that temporarily increased demand for fresh organic products. The other possible explanation was that people, while on quarantine, want to eat healthier food and have time to look for it. This is a tendency also reported from European countries.

4. Conclusions and Recommendations

It seems that the COVID-19 pandemic and restrictions/quarantines did not have any drastic negative impact on the organic sector in Ukraine until now. There were temporary cases of delays with export deliveries but overall export companies do cope with the situation. Another reason for limited impact is the fact is the calendar period with March and April being among the “slowest” months in terms of on-farm activities and organic inspection and certification processes and even export contract signing. No sub-sector saw any significant decline in the number of clients.

All interviewees, however agreed that it was too early to make reliable long-term forecasts about the impact of COVID-19 still to come. While the domestic demand is likely to contract as there will be more economic hardships due to quarantine and economic slow-down, exports are expected to continue doing reasonably well. A lot will depend on the overall economic situation: macro stability, exchange rate of the national currency, purchasing power of local population and demand for organic products in major export markets – first of all in the EU.

In spite of the new reality, it will be encouraging to see the Ministry, NGOs and donor projects to guide organic farms and businesses through the COVID-19 crisis including giving adequate response to the potential post-effects they might encounter in the near future. COA is recommending to initiate and support the following activities:

- Set up of a helpdesk for CORONA virus advise for farmers and growers. Such webpages with latest information on the actual situation and available cost-share funds have been established by various Governments (i.e. <https://www.mpi.govt.nz/protection-and-response/coronavirus/exporting-during-the-covid-19-emergency/>).
- Enhance collaboration between NGOs in the organic sector to support each other through this crisis. Members could be encouraged to step up to help communities and to protect the health and safety of the Ukrainian people.
- A survey shall be conducted among organic businesses to collect information to be informed and aware of any specific organic food supply chain issues the industry is experiencing. The outcome will be shared with the Ministry to shape necessary support programs for the organic sector.
- Joint organization of webinars discussing specific impacts of COVID-19, such as
 - The shifting retail landscape
 - Strategic ways of reducing costs and outputs
 - Financial stimulus options and cash management strategies
 - Strengthening professional associations for better linkages within the organic movement.

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