



Analysis and responses of Latin America and the Caribbean to the effects of COVID-19 on food systems

Bulletin N.º 1

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1. Editorial



The Food and Agriculture Organization of the United Nations (FAO) is committed to supporting member countries in mitigating the various effects of the COVID-19 pandemic on rural societies, agriculture and food systems.

This bulletin provides decision makers in governments, the private sector, and civil society with useful information and resources to support the design and implementation of actions against the effects of the pandemic in Latin America and the Caribbean. The resources and information contained in the bulletin come from FAO, as well as from governments and other institutions that are contributing to the common objective of containing the effects of the pandemic. The Economic Commission for Latin America and the Caribbean (ECLAC) is a valuable partner in this bulletin, and we hope that other multilateral organizations will join us in future editions.

The bulletin will be issued weekly, until the crisis has been resolved by the rural societies, agriculture and food systems.



2. Consequences of the crisis



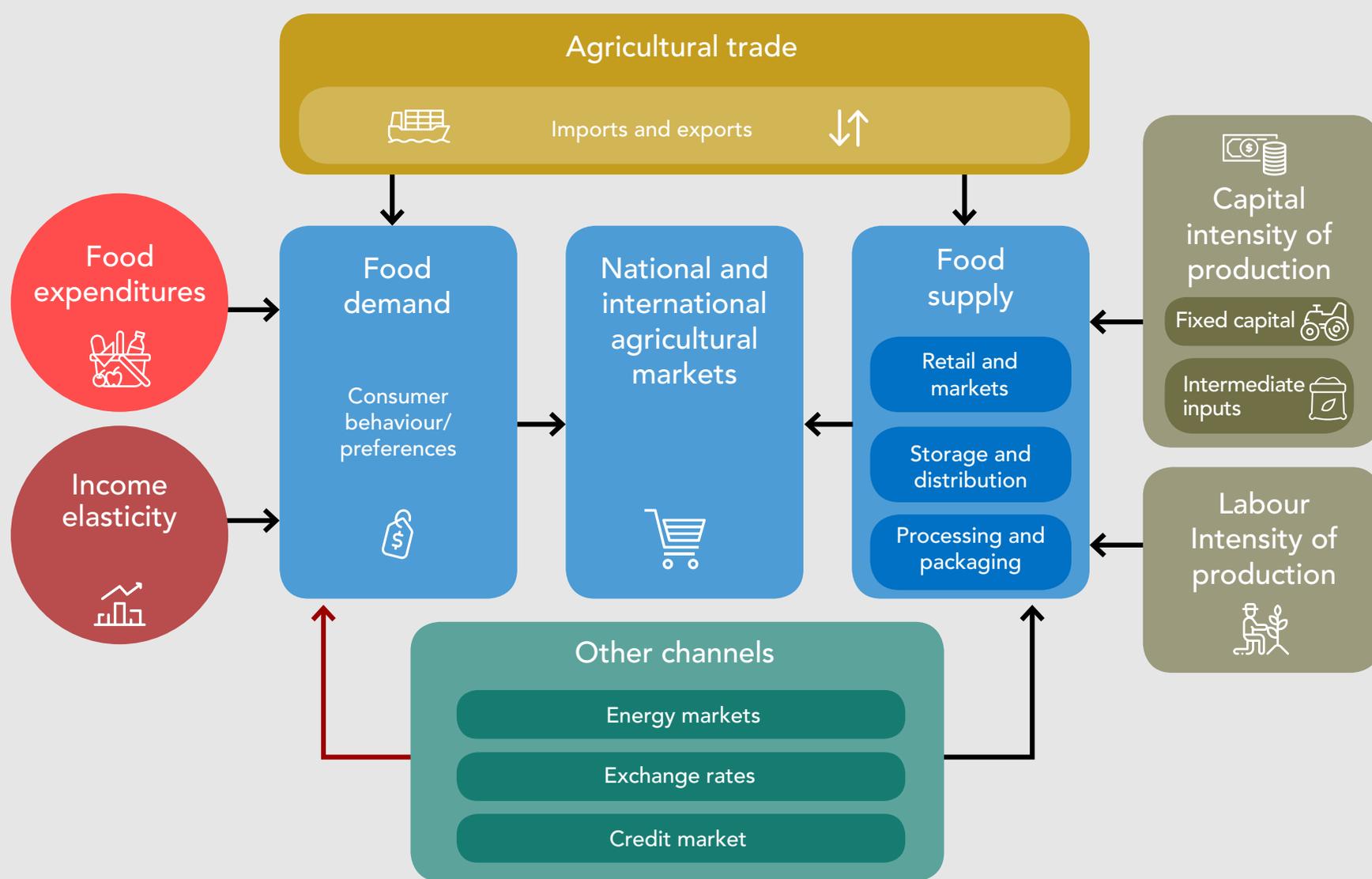
The FAO national offices in LAC¹ countries sent information that was analyzed and classified, according to the methodological framework of the food system proposed in the document *Channels of Transmission for Food and Agriculture* (Schmidhuber, Pound y Qiao, 2020), as shown in Figure 1. This document is an attempt by FAO to analyze the emerging COVID-19 pandemic's effects on agricultural markets---effects still largely unknown.

Most current assessments foresee a contraction in both supply and demand for agricultural products, and point to possible disruptions in trade and logistics.

On the supply side, widely different views remain on the duration of the impact, the price dynamics, differential impacts between domestic and international markets, difference across countries and commodities, as well as likely recovery paths and policy actions for mitigation.

On the demand side, there is greater agreement that agricultural demand and trade would slow-down, with contractions resulting from a deceleration in overall economic activity (GDP growth) and rising unemployment rates.

Figure 1/ Basic channels of transmission in food and agriculture

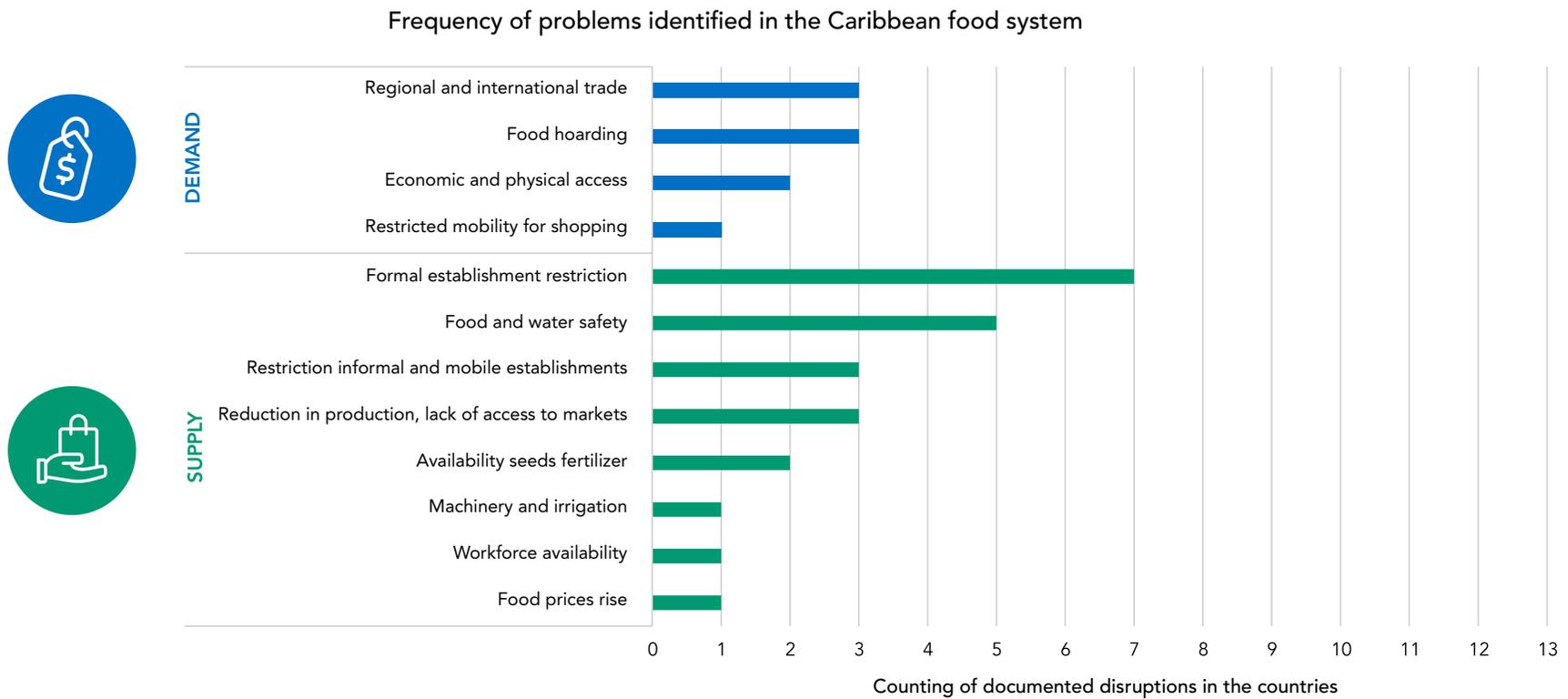


Source: FAO, from J. Schmidhuber, J. Pound, B. Qiao. 2020. COVID-19: Channels of transmission to food and agriculture. Rome, FAO.

The countries findings were organized around the main problems they are facing due to the situation of COVID-19, catalogued within the food system and grouped by the impact from the food supply and demand flows that make up the domestic and international food market. The current problems described in the Caribbean, Central America and South America are identified below.

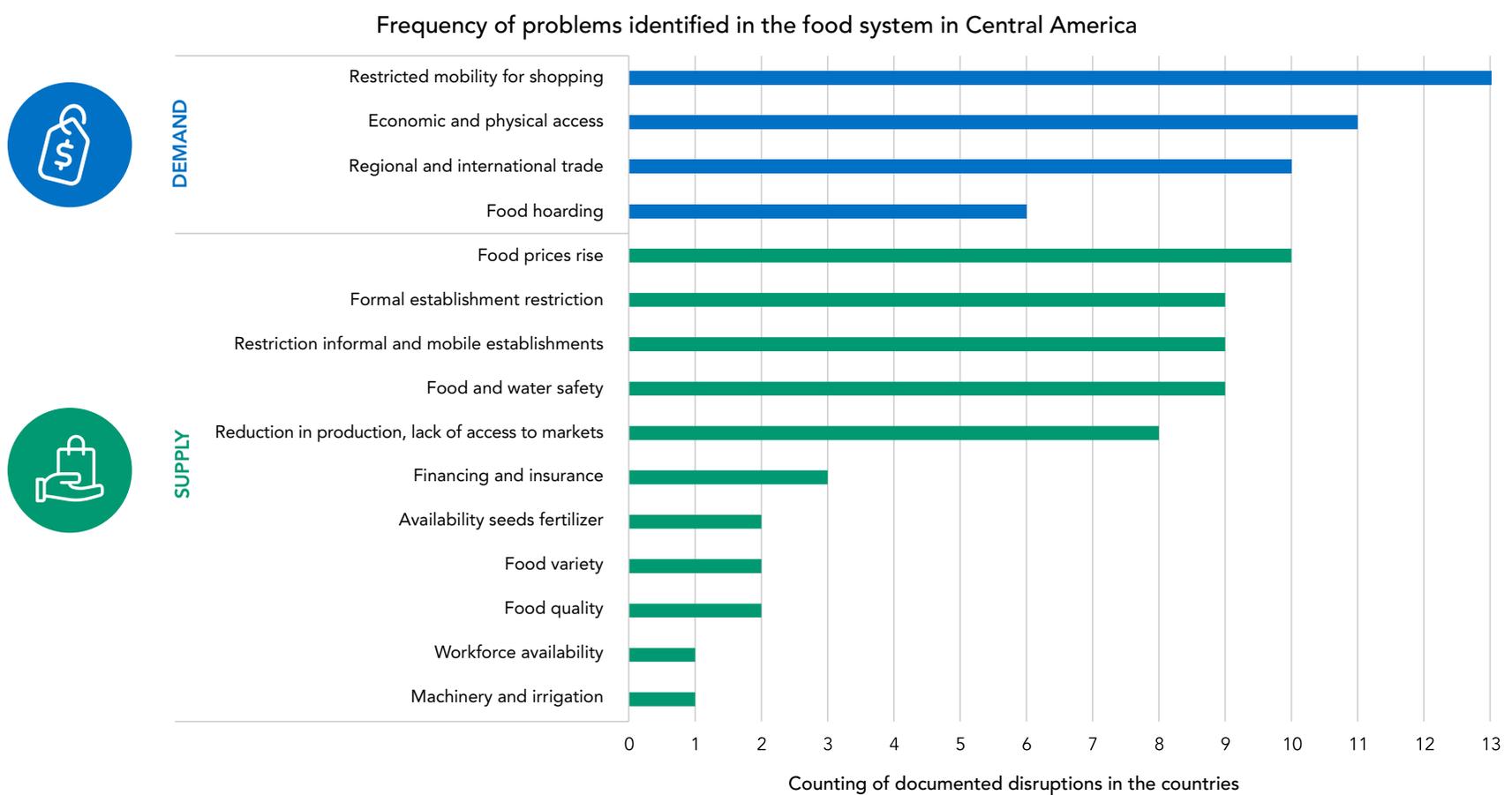
¹ FAO, through the information sent by 33 National Offices, identified the main consequences and measures taken by the countries during the last days of March. These data were complemented by secondary information obtained through the press and official websites of governments, ministries and international organizations.

Figure 2/ Problems identified in the Caribbean food system due to COVID-19



Thus, when analyzing Figure 2, it can be seen that the effects that were identified by the FAO National Offices in the Caribbean concentrated on supply problems rather than demand, considering their dependence on food imports, unlike Central and South America. Among the most frequently mentioned supply problems, many countries were affected by problems of food availability in formal and informal markets, such as those reported by Grenada, which was evidenced by supply difficulties in supermarkets and informal markets at the beginning of the crisis. Most of these problems have already been solved by the countries, but this is an issue that we will address later.

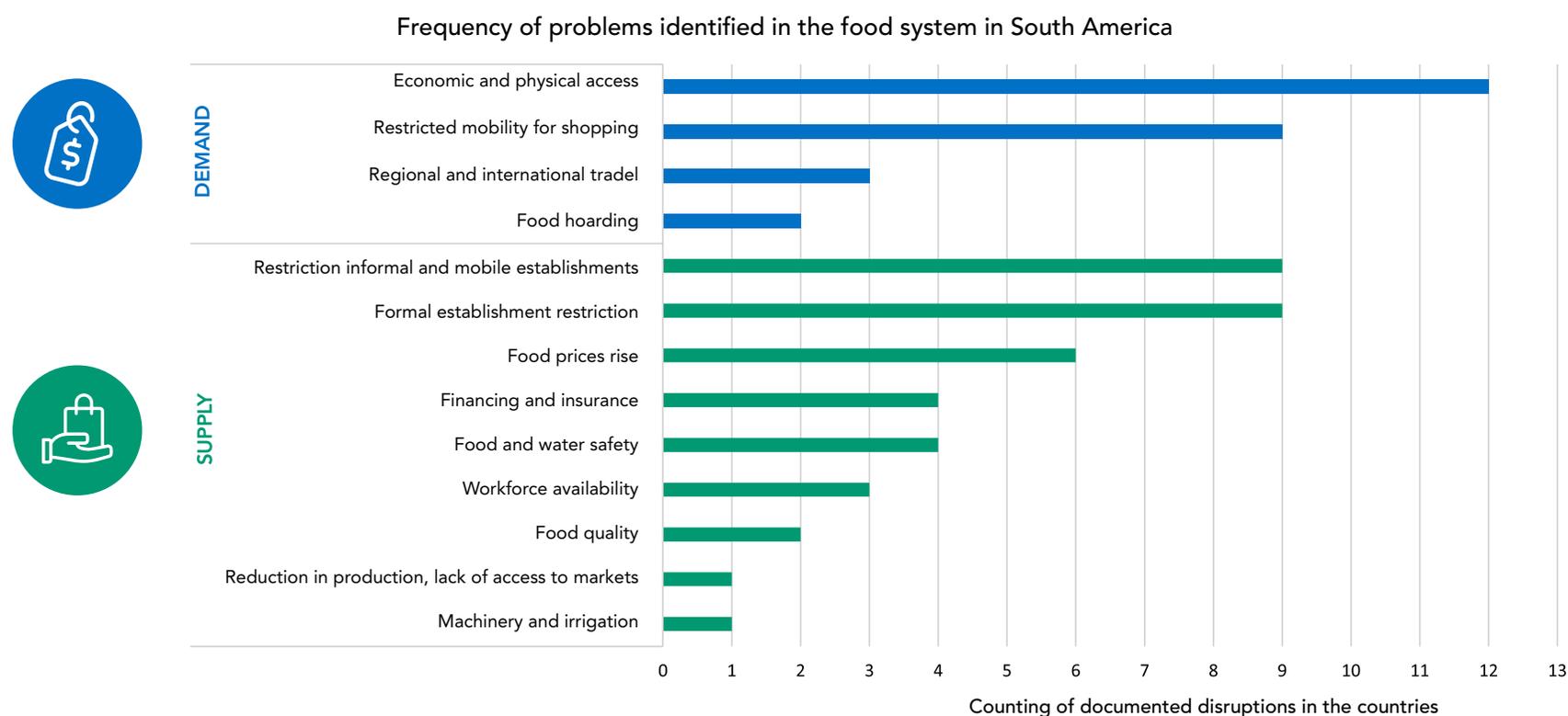
Figure 3/ Problems identified in the Central American food system due to COVID-19



As shown in Figure 3, we can see in Central America that different problems associated with supply were identified. Although it should be noted that this is not a problem of stock, but rather of difficulties in the availability of that supply. In this case, the main problem is caused by price, since for certain products international prices have fallen, while in some countries the prices associated with the payment made by the final consumer of the food have risen substantially, as in the case of Haiti, which highlighted the increase in prices of basic foods at the national level (Simon, 2020).

With regard to problems associated with demand, the food access system presented some issues, as occurred in Guatemala², which reported a considerable decrease in transport to acquire and purchase its food.

Figure 4/ Problems identified in the South American food system due to COVID-19



As in the rest of the region, South American countries mentioned more supply-side problems than demand-side ones. They highlighted the availability of food in formal and informal markets and the drawbacks associated with disruptions and restrictions. An example of the latter was observed in Plurinational State from Bolivia, where merchants did not have access to marketplaces³, along with the closure of their premises. In Paraguay⁴, on the other hand, the general isolation of the population made access to food impossible.

On the other hand, problems of demand mainly exist in issues related to access to food. These problems are related to school and community feeding programmes, as mentioned by Brazil⁵: when classes were suspended there, the delivery of food to schools was prevented. This is a problem that most countries have shown, but which has been solved by most of them, as we will see later.

It is important to note that principal exporter countries such as Argentina have emphasized the drop in the international prices of certain commodities such as soybeans (Clarín, 2020), corn and wheat (Clarín, 2020), and in Brazil, of products derived from sugar cane aside from soybeans.

² The information was taken through telephone information.

³ <https://permiso.agnetic.gob.bo/#/formulario>

⁴ <https://www.mspbs.gov.py/dependencias/porta/adjunto/36a471-DecretoN3478MedidasSanitarias.pdf>

⁵ <http://www.pmf.sc.gov.br/entidades/educa/?pagina=notpaginaenu=oti=22161>

3. Coordination and mitigation actions in Latin America and the Caribbean countries

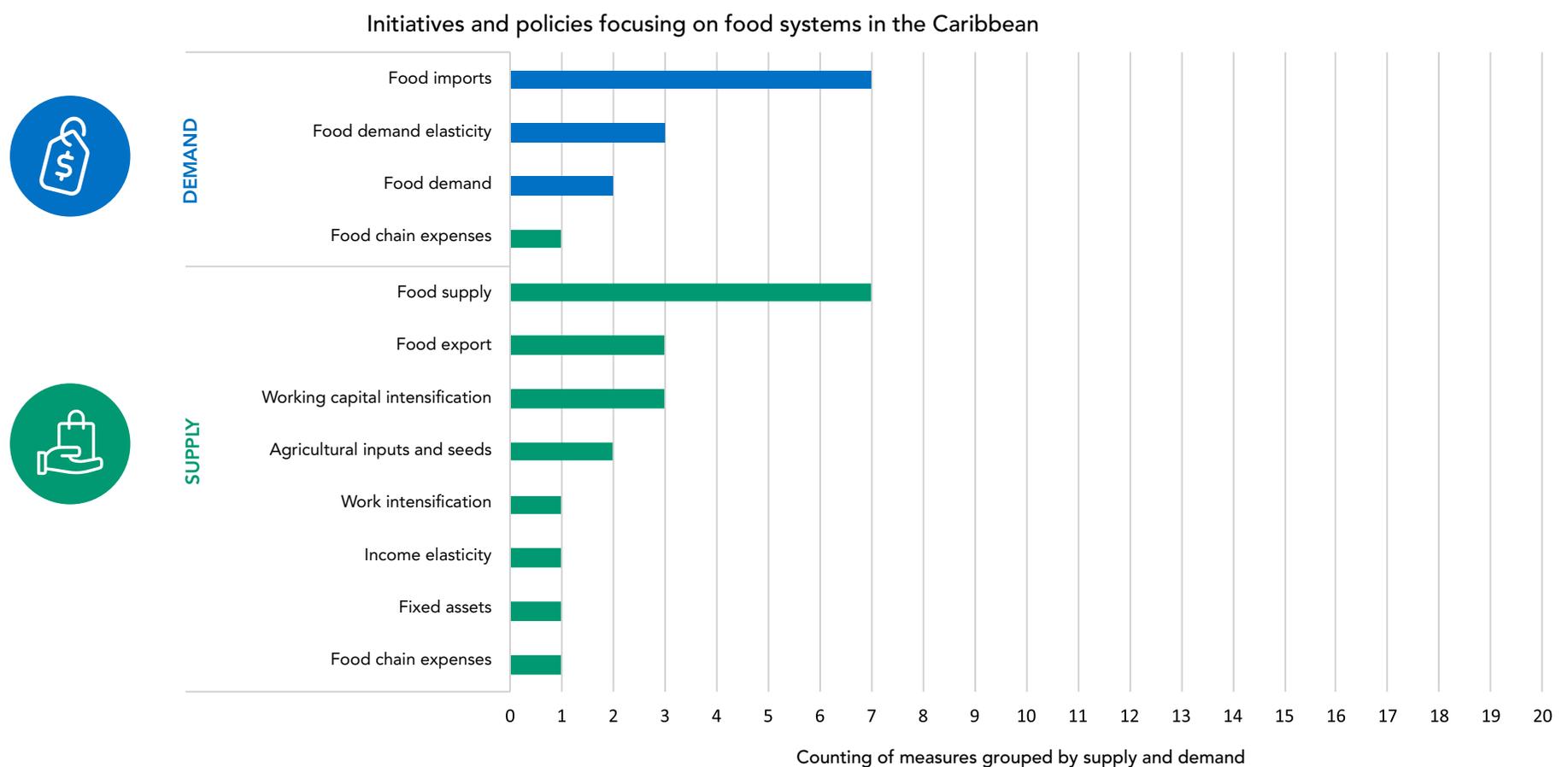


Through the analysis of the survey carried out in the FAO National Offices, the main measures that have been implemented in the countries to minimize the impacts affecting the food systems were identified. These measures were complemented by secondary information (press articles or ministerial instructions), which give an account of national measures or coordination between countries (CAS, MERCOSUR, CARICOM, etc.).

The following will show how often different initiatives and policies have been grouped together because of their effect on demand and supply in the food system. These measures are aimed at mitigating the impact of the COVID-19.



Figure 5/ Initiatives and Policies implemented in the Caribbean to mitigate the effect of the COVID-19



Policies and proposals related to mitigating the impact on food demand are less mentioned compared to those developed around supply. These improve household food access, either by strengthening imports or by improving food availability for households. As in the case of Jamaica⁶, where quarantined communities had ensured food availability.

Thus, the main measures to address the food problem are associated with supply, as pointed out by 7 of the 11 Caribbean countries. A common measure in the Caribbean food systems has been to recommend the intensification of field production, implementing "boosts" by the injection of working capital, availability of inputs, fertilizers, and agricultural seeds, as is the case of Dominica, as well as Antigua and Barbuda where special programmes for the availability of seeds and fertilizers were intensified.

⁶ <https://twitter.com/floydgreenja/status/1241392973314752512>

Figure 6/ Initiatives and policies implemented in Central America to mitigate the effect of COVID-19

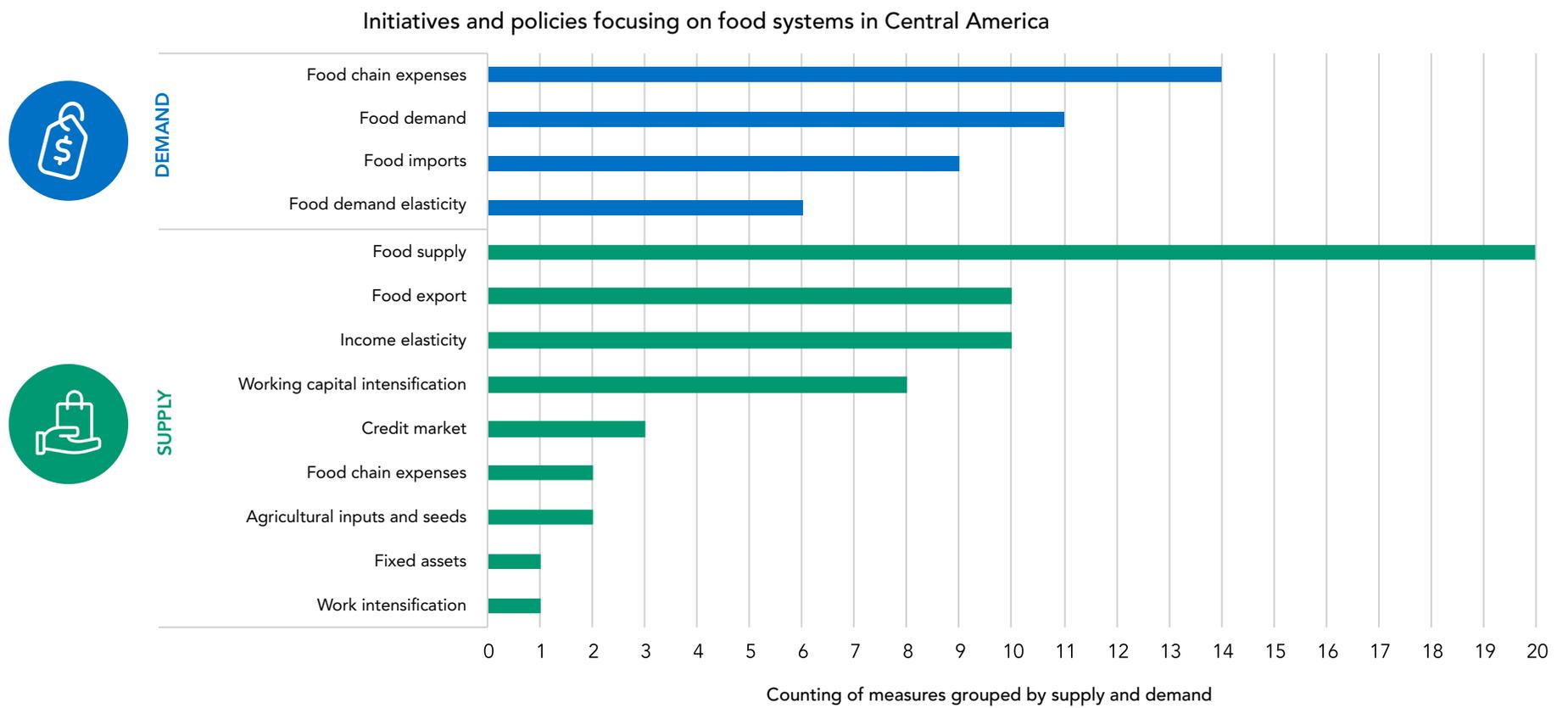
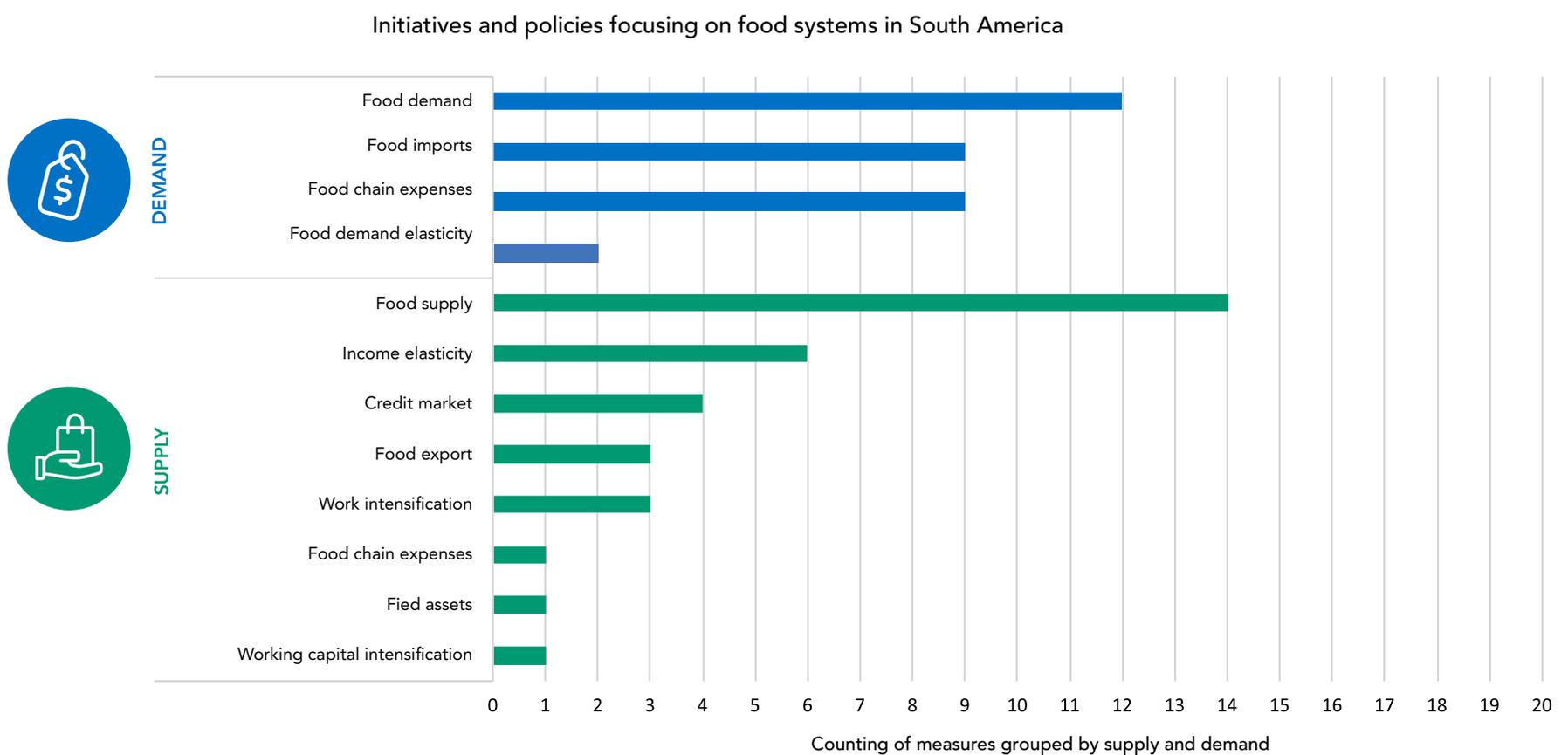


Figure 6 shows that the countries of Central America have implemented a greater variety of policies to try to improve food supply. Thus, resources have been strengthened and focused on community and school programmes, as is the case in Panama with its Panama Solidario Programme⁷.

Conversely, in policies related to demand-side impacts, these are mainly related to expenditures in the food chain, which refers to additional investments in the value chain. For instance in Mexico⁸, the value chain was intervened to improve the quality and safety of food, through sanitation protocols.

Figure 7/ Initiatives and policies implemented in South America to mitigate the effect of COVID-19



⁷ <https://www.panamasolidario.gob.pa/>

⁸ <http://www.gob.mx/agricultura>

As in Central America, South American countries showed a greater variety of policies that seek to curb the negative impact of COVID-19 on supply. Policies related to food supply and imports, such as the one implemented in Chile, where the delivery of a basic food kit for the most vulnerable families was guaranteed, as discussed with FAO. On the other hand, when it comes to demand, South American countries favor policies related to food demand, such as greater flexibility in credit payments in Uruguay, in order to increase the flow of capital for food purchases.

In addition to the measures taken at the national level, some groups of countries have implemented initiatives in order to address the impacts of COVID-19 in a coordinated manner. Among these initiatives, those mentioned in table 1 stand out.

Table 1/ Policies implemented at the sub-regional level

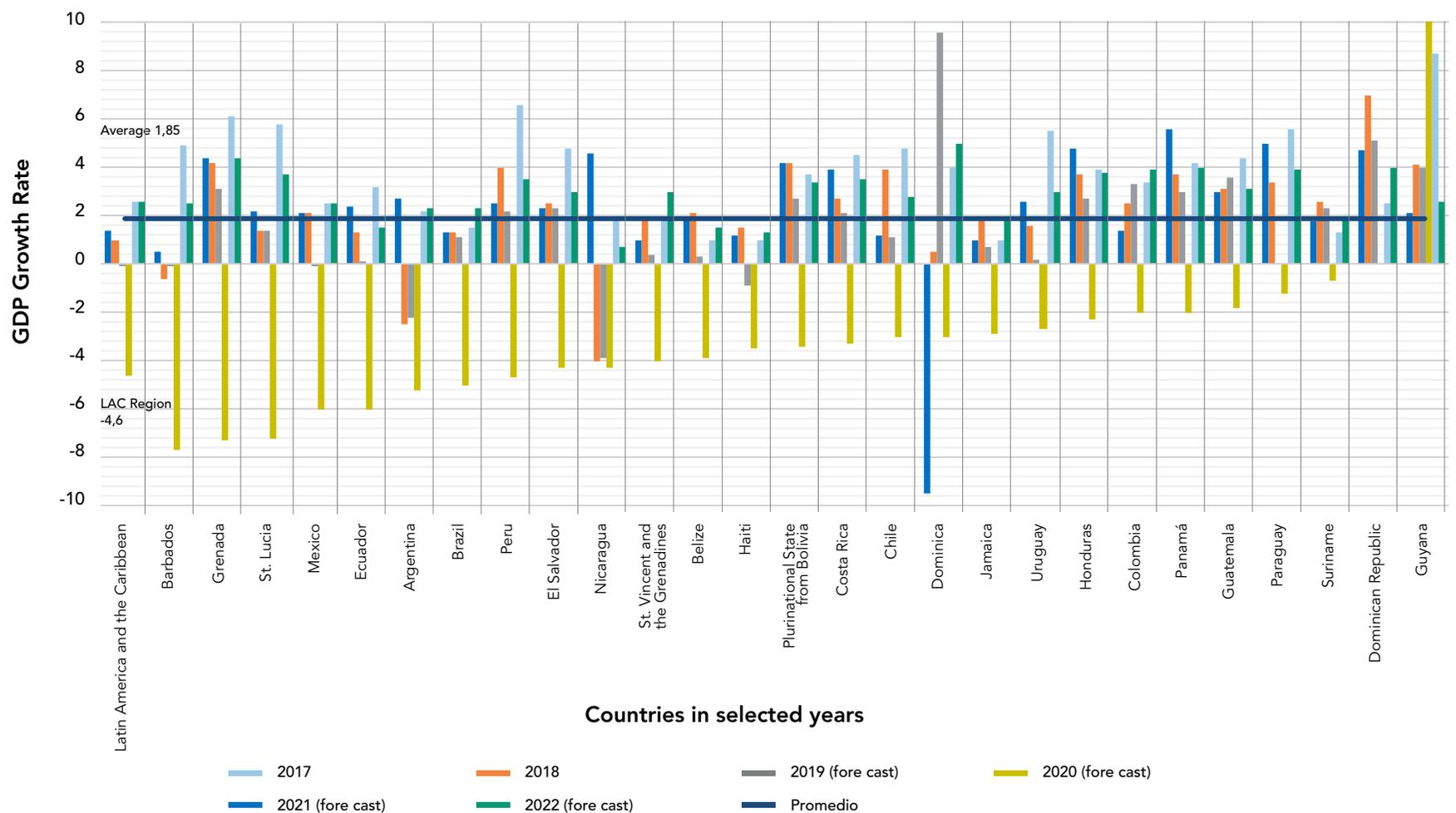
Grouping	Countries	Measures
Mercosur + CAS	Argentina, Brazil, Paraguay, Uruguay, Bolivarian Republic of Venezuela, Chile, Plurinational State from Bolivia, and Peru	To implement a series of recommendations to avoid obstacles in the transport of food and agricultural products in the region due to the Covid-19 pandemic.
Ad hoc group (joined for this particular fact)	Antigua & Barbuda, The Bahamas, Barbados, Belize, Plurinational State from Bolivia, Brazil, Chile, Costa Rica, Dominica, Dominican Republic, Ecuador, El Salvador, Grenada, Guatemala, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Bolivarian Republic of Venezuela, St. Kitts and Nevis, St. Vincent and the Grenadines, Suriname, and Uruguay.	The Ministers and Secretaries of Agriculture, Livestock, Fisheries, Food and Rural Development of 25 countries of Latin America and the Caribbean agreed to inform public opinion on the measures they had taken to ensure the supply of sufficient, safe and nutritious food.
SICA	Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama. Subsequently, Belize, and The Dominican Republic joined.	Recommendations related to food and nutritional security, such as monitoring indicators in the most vulnerable families, activating social protection strategies and a reactivation strategy in support of families dependent on agricultural and non-agricultural subsistence activities.
CARICOM	Antigua and Barbuda, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, Montserrat, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Trinidad and Tobago (British Virgin Islands, Turks, and Caicos Islands are associate members).	In order to provide more information on these critical issues, CARICOM has launched a survey on the impact of COVID-19 on food security, livelihoods and market access.

4. Macroeconomic and sectoral information



In order to complement the data collected at the national level, an analysis of macroeconomic and sectoral information has been carried out.

Figure 8 / Economic growth rate of Latin America and the Caribbean, by country, 2017-2022



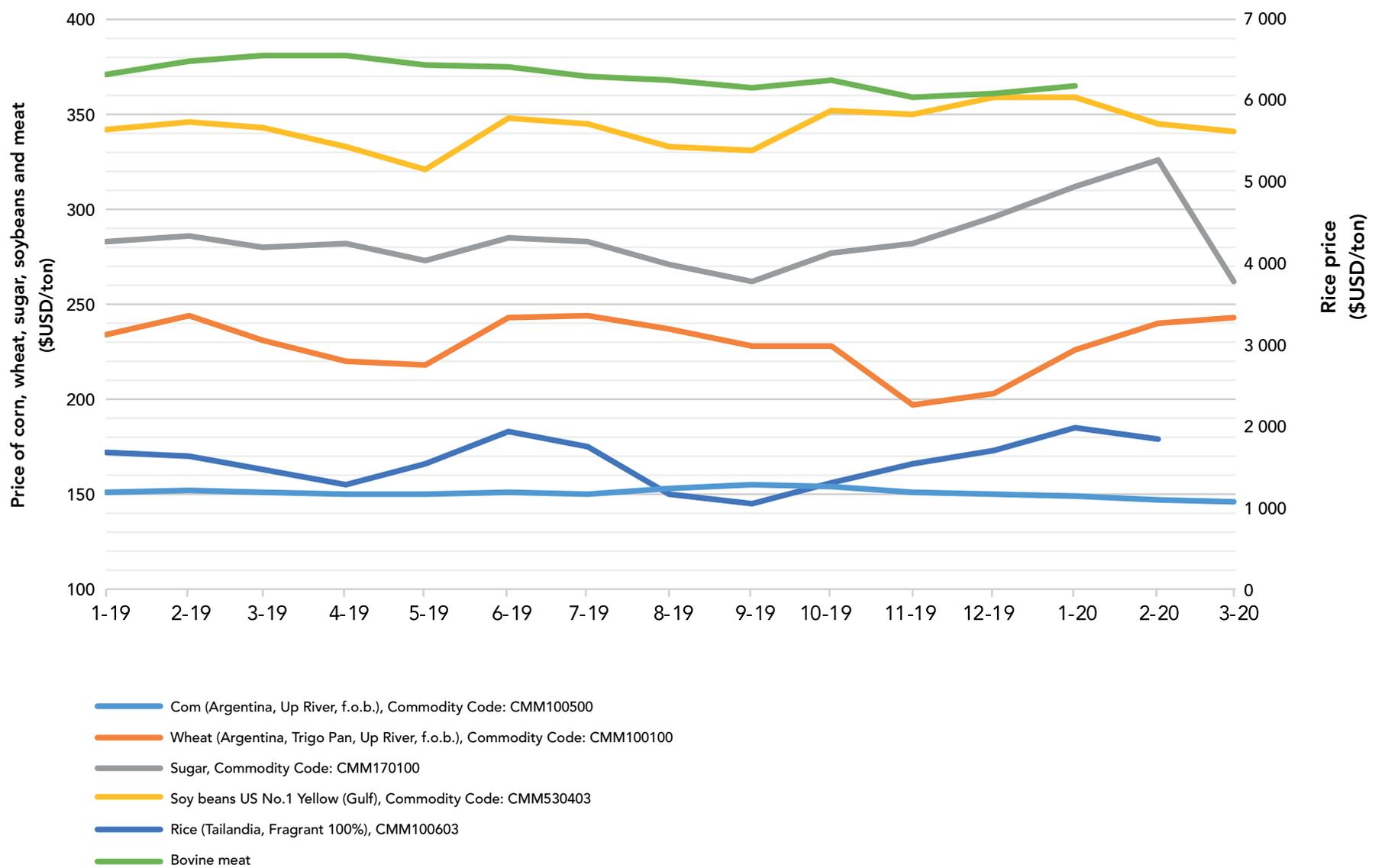
Source: FAO, from World Bank (12/04/2020): Semiannual report of the Latin America and Caribbean region. The Economy in the time of COVID-19

As shown in figure 8, COVID-19 could deliver the coup de grace and bring LAC into the expected economic recession. Five years ago, low GDP growth rates were already being observed. Growth in the region has been weakened by the fall in oil prices and the rise in the dollar. As a result, the World Bank has projected a rate of -4.6% for 2020. All countries except Guyana, given its recent discovery of oil, expect negative GDP with contraction in economies.

The prices of tourism and travel, the main commodities exported by the region, are the principal channels vulnerable to this fall in the region.

Figure 9 shows declines in food prices in March 2020 and prices on the World Commodity Exchanges.

Figure 9 / Evolution of international food prices, by month, main markets, 2019-2020

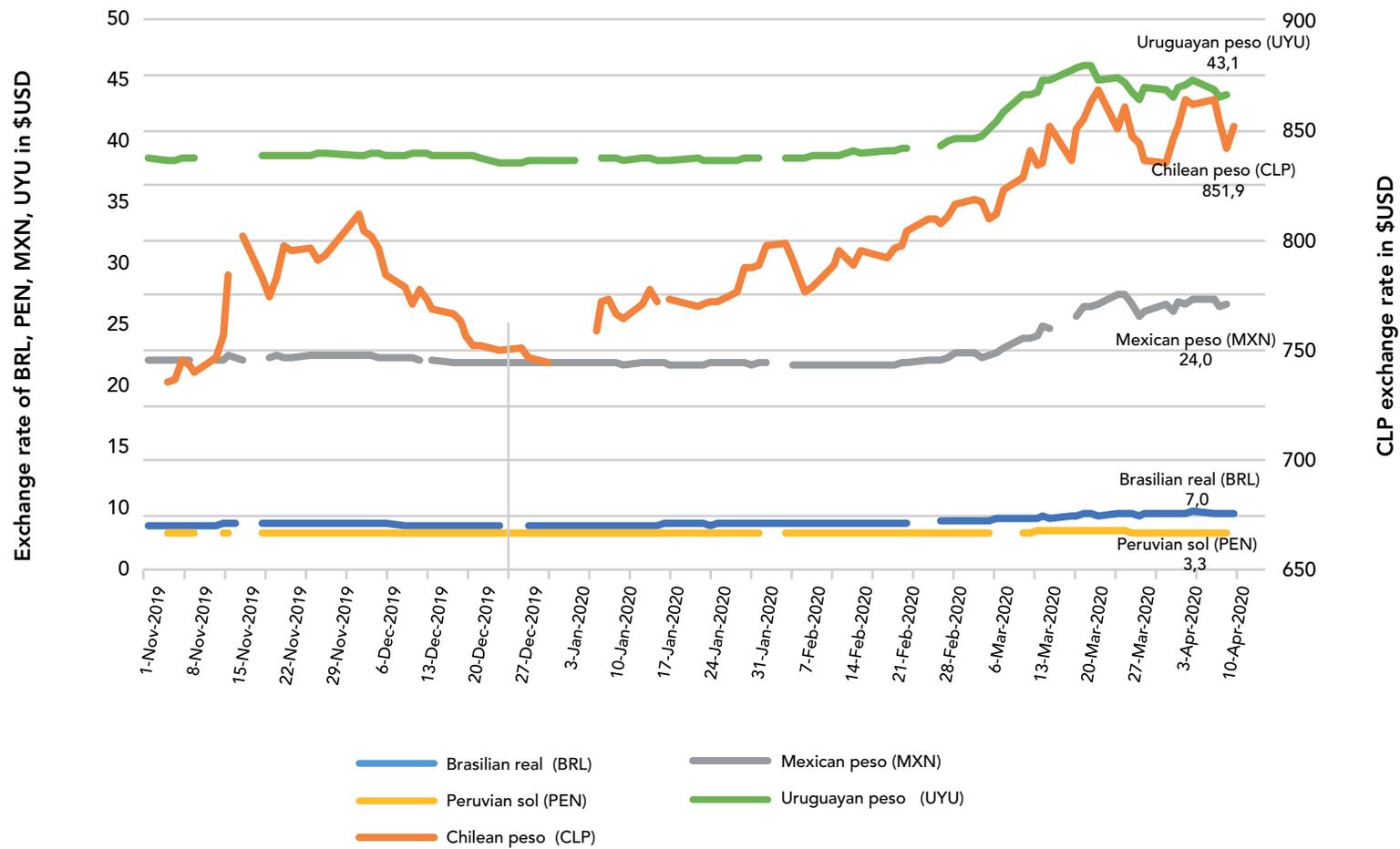


Source: Prepared by the authors based on FAO: Food Price Monitoring and Analysis FPMA Tool 2020. 2020, AMIS 2020.

As shown in the graph above, the FAO Food Price Index has registered a change of -4.3% from February to date, mostly caused by the contraction in demand, influenced by preparations for the expected recession. The biggest drop is observed in sugar prices (-19.1%), due to the lower demand from ethanol producers, as a result of the drop in oil prices, and the household budget restrictions for eating out. Wheat and corn prices dropped slightly, given the large supply due to good harvests and declining demand. Rice was the only product that has become more expensive, as uncertainties spread about a possible, but rejected, restriction on rice exports by its main producer, Vietnam, leading to large purchases to supply domestic stocks.

On the other hand, Latin American currencies have been significantly weakened vis-à-vis the US dollar, which has risen in value since February 2020, as shown in Figure 10.

Figure 10 / Exchange rate trends of the Brazilian real, Peruvian sol, and Chilean, Mexican, and Uruguayan pesos against the US dollar



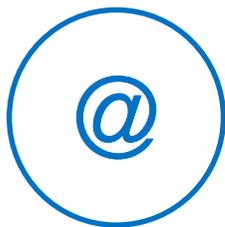
Source: FAO, based on IMF 2020.

The rise in the dollar is due to a possible increase in the supply of oil as a result of an announced investment by Saudi Arabia and Russia. Expectations of an even greater supply of oil in an already saturated market restored the dollar as the safe haven currency, prompting its purchase. As a result, the dollar has become more expensive than Latin American currencies, as imports from the region are cancelled out in international markets in dollars.

Finally, it is worth mentioning that in the face of the COVID-19 crisis and insecurities in the supply of basic agricultural products, data from selected countries show large stocks of grains and meat, thanks to large harvests in Brazil and Argentina. The countries show no signs of shortage, so no dramatic increases in domestic prices of agricultural products are expected, as shown in the database of national agencies⁹.

⁹ ODEPA, Chile; MAGYP, Argentina; CONAB, Brazil; INE Bolivia; INE Peru; DGE Paraguay.

5. Resources



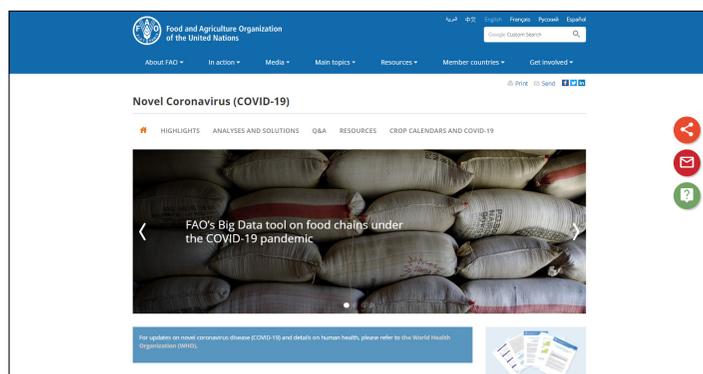
A huge effort has been made by United Nations agencies and other international organizations to understand the effects and impacts of the pandemic in the region, in addition to promoting measures to provide instrumental support to the countries. Some of these efforts are featured below, which are very useful for analysing and generating the evidence needed to develop policies and projects. In the following issues we will continue to share and update other sources of interest.

FAO

Novel Coronavirus (COVID-19)

<http://www.fao.org/2019-ncov/en/>

Analysis of the potential impacts on people's lives and livelihoods, global food trade, markets, food supply chains, and livestock.



FAO

Public Policy Training Center

<http://www.fao.org/in-action/capacitacion-politicas-publicas/cursos/ver/es/c/1269873/>

FAO is currently collecting and analysing information from all countries affected by the virus.

As part of the support mechanisms for the countries, FAO in Latin America and the Caribbean will coordinate and conduct a series of webinar discussions on the effects of Covid-19 on the agrifood system.

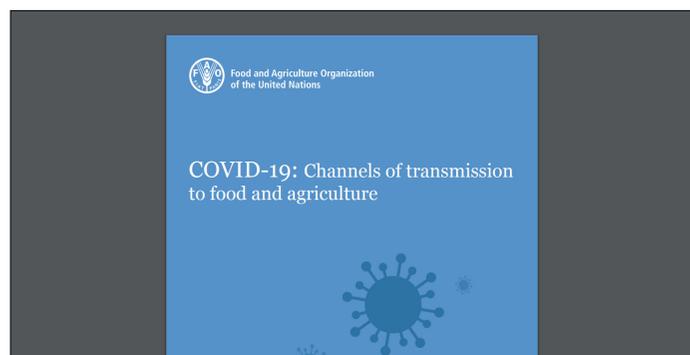


FAO

Channels of Transmission for Food and Agriculture

<http://www.fao.org/3/ca8430en/CA8430EN.pdf>

This document is an attempt by FAO to analyze the emerging effects of the COVID-19 pandemic on agricultural markets. Effects that are still largely unknown.

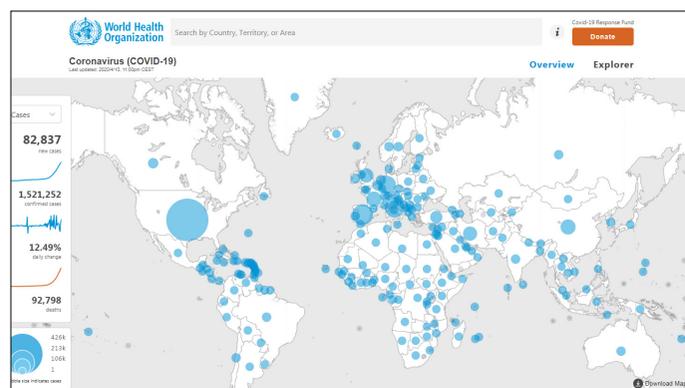


OMS

Coronavirus (COVID-19)

<https://who.sprinklr.com/>

Map showing the geographical evolution over time of the number of infected



ILO

News about Coronavirus (COVID-19)

http://ilo.org/global/about-the-ilo/newsroom/news/WCMS_740920/lang--es/index.htm?shared_from=shr-tls

Updated estimates on COVID-19 and employment at the global level.

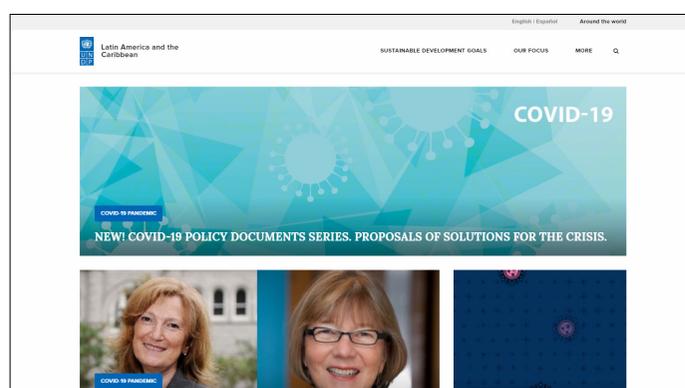


UNDP

COVID-19: Public Utility Document Series

https://www.latinamerica.undp.org/content/rblac/es/home/library/crisis_prevention_and_recovery/evidence--experience--and_pertinence_in_search_for_effective_pol.html

This series seeks to promote a collective reflection on the response to Covid-19 Coronavirus health crisis and its economic and social effects on societies.

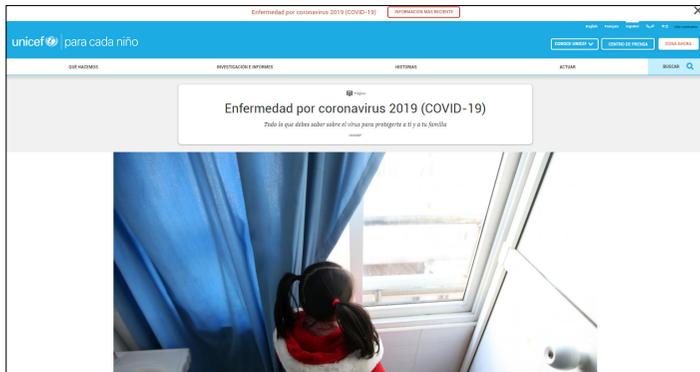


UNICEF

Coronavirus disease 2019 (COVID-19)

<https://www.unicef.org/es/coronavirus/covid-19>

Everything you need to know about the virus to protect yourself and your family.



ELAC

COVID-19 Observatory in Latin America and the Caribbean

<https://www.cepal.org/es/temas/covid-19>

Observatory, which compiles and makes available both the public policies that the 33 countries of the Latin American and Caribbean region are taking to limit the impact of the COVID-19 pandemic, and the analysis of the economic and social impacts that these will have at the national and sectoral levels.

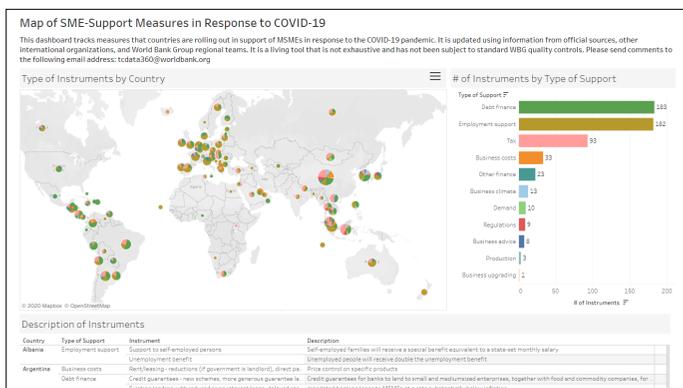


World Bank

Map of SME-Support Measures in Response to COVID-19

https://dataviz.worldbank.org/views/SME-COVID19/Overview?:embed=y&isGuestRedirectFromVizportal=y&:display_count=n&:showAppBanner=false&:origin=viz_share_link&:showVizHome=n

The World Bank designs a map of support measures for SMEs in response to COVID-19 and type of instruments per country.



IFPRI

Blogs: COVID-19

<https://www.ifpri.org/landing/covid-19-blog-landing-page>

Series of analyses on the impact of COVID-19 on food supply chains in developing countries.



United Nations

Coronavirus Disease (COVID-19)

<https://www.un.org/es/coronavirus>

The United Nations is stepping up its fight against the proliferation of false information about the virus. "We are not only fighting an epidemic, but also an infodemic," said Tedros Adhanom Ghebreyesus, WHO Director-General.

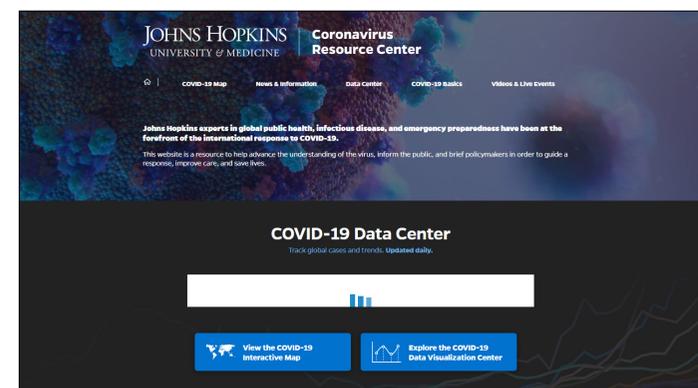


Johns Hopkins University

COVID-19 Data Center

https://coronavirus.jhu.edu/?utm_source=jhu_properties&utm_medium=dig_link&utm_content=ow_jhuhomepage&utm_campaign=jh20

Database with inputs, analyses, and computer graphics on the pandemic.



6. Key messages



- So far, there is no evidence of a shortage in the region.
- Despite this, countries mention a wide variety of problems related to food supply due to the restrictive measures imposed.
- Countries have not yet indicated a problem of food security due to slowdown and unemployment, but a problem of demand is mentioned, due to the limitations of consumers to access markets and supermarkets.
- Even so, signs of a recession are beginning to appear, which will have a strong impact on the region.
- The fall in international commodity prices is one of the main consequences of this future recession.
- A devaluation of Latin American currencies has been observed for some time now, due to the drop in oil prices, which has revalued the dollar.
- The countries' response has been mainly focused on solving short-term problems related to restrictions on people's mobility.
- At the sub-regional level, various country groupings have responded immediately to food transport problems and have committed themselves to monitoring food security developments.

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