Commission Implementing Regulation (EU) 2020/593 of 30 April 2020 authorising agreements and decisions on market stabilisation measures in the potatoes sector

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THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) No 1308/2013 of the European Parliament and of the Council of 17 December 2013 establishing a common organisation of the markets in agricultural products and repealing Council Regulations (EEC) No 922/72, (EEC) No 234/79, (EC) No 1037/2001 and (EC) No 1234/2007[(1)], and in particular Article 222 thereof,

Whereas:

(1) The potatoes sector can be divided into fresh potatoes, which are mainly purchased for home consumption, and potatoes for processing, which are used in animal feed and processed food products, such as frozen potatoes (including frozen chips), dried potatoes, prepared or preserved potatoes.

(2) The Union production of potatoes amounts to approximately 52 million tonnes, of which 19,5 million tonnes correspond to potatoes for processing. The biggest Union producers of potatoes for processing are Belgium, Germany, France, Italy and the Netherlands. The production of frozen chips is estimated to cover approximately 41 % of the production of potatoes for processing.

(3) The Union is a net exporter of processed potatoes. On average, over the last 5 years, an equivalent of at least 4 million tonnes of potatoes for processing is estimated to be exported from Belgium, Germany, France, Italy and the Netherlands to third countries in the form of processed potato products. Exports of frozen potatoes and, in particular, frozen chips, are particularly significant under normal market conditions: 64 % of frozen potatoes exported worldwide come from the Union and the value of exports of frozen chips from the Union to third countries was estimated at EUR 1,85 billion in 2019.

(4) Due to the current pandemic of COVID-19 and the extensive movement restrictions on persons put in place in the Member States, producers of potatoes for processing are experiencing economic disruption that is leading to financial difficulties and cash-flow problems.

(5) The spread of the disease and the measures in place limit the availability of labour, compromising notably the stages of production, processing and transport of potatoes for processing.

(6) The mandatory closure of restaurants and other hospitality establishments such as school and work canteens, as well as the cancellation of sporting and entertainment events, such as cultural and open air festivals, sports tournaments, in the Union and in third countries, has also brought the operation of the hospitality and catering to a halt, leading to significant changes in demand patterns for potato products. As consumers are no longer eating out or buying fast food to a significant extent, consumer demand has shifted towards fresh potatoes for home cooking. Moreover, while consumers have increased their consumption of certain processed potato products, such as crisps and dried puree, this cannot compensate for the drop in demand in the hospitality and catering industry.

(7) In addition, buyers in the Union and on the world market are cancelling contracts and delaying the conclusion of new ones in anticipation of further price falls. Moreover, exports are affected by logistical challenges, as the start of the pandemic of COVID-19 in China has led to significant port congestion there and elsewhere. The period of increased blank sailings is expected to continue at least until June 2020, leading to containers being scarcer, in particular the ones for fresh and frozen goods, rates increasing significantly and exporters seeing their shipments postponed. Since the fourth week of March 2020, Union producers of potatoes for processing have reported decreased number of transactions between Member States in a range of 25 to 47 % and for exports to third countries in a range of 30 to 65 %.

(8) As a result, while demand for fresh potatoes has, at this stage, increased, there has been a sharp drop in demand for potatoes for processing with an immediate and severe impact on the market. The sharp drop in demand concerns in particular, but is not limited to, potatoes for processing used in frozen chips, other cut potatoes and vacuum-packed products, which are normally consumed in fast food outlets and in restaurants. Due to the different characteristics of fresh potatoes and potatoes for processing, potatoes for transformation cannot be sold in the market for fresh potatoes. As a result, as there are no trades, prices on the markets for futures have dropped significantly and have been reported to be 90 % lower in April 2020 compared to quotes in January 2020. As a consequence of the halt of trades, in some producer Member States such as Belgium and France, there are no longer any price quotations for certain potatoes for processing, which is a sign of acute drop in the volume and value of transactions. In other Member States, such as Germany and the Netherlands, price decreases of 90 % for potatoes for processing have been reported.

(9) In addition, there are currently large volumes of potatoes for processing in storage. It is estimated that at least 2 650 000 tonnes of potatoes for processing (value of EUR 400 million) from the 2019 campaign will still be in storage by the end of the 2020 campaign in July 2020. The potatoes for processing that were harvested in October/November 2019 and are still in storage, will soon become unfit for any use because of the deterioration in their quality. In order to make room for the potatoes for processing from the 2020 campaign, producers will need to destroy the part of the remaining stocks that cannot be processed in time. As producers will have to pay transport and destruction costs to destroy the production, there is a risk that potatoes for processing will instead be

spread out on fields, as a solution of last resort. The spread of potatoes for processing on fields will create a risk of long-lasting environmental and phytosanitary consequences, because those potatoes will germinate on top of subsequent crops and could develop diseases that could cause long lasting soil contamination and durably jeopardise new plantations.

(10) The above circumstances lead to a qualification of these events as a period of severe market imbalance.

(11) In order to help producers of potatoes find a balance in this period of severe market imbalance, it is appropriate to allow for agreements and decisions of farmers, farmers' associations or associations of such associations, or recognised producer organisations, recognised producer organisations, associations of recognised producer organisations and recognised interbranch organisations concerning potatoes for processing on a temporary basis for a period of 6 months. These measures include: (i) market withdrawals and free distribution; (ii) transformation and processing; (iii) storage; (iv) joint promotion; and (v) temporary planning of production.

(12) Such agreements and decisions concerning potatoes for processing could include: (i) withdrawing potatoes from the market for orderly product destruction or for free distribution to food banks or to public institutions; (ii) processing potatoes for other purposes such as animal feed, production for methanisation; (iii) creating and finding storage capacities and preparing potatoes for longer storage periods; (iv) promoting the consumption of processed potatoes products; and (v) planning measures to reduce volumes for future plantations and adjusting existing contracts for potatoes from the 2020 campaign.

(13) Any agreement or decision concerning potatoes for processing should be temporarily authorised for a period of 6 months. As this is the period when existing stocks of potatoes from the 2019 campaign have to be managed and the potatoes from the 2020 campaign will be harvested as of this summer, this is the period in which the measures are expected to have the most significant impact.

(14) In accordance with the first subparagraph of Article 222(1) of Regulation (EU) No 1308/2013, an authorisation is to be given, if it does not impair the functioning of the internal market and that the agreements and decisions strictly aim at stabilising the sector. These specific conditions exclude agreements and decisions that directly or indirectly lead to partitioning markets, to discrimination based on nationality or to fixing prices. If the agreements and decisions do not fulfil these conditions, or no longer fulfil these conditions, Article 101(1) of the Treaty applies to these agreements and decisions.

(15) The authorisation provided for in this Regulation should cover the Union territory given that the severe market imbalance is common to the whole Union.

(16) In order for the Member States to be in a position to assess whether agreements and decisions concerning potatoes for processing do not undermine the functioning of the internal market and strictly aim to stabilise the potatoes sector, information should be provided to the competent authorities of the Member State, including the competition authorities of that state, having the highest share of estimated volume of production of