



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

Bulletin 1

23/04/2020

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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 government, the private sector and civil society with useful information and resources to support the design and implementation of actions to combat the effects of the pandemic in Latin America and the Caribbean. The resources and information contained in the bulletin are provided by FAO, as well as 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 regard, and it is hoped that other multilateral organizations will contribute to 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



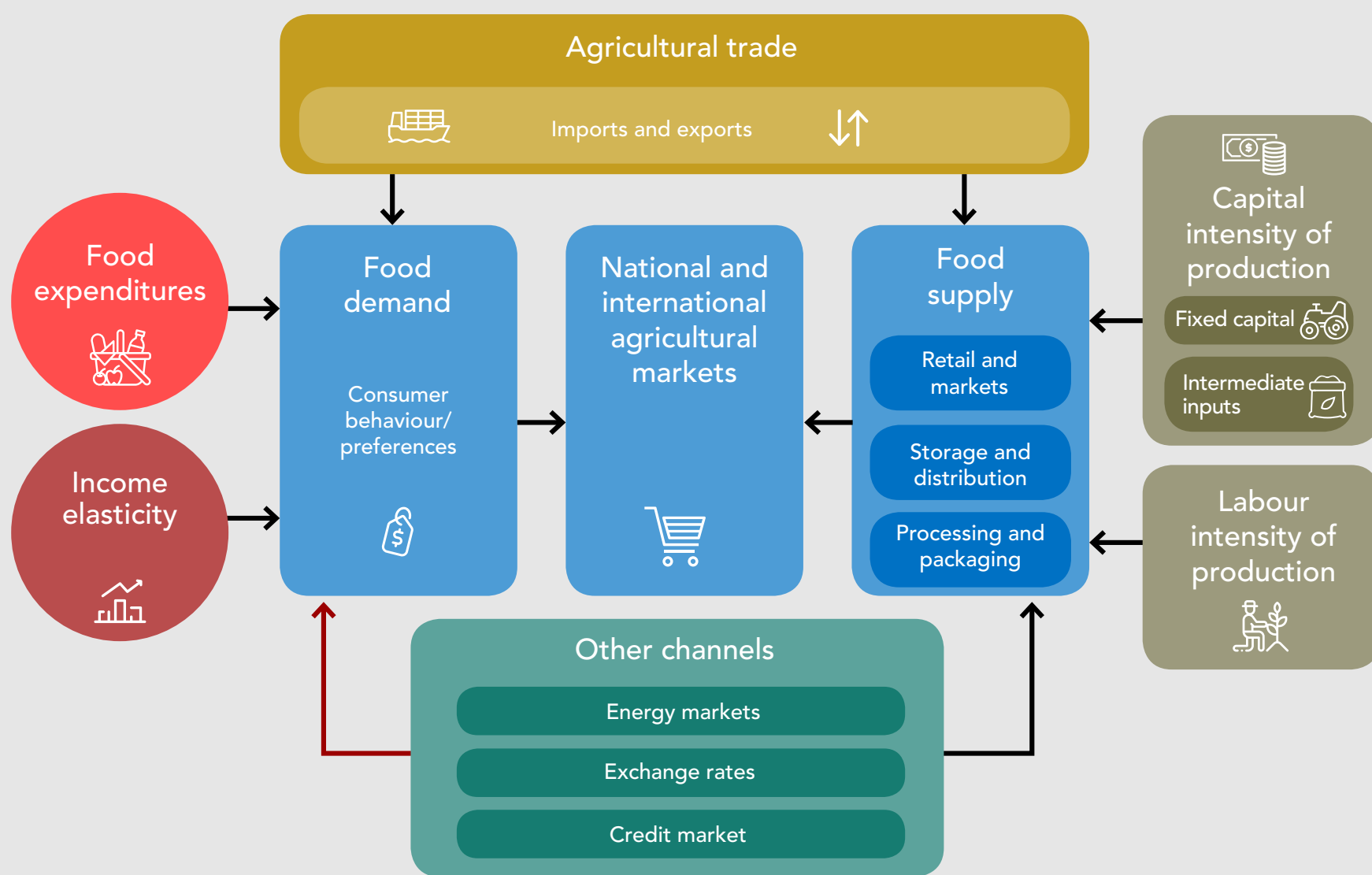
This document is an attempt by FAO to analyse the effects of the COVID-19 pandemic on agricultural markets effects that are still largely unknown. Information sent by FAO national offices in Latin America and the Caribbean (LAC)¹ Latin was analysed and classified according to the methodological framework for food systems proposed in *Channels of Transmission for Food and Agriculture* (Schmidhuber, Pound and Qiao, 2020), as shown in Figure 1.

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, there are widely different views on the duration of the impact, price dynamics, differential impacts between domestic and international markets, differences 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 will slowdown, 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



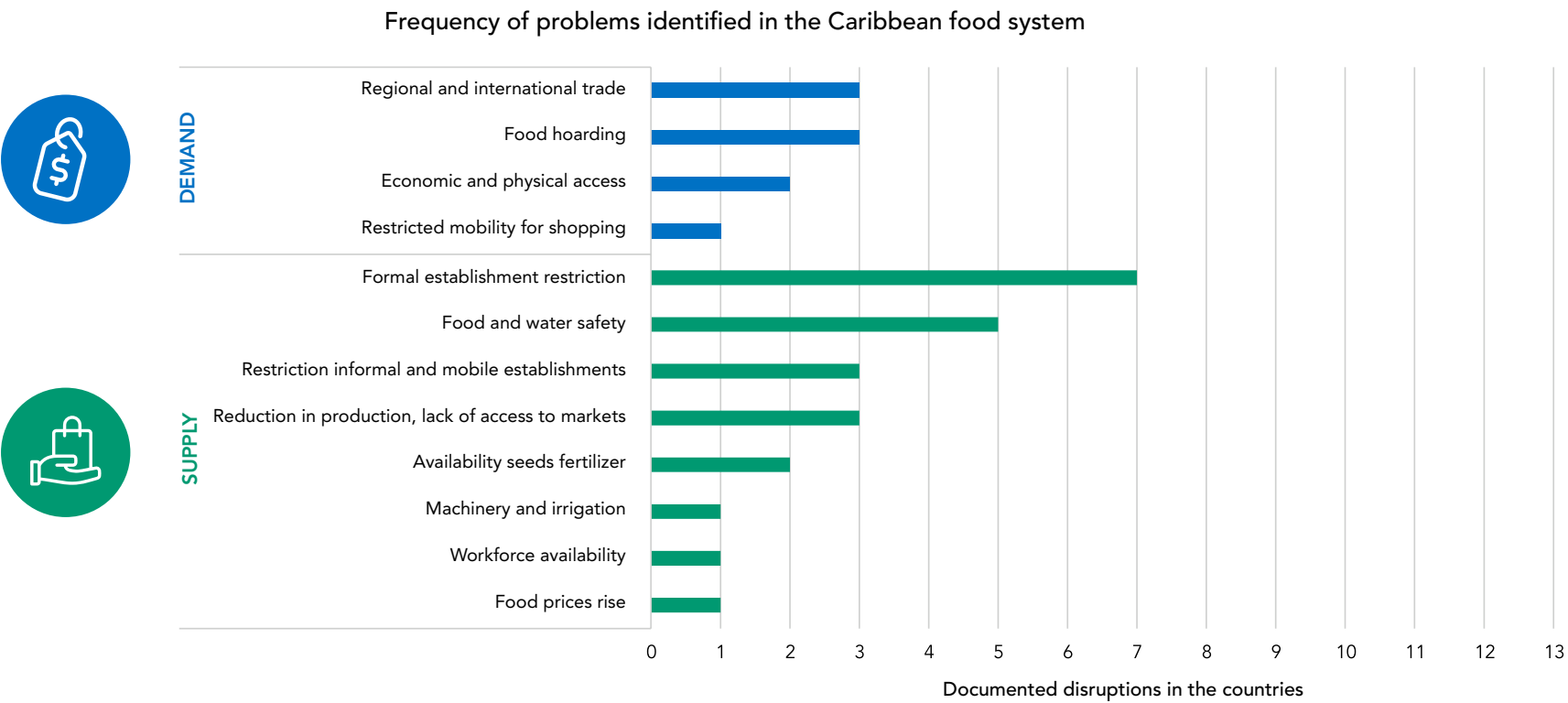
Source: FAO, from Schmidhuber, J., Pound, J. & Qiao, B. 2020. COVID-19: *Channels of transmission to food and agriculture*. Rome, FAO.

The findings were organized around the main problems that countries are facing related to the impact of COVID-19, on food systems and grouped by impact on 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 Through information sent by 33 National Offices, FAO identified the main consequences and measures taken by countries at the end of March. These data were complemented by secondary information obtained through the press and official websites of governments, ministries and international organizations.

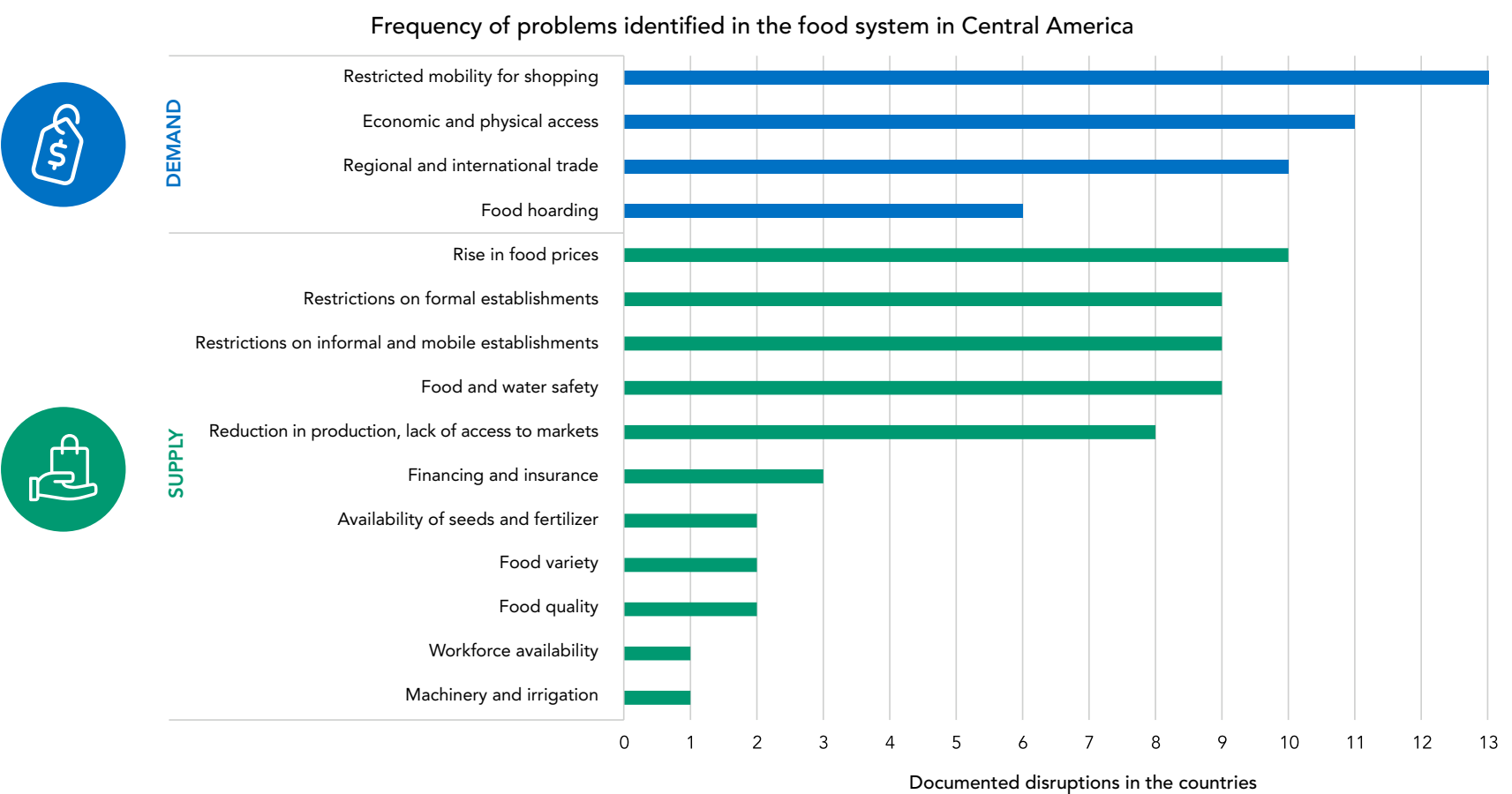
Figure 2 shows identified by FAO National Offices in the Caribbean were related mainly to issues of supply rather than demand, linked to their dependence on food imports, unlike Central and South America. Many countries were affected by problems of food availability in formal and informal markets, such as those reported by Grenada, evidenced by supply difficulties in supermarkets and informal markets at the beginning of the crisis. Most of these problems have already been addressed by the countries.

Figure 2/ Problems identified in the Caribbean food system caused by COVID-19



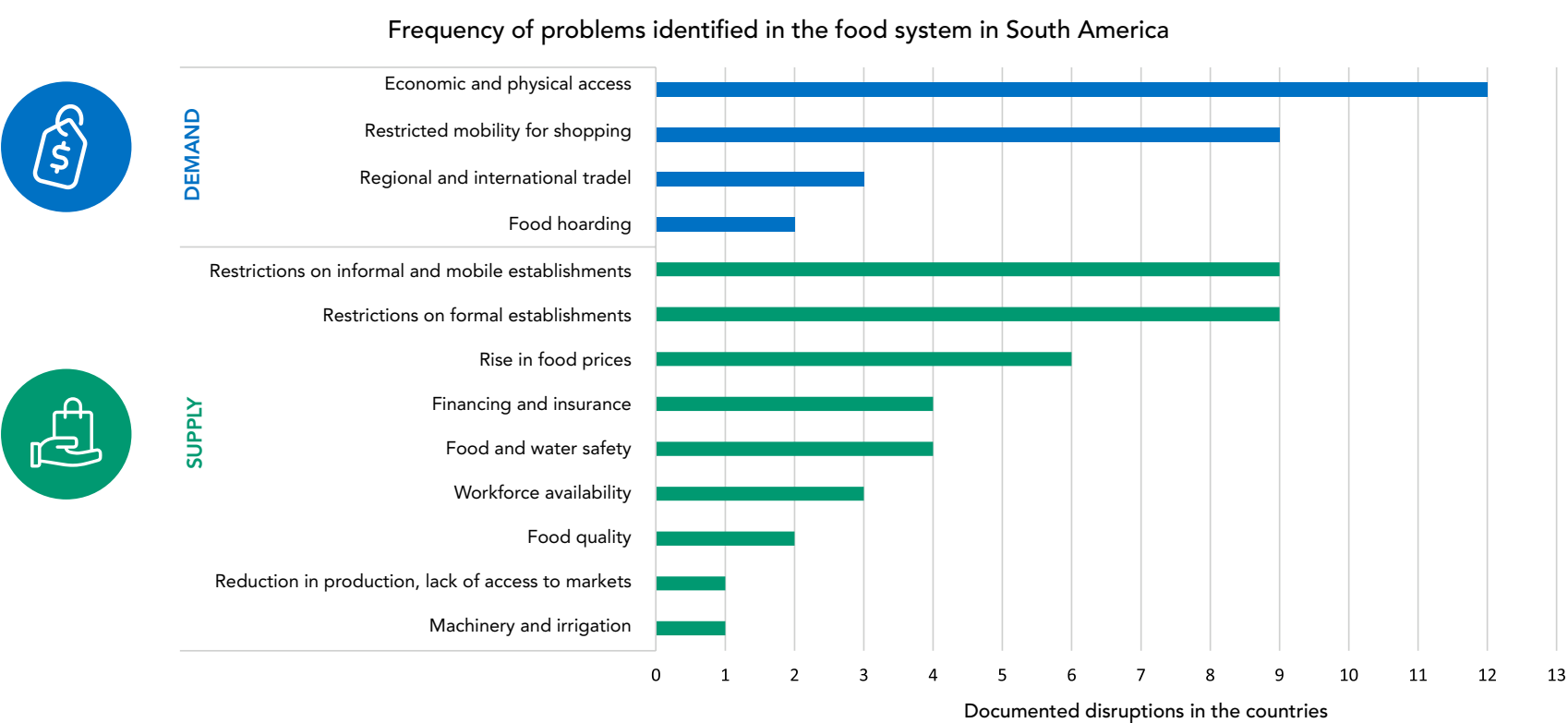
In Central America, a number of different problems were identified, as shown in Figure 3. These were not related to stock but rather to difficulties in the availability of that supply. The principle problem is price, as international prices have fallen for certain products, while domestic prices in some countries, such as Haitim have seen the prices of basic foods rise substantially (Simon, 2020).

Figure 3/ Problems identified in the Central American food system caused by COVID-19



In regard to problems associated with demand, the food access system presented a number of issues. For example, Guatemala², reported a considerable decrease in transport to acquire and purchase food.

Figure 4/ Problems identified in the South American food system caused by COVID-19



As in the rest of the region, South American countries mentioned more problems linked to supply than demand. 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 the Plurinational State of Bolivia, where merchants lack access to marketplaces³, while coping with the closure of their premises. In Paraguay⁴, the general isolation of the population has made access to food impossible.

Demand-side problems, on the other hand, are linked mainly to access to food, for example through school and community feeding programmes. In Brazil⁵ the suspension of classes disrupted the delivery of food. This problem has arisen in most of the countries in the region, and has been addressed by the majority.

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

² The information was acquired from telephone interviews.
³ <https://permiso.agetic.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 LAC countries

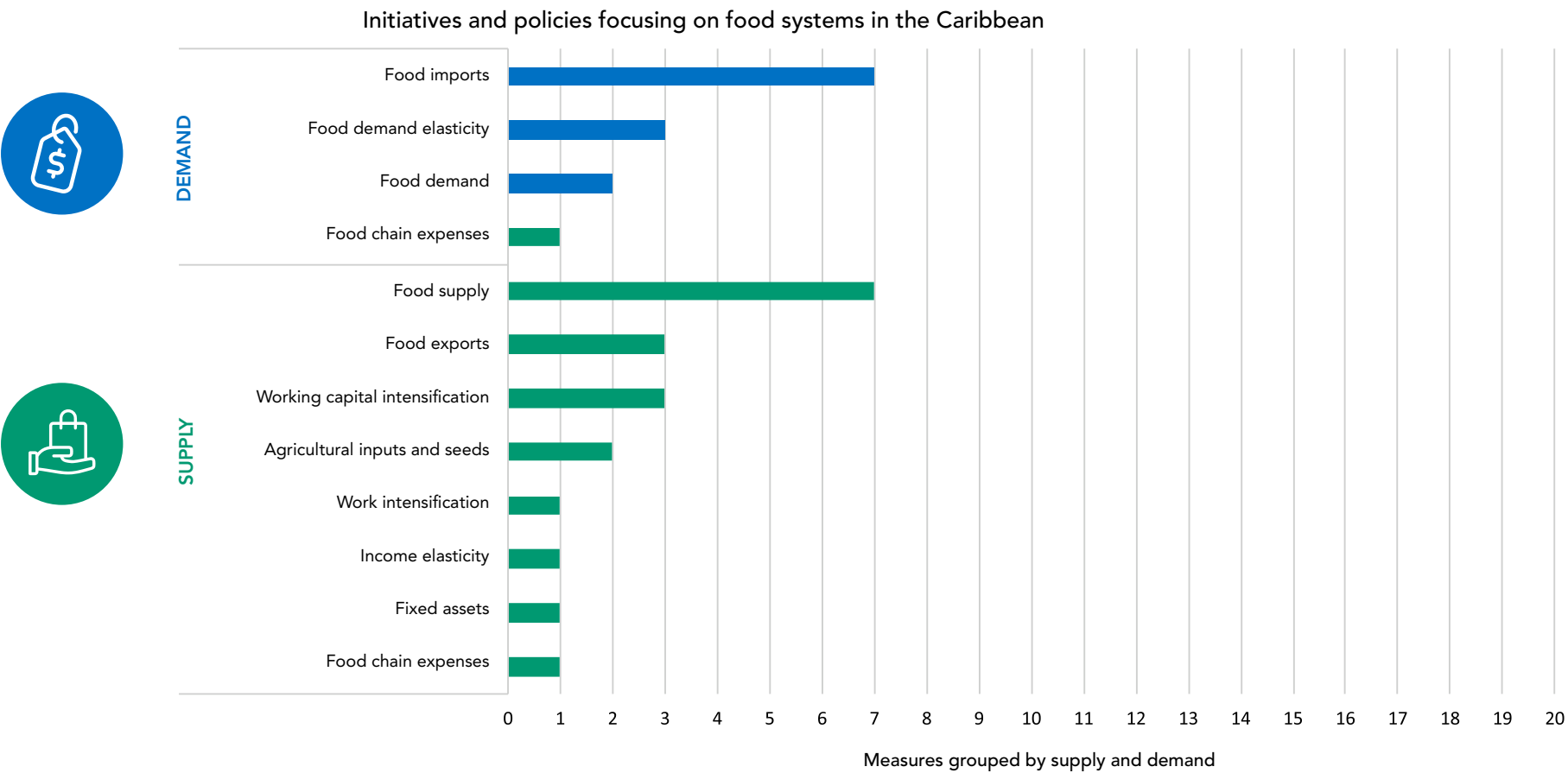


Analysis of the survey carried out in FAO National Offices identified the main measures implemented in LAC countries to minimize the impacts of the COVID-19 pandemic on food systems. These measures were complemented by secondary information (press articles or ministerial instructions), which give an account of national measures or coordination between countries (CAS, MERCOSUR, CARICOM, etc.).

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



Figure 5/ Initiatives and policies implemented in the Caribbean to mitigate the effects of COVID-19



Policies and proposals related to mitigating the impact on food demand are mentioned less compared to those developed around supply. The former target improvements in household food access, either by strengthening imports or by improving food availability for households. For example, in Jamaica⁶ measures worked to ensure food availability for quarantined communities.

The main measures used to address the food problem are associated with supply, as highlighted by 7 of the 11 Caribbean countries. A common measure in Caribbean food systems has been the intensification of field production, implementing "boosts" by the injection of working capital, availability of inputs, fertilizers and agricultural seeds, through 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>

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

Conversely, policies related to demand-side impacts, these are linked mainly additional investments in the food chain. For instance, in Mexico⁸, interventions in the value chain in the form of sanitation protocols improved the quality and safety of food.

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

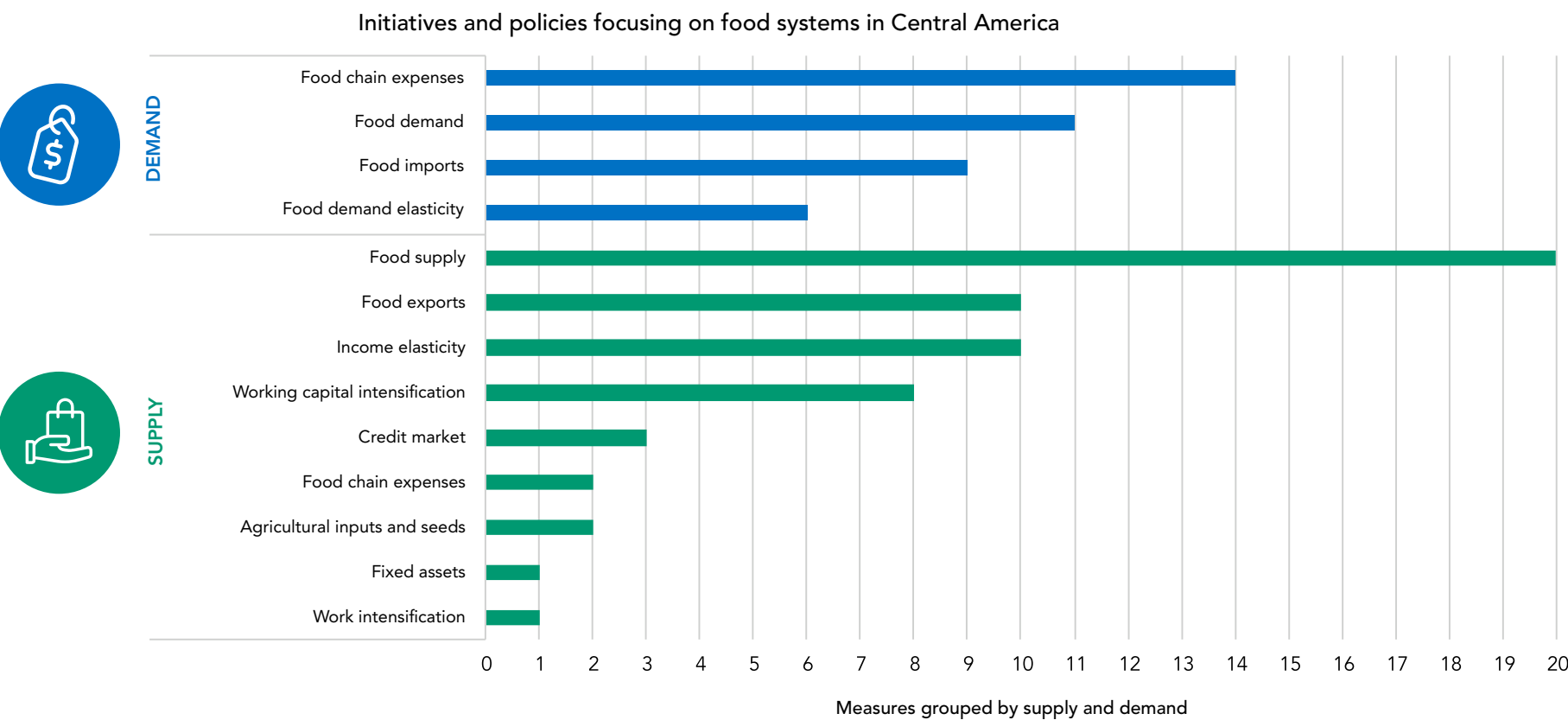
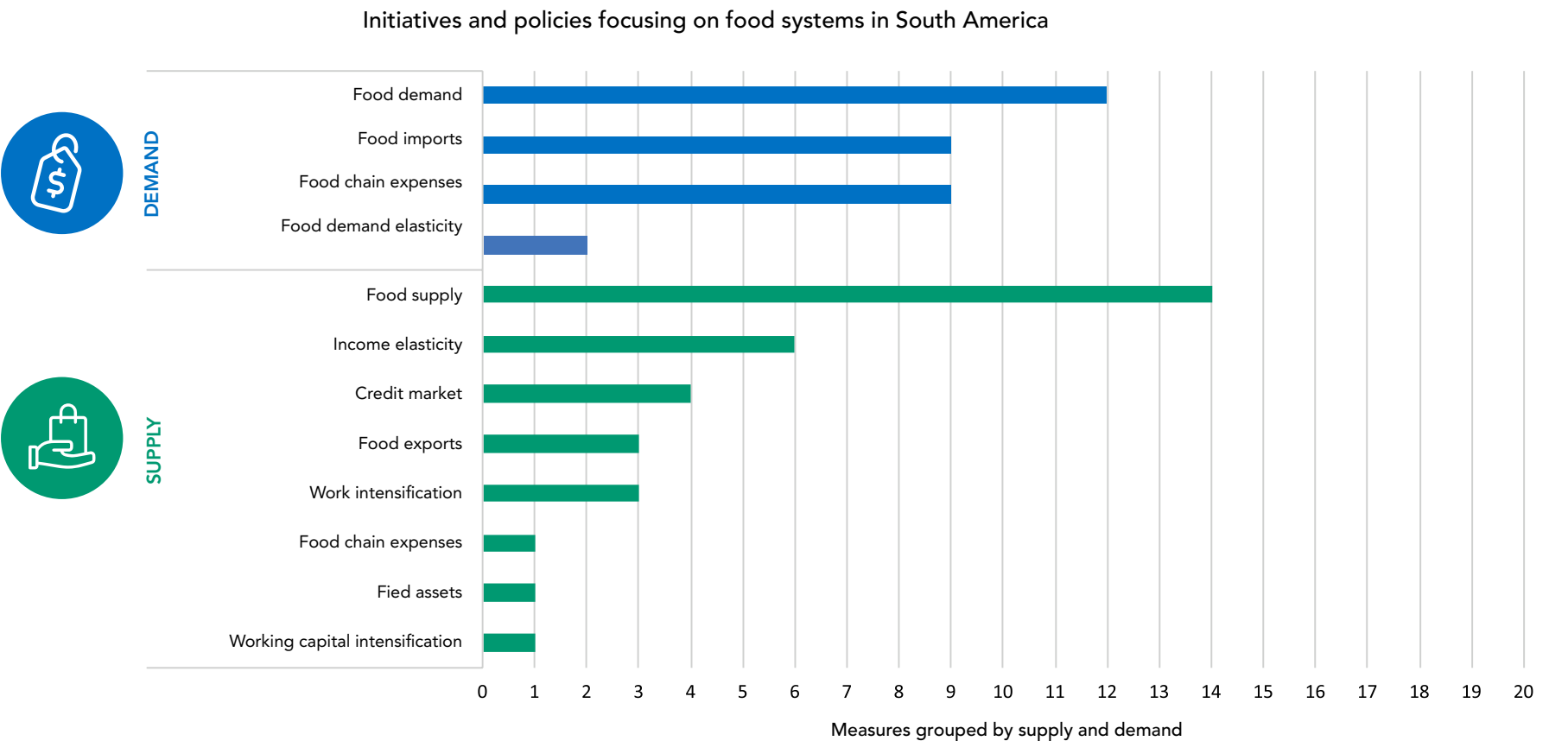


Figure 7/ Initiatives and policies implemented in South America to mitigate the effects of COVID-19



⁷ www.panamasolidario.gob.pa

⁸ www.gob.mx/agricultura

As in Central America, South American countries have shown a greater variety of policies that seek to curb the negative impact of COVID-19. These include policies related to food supply and imports, such as the one implemented in Chile to guarantee delivery of a basic food kit for the most vulnerable families, following discussions with FAO. In terms of demand, however, South American countries favour policies, such as greater flexibility for credit payments, as in the case of Uruguay, to increase the flow of capital for food purchases.

In addition to measures taken at the national level, some groups of countries have implemented initiatives to address the impacts of COVID-19 in a coordinated manner. Table 1 presents the most notable of these initiatives.

Table 1/ Policies implemented at the sub-regional level

Grouping	Countries	Measures
Mercosur + CAS	Argentina, Bolivarian Republic of Venezuela, Brazil, Chile, Paraguay, Peru, Plurinational State of Bolivia, and Uruguay.	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	Antigua and Barbuda, the Bahamas, Barbados, Belize, Plurinational State of Bolivia, Brazil, Chile, Costa Rica, Dominica, Dominican Republic, Ecuador, El Salvador, Grenada, Guatemala, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Bolivarian Republic of Venezuela, Saint Kitts and Nevis, Saint 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 of measures they had taken to ensure the supply of sufficient, safe and nutritious food.
SICA	Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panam, followed later by Belize, and the Dominican Republic.	Recommendations related to food and nutritional security, such as monitoring indicators for the most vulnerable families, activation of 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



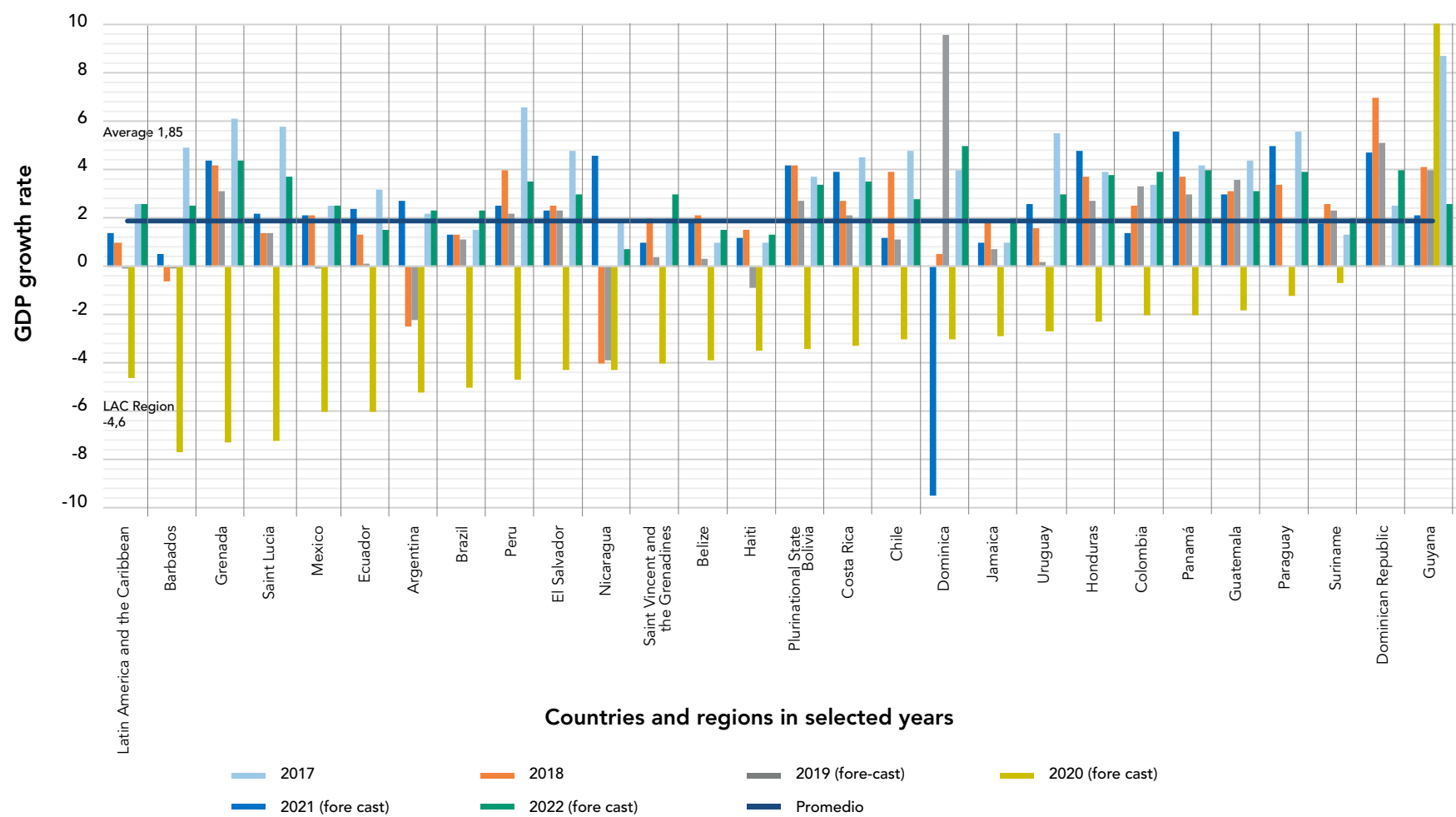
An analysis of macroeconomic and sectoral information has been carried out to complement data collected at the national level.

As shown in Figure 8, COVID-19 could trigger the predicted economic recession in the LAC region. Low GDP growth rates were observed five years ago, and 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 a contraction in economies.

Tourism and travel, prices – the main regional exports – are the principal sectors vulnerable to this drop across the region.

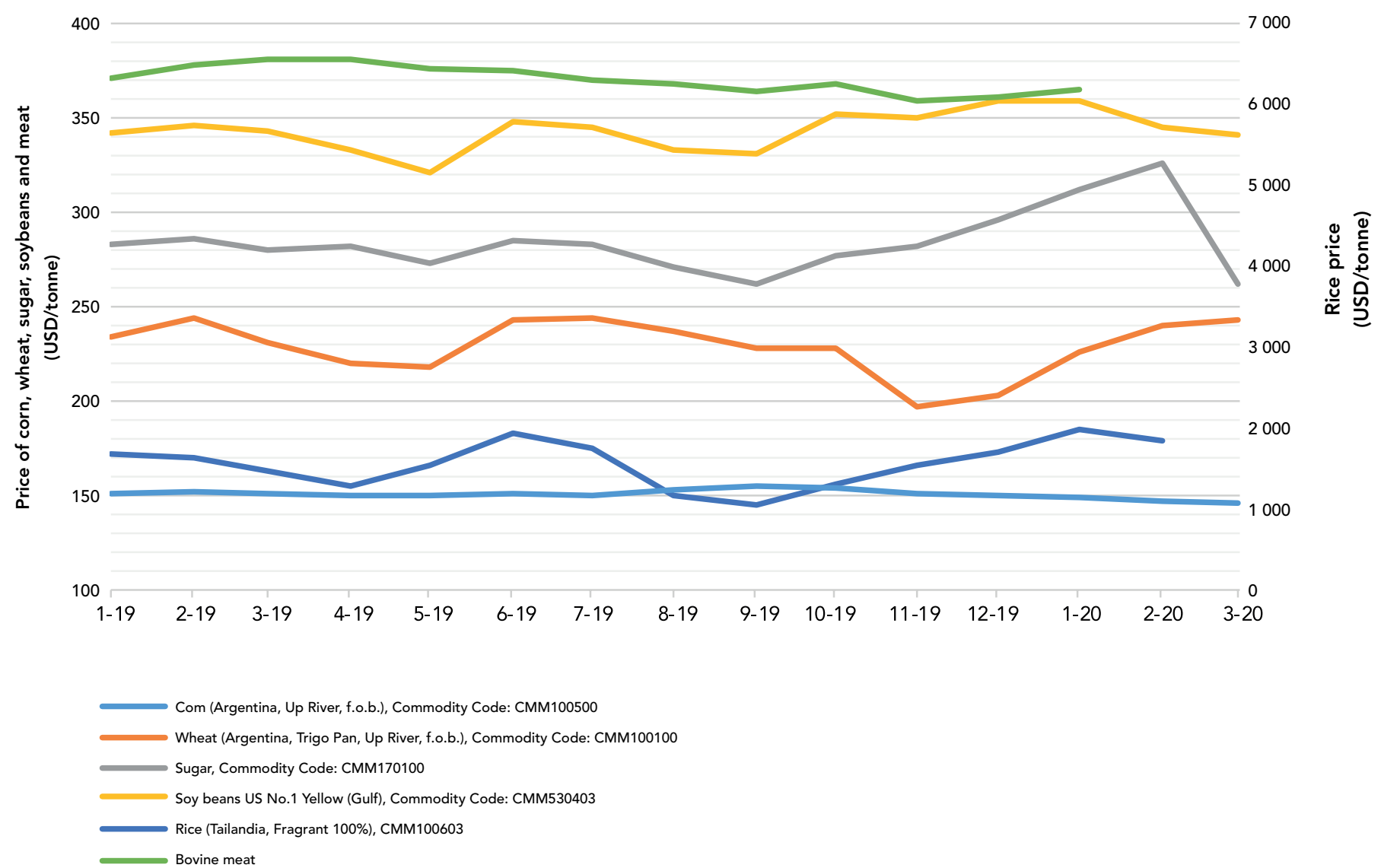
Figure 9 shows declines in food prices in March 2020 and prices on the World Commodity Exchanges.

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



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

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

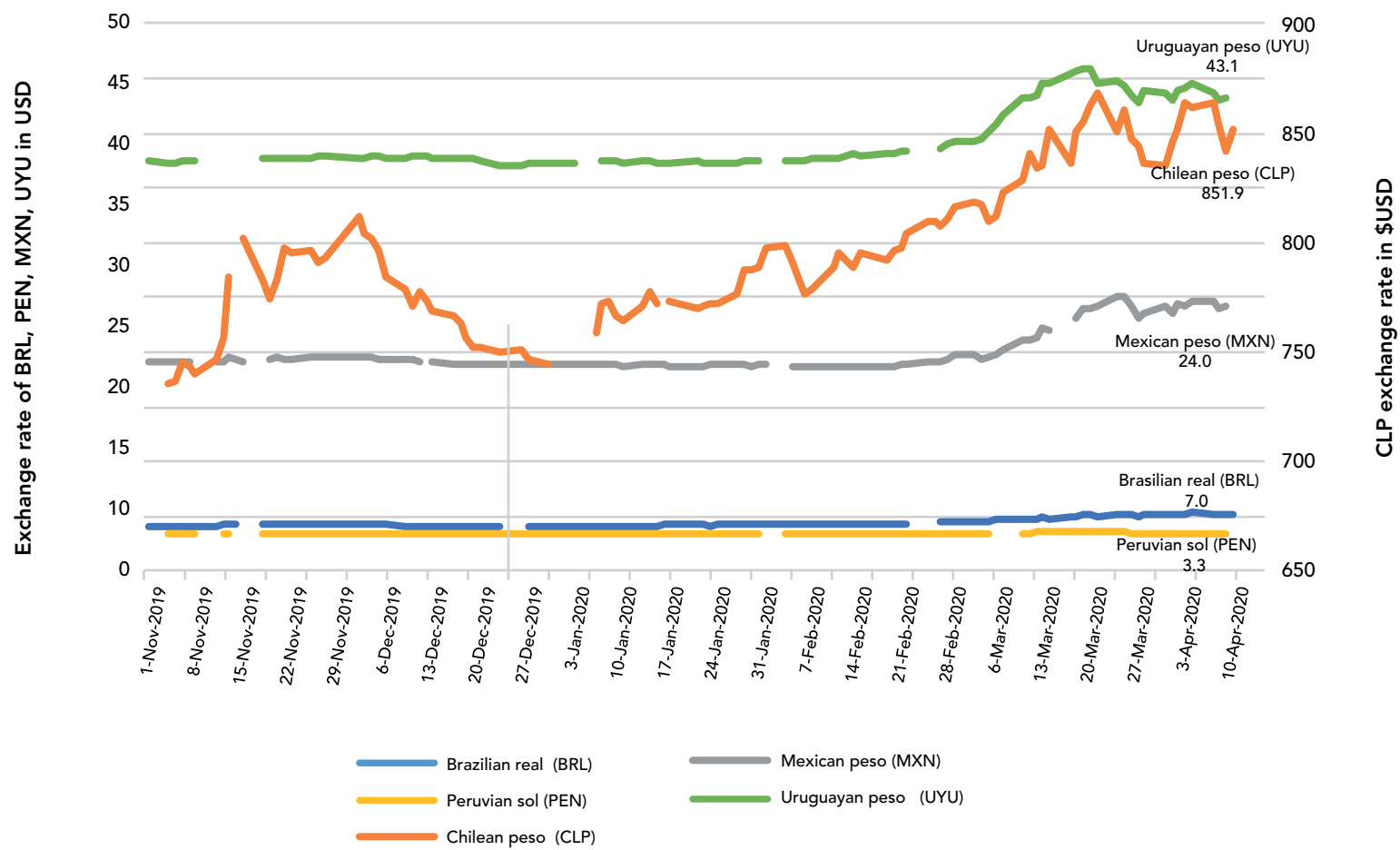


Source: Prepared by the authors based on FAO (2020). Food Price Monitoring and Analysis FPMA Tool 2020 and AMIS (2020).

As shown in Figure 9, the FAO Food Price Index has registered a change of -4.3% since February, caused mostly by the contraction in demand, influenced by preparations for the expected recession. The biggest drop is observed in sugar prices (-19.1%), due to lower demand from ethanol producers, as a result of the drop in oil prices, and household budget restrictions for eating out. Wheat and corn prices dropped slightly, as a result of large supply due to good harvests and declining demand. Rice was the only product to increase in price, as uncertainties spread about a possible, but rejected, restriction on rice exports by the main Viet Nam leading to large purchases for supply domestic stocks.

Latin American currencies on the other hand, have 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



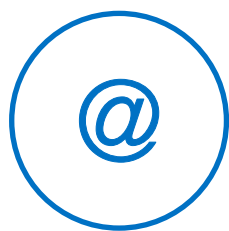
Source: FAO, based on IMF (2020).

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 the Russian Federation. 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, with imports from the region 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 indicate the existence of large stocks of grains and meat, thanks to large harvests in Argentina and Brazil. These countries show no signs of shortages, so no dramatic increases in the domestic prices of agricultural products are expected, as shown in the database of national agencies⁹.

⁹ ODEPA, Chile; MAGYP, Argentina; CONAB, Brazil; INE the Plurinational State of Bolivia; INE Peru; DGE Paraguay.

5. Resources



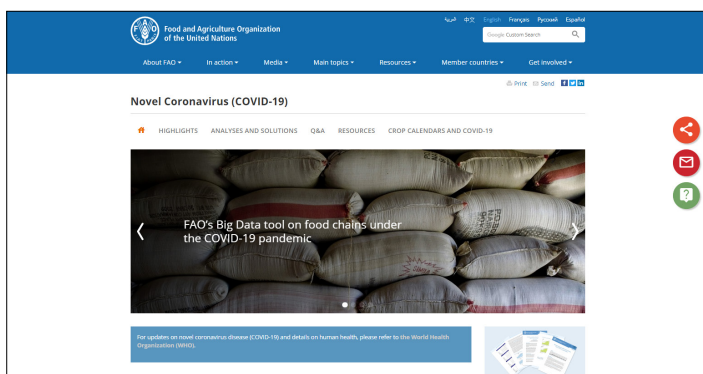
A huge effort has been made by United Nations agencies and other international organizations to understand the effects and impacts of the pandemic in the region, in addition to promoting measures to provide instrumental support to the countries. Some of these efforts are featured below, which are very 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)

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

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 countries, FAO in Latin America and the Caribbean will coordinate and conduct a series of webinar discussions on the impacts of COVID-19 on the agrifood system.

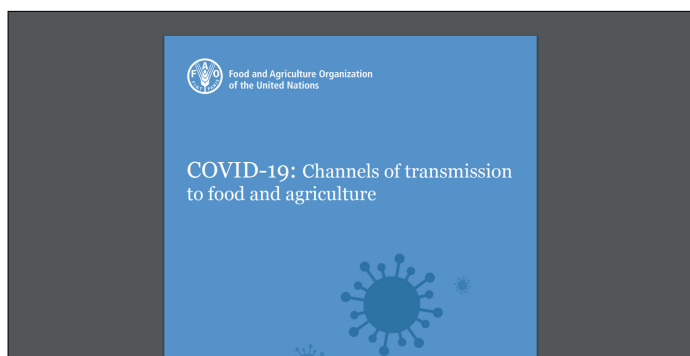


FAO

Channels of Transmission for Food and Agriculture

www.fao.org/3/ca8430en/CA8430EN.pdf

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

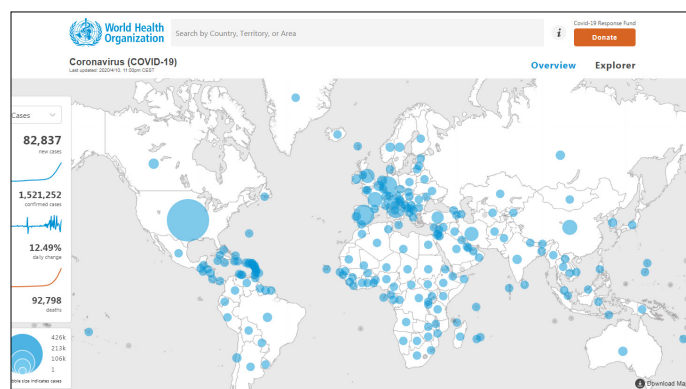


OMS

Coronavirus (COVID-19)

<http://who.sprinklr.com>

This map shows the geographical evolution over time of the number of people infected by the COVID-19 virus.



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

This website provides up-to-date estimates on COVID-19 and employment at the global level.

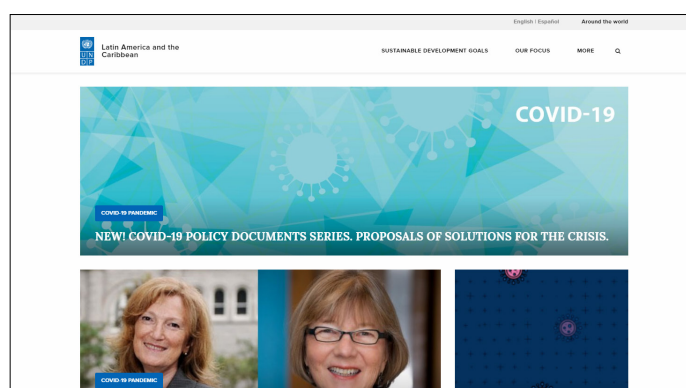


UNDP

-19: Public Utility Document Series

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 health crisis and its economic and social effects on societies.

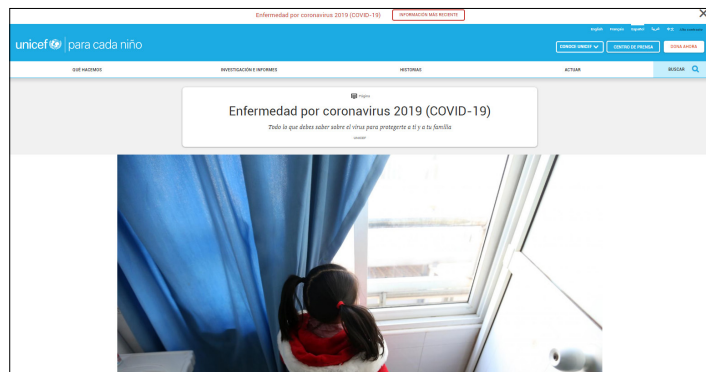


UNICEF

Coronavirus disease 2019 (COVID-19)

www.unicef.org/es/coronavirus/covid-19

This website provides everything you need to know about the virus to protect yourself and your family.



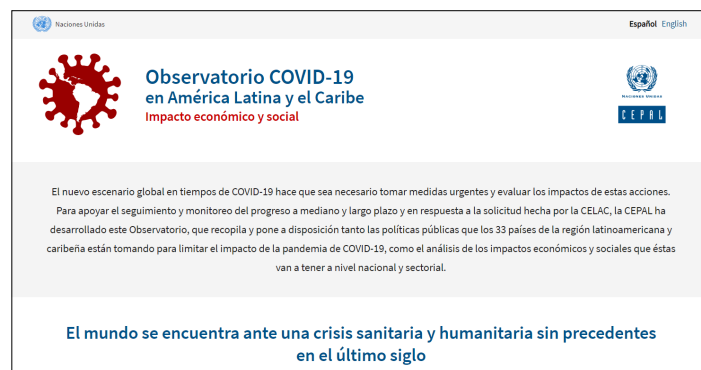
ELAC

COVID-19 Observatory in Latin America and the Caribbean

Economic and Social Impact

www.cepal.org/es/temas/covid-19

The Observatory compiles and makes available public policies that the 33 countries of the Latin American and Caribbean region are implementing to limit the impact of the COVID-19 pandemic, and analyses of economic and social impacts at national and sectoral levels.

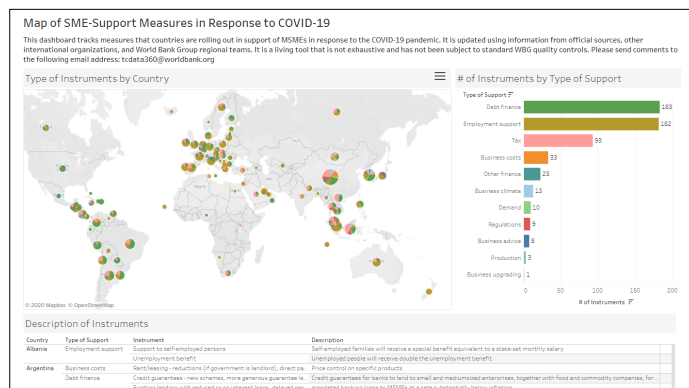


World Bank

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

This World Bank map presents support measures for SMEs in response to COVID-19 and types of instruments by country.



IFPRI

Blogs: COVID-19

www.ifpri.org/landing/covid-19-blog-landing-page

This blog presents a series analyses on the impact of COVID-19 on food supply chains in developing countries.



United Nations

Coronavirus Disease (COVID-19)

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.

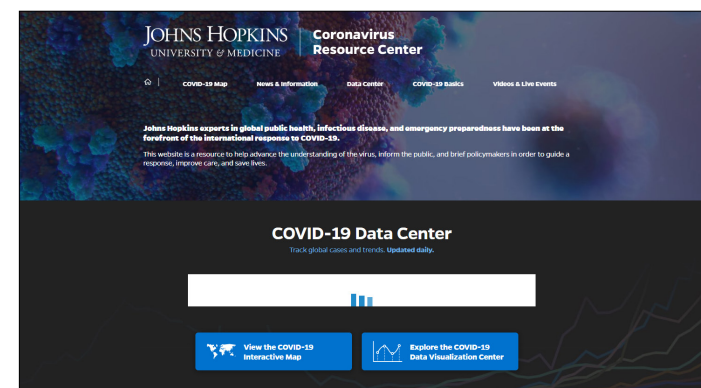


Johns Hopkins University

COVID-19 Data Center

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

This database provides inputs, analyses and computer graphics on the pandemic.



6. Key messages

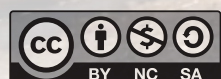


- To date, there is no evidence of a food shortage in the region.
- However, countries have mentioned a wide variety of problems related to food supply linked to the recent restrictions.
- Countries have not yet affirmed the existence of food security issues linked to the economic slowdown and unemployment, but have cited issues related to demand related to consumer difficulties in accessing markets and supermarkets.
- However, signs of a recession are beginning to appear, which will likely have a strong impact on the region.
- The fall in international commodity prices will be one of the main consequences of this recession.
- The drop in oil prices has provoked a devaluation of Latin American currencies, and a revaluation of the dollar.
- Countries' responses have been focused mainly on solving short-term problems related to restrictions on people's mobility.
- At the sub-regional level, various countries have responded immediately to food transport problems and have committed themselves to monitoring food security developments.

7. References



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FAO and ECLAC. 2020. *Analysis and responses of Latin America and the Caribbean to the effects of COVID-19 on food systems*. Bulletin no. 1. Santiago, FAO. <https://doi.org/10.4060/ca8677en>

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