



Food supply during the economic and social situation caused by the coronavirus (COVID-19)

The epidemic threat of novel coronavirus (2019-nCoV) caused new hygiene and health regulations by the mid of March in 2020 (date of the article 25th of March). This brought a change in the balance of food supply and demand in Hungary too. Those children, parents and the groups that most exposed to the disease are forced into their homes, and the restaurants, tourism services that are forced to be closed must use new supply channels. The slowdown of the traditional food chains and the obstruction of the availability of products (the slowdown of the supply of Italian, Spanish, North-African, Chinese products is experienced in Europe) incite a part of the consumers to choose local resources, because its supply and quality is guaranteed. However, the dismantling of social relations means the closure and the suspense of traditional food supply chains (such as markets, restaurants and public catering) which causes serious challenges for every member of the chain.

By the end of March producers will have to face more difficulties. Narrowing of sales channels causes problems with the sales issues, but it is important to keep in mind that the workforce needed for harvest is missing, the supply of the essential tools of agricultural machines is stagnated, and the input materials which come through the global chain are running out in the storages. Another serious problem connected to social field is there too: 31% of the producers are older than 65 years old. The harvest of the first vegetables in spring has already started and first strawberries are also coming. The trapping of Easter lamb causes major problems in animal husbandry (the Italian export has nearly stopped) and we still must struggle with the African swine fever. So, it is getting more and more important to find solutions to the national food supply. Citing Rastoin's (2020¹) words: there are two solutions of the current food supply crisis: one of them is the reterritorialization of the food chain, prefer local materials instead of global chain, the other important move is to strengthen the solidarity of consumers. European researchers of food security talk about finding a way back to locality, strengthening the local products and the direct sales which can be an escape route.

In the following short analysis, we would like to present how the local supply systems can work in this crisis and how we can make it more efficient. The aim is to grant for Hungarian consumers fresh, good quality Hungarian products, and help the producers, members of the local food chain to be able to survive the economic recession. In the study we mainly talk

¹ MProvenve Riport 2020.03.27.

https://www.facebook.com/mprovenve13/videos/861810294245846/UzpfSTE3NzIzMzIzMzc6Vks6MzgwMDc5MDAxOTk2MzUwMw/?multi_permaLinks=3800790019963503¬if_id=1585297608038299¬if_t=group_activity

about the possibilities of those small farms that produce into domestic food chains. It is important to note that at the time of the analysis a curfew has not yet entered into force.

Short food supply chains (SFSC) and Food Sovereignty, the importance of local food systems

In the European Union development of local economy, of solving social, environmental problems have gradually become the driving forces of processes. This includes programs for supporting the development of small farms and local communities. Those small farms that produce local products are incite the use of local economic and social resources, the sustainable land use, the formation and development of community relations and the expansion of local livelihood opportunities.

The scale and location of local production means that the local producer considers the environmental sustainability, a protection of environment, because the producer lives there with their children, family and they also consume those products as member of that community. Diversity, the use of varieties is also serving the preservation of local values, but they help to adapt to climate change.

In the past years the emergence of niche market demands, and conscious consumer behavior have become a trend, and this helps the development of local actors. Those social enterprises that can respond to those demands prefer local resources, high-quality raw materials, the needs of the community. It means that they also prefer personality, loyalty, uniqueness, traditions, naturalness, cultural diversity and environmentally friendly production. EU has already recognized these positive effects; the 1st table shows the systematization.

1. Table The local food system's positive effects Source: EP 2013/2096 (INI)², COM (2013) 866 {SWD (2013) 501³, Régiók Bizottsága (2011/C 104/01),33.)⁴

| positive effect | Local food systems and small manufactories |
|-----------------|--|
| ECONOMIC | <ul style="list-style-type: none"> embody a social model of agricultural it is flexible and multifunctional support local economies (income is realized locally, it provides livelihood, gives job, tax revenues help local developments) foster self-employment and job creation grant traceability through direct and trust-based relations food self-sufficiency, self-determination, production diversity |
| SOCIAL | <ul style="list-style-type: none"> closer relation between the producers and consumers, personal contact supply of authentic, traditional, original, sustainable and seasonal local products strengthens the social cohesion and community spirit, and incite environment friendly behavior, active citizenship |
| ENVIRONMENTAL | <ul style="list-style-type: none"> production systems are more environmentally sustainable, externalities connected to transport are reduced (food transport routes) and it is possible to create the circular economy it can contribute to maintenance of biological diversity and the survival of endangered species and varieties |

² P7_TA(2014)0066 Mezőgazdasági kisvállalkozások. Az Európai Parlament 2014. február 4-i állásfoglalása a mezőgazdasági kisüzemek jövőjéről (2013/2096(INI)) (2017/C 093/08) [https://eur-lex.europa.eu/legal-content/HU/TXT/HTML/?uri=CELEX:52014IP0066\(01\)&from=EN](https://eur-lex.europa.eu/legal-content/HU/TXT/HTML/?uri=CELEX:52014IP0066(01)&from=EN)

³ Európai Bizottság, A Bizottság jelentése az Európai Parlamentnek és a Tanácsnak a helyi termelésre és a közvetlen értékesítésekre vonatkozó címkézési rendszerről. Brüsszel, 2013.12.6. COM(2013) 866 final. {SWD(2013) 501 final} <https://ec.europa.eu/transparency/regdoc/rep/1/2013/HU/1-2013-866-HU-F1-1.Pdf>

⁴ A Régiók Bizottsága előzetes véleménye – Helyi élelmiszer-rendszerek(2011/C 104/01) <https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2011:104:0001:0006:HU:PDF>

FOOD SUPPLY IN THE ECONOMIC AND SOCIAL SITUATION CAUSED BY THE CORONAVIRUS

INTERNATIONAL REVIEWS

Before analyzing the Hungarian situation, we review the findings of some recent international researcher analyzes. Even though globally 9 billion people need to be supplied with food many farmers live paycheck to paycheck (In the USA every 4 out of 5 farmer). Millions of low-income farmers live low standards living, so they are more exposed to the COVID-19 epidemic. Lots of them lose their everyday income, because markets are closed, or the suppliers stop working. Therefore, the biggest support can be helping them get to the market⁵. One of the tasks is to create and activate food hubs, distribution centers, which deliver products produced in rural areas to the population who must stay at home. These centers should be only deliverer not reseller.

In France 20% of farmers sale their products through short food supply chains. Due to the virus a significant amount of food has been transferred from long chains to short chains and to direct local trade. In French media, social media the growing call for solidarity can be tracked. They call consumers for buy good quality, safe food from local producers. For example, the „La Ruche qui dit oui” a well-known shopping community across the country has reached 66% income growth in recent weeks. The organization has 750 communities, most part of this placed in the south part of the country. In total 5000 producers and 160.000 consumers. The average consumer basket increased by 27% and the number of registered producers by 30%. For many small famers this is the only chance to get to the market, so the organizers are working to serve the changing needs of producers and customers in the crisis⁶. Those who have delivered to school and kindergarten catering are in a serious trouble, because for many of them that was the only supply channel. In order to keep the producers, labor, the stock in these farms' dairy products (flavored yoghurts, cheese) have been advertised through community initiatives on an offering price, so the consumers choose the price what they pay for the accumulated products.

In addition to the community cooperation the French Chamber of Agriculture also helps the small producers⁷. The colleagues of the chamber support the farmers through their website and telephone to find guidance in the changed legal regulations, for example who can ship in case of a curfew, what protective equipment to use, where to sell and which payment methods they can use.

The government authorizes delivery services. Some producers want to deliver food products to their consumers. Those who deliver must fill a certificate which is available on the website of the Ministry of Interior⁸. In this travel certificate they must state that they themselves fill the document and the route of delivery. Farmers are also advised to always bring any other document that proves that they are farmers.

In France those farms that have to cope with financial challenges can apply for deferred payment of VAT and social security contributions, deferred payment of labor, access to state-

⁵ <https://www.farmaid.org/blog/covid-19-response-how-congress-can-protect-farmers-local-food-supply/>

⁶ <https://www.ouest-france.fr/sante/virus/coronavirus/coronavirus-vente-directe-amap-marches-le-circuit-court-s-organise-6787799>

⁷ <https://chambres-agriculture.fr/exploitation-agricole/gerer-son-entreprise-agricole/coronavirus/>

⁸ <https://www.gouvernement.fr/info-coronavirus>

guaranteed loans, supported access to loans, postponed payment of overhead charges, partial unemployment benefits for the workforce, and a one-time 1.500 EUR financial support. In addition, France has begun to think about supporting the development of short food supply chains, the innovation and creating added value in small and medium farms as part of the Common Agricultural Policy after 2020.

Summarizing the international examples and studies, besides the many difficulties and challenges resilience is the key for small producers for being able to survive. ("Use resilience principles in developing policies", or "Lower Profits, but More Stability"). Smaller size can make the small businesses faster and more flexible to unexpected crises. In addition to size cooperation between actors of the chain, producers and consumers, producers and authorities is also very important. All actors are needed to make short food chains functional and to be able to provide basic food supplies of consumers.

DOMESTIC REVIEW

According to the analysis of the National Chamber of Agriculture⁹ "the spread of the coronavirus in Hungary has and adverse effect on the whole national economy including the agri-food industry".

From the national veterinarian dr. Lajos Bognár (Deputy State Secretary for Food Chain Supervision, Ministry of Agriculture) we heard in the Ministry of Agriculture's third podcast statement¹⁰: "local products, short supply chain means stronger safety in such situations, this is why local markets, products from small producers are so important. This is not only important for food safety, but also for public health, because we don't have to go to supermarkets, and we can purchase high-quality and safe food at local level".

After the outbreak of the epidemic in Hungary the Kislépték association made a quick nationwide telephone interview among the organizers of short supply chains (organizers of markets, shopping communities, local action groups, consultants). Based on the interviews we can see that some short supply chains have stopped, but there are quite a few alternative sales opportunities which is effective and its proven by domestic and international examples.

Currently the best available channels are:

- shopping communities, basket or box systems ¹¹(more open or closed, purchase based on pre-order, a fix, directly accessible producer community, facilitated by an organizer group)
- Community Supported Agriculture models ¹²(CSA) (closed, a community based on risk (more product at a time of plenty of crop/harvest, in a worse year less product) often with pre-financing, farm visits and common work. Usually the consumer group is connected to one farmer/producer

⁹ https://www.nak.hu/tajekoztatasi-szolgalattas/koronavirus/101446-a-koronavirus-varhato-hatasai-az-agrargazdasagra?fbclid=IwAR3-aeuqVQJdS5RE_diohk_2Q1CVstEKFOjUuSjur2DNhSaakJjWKQDuHIE

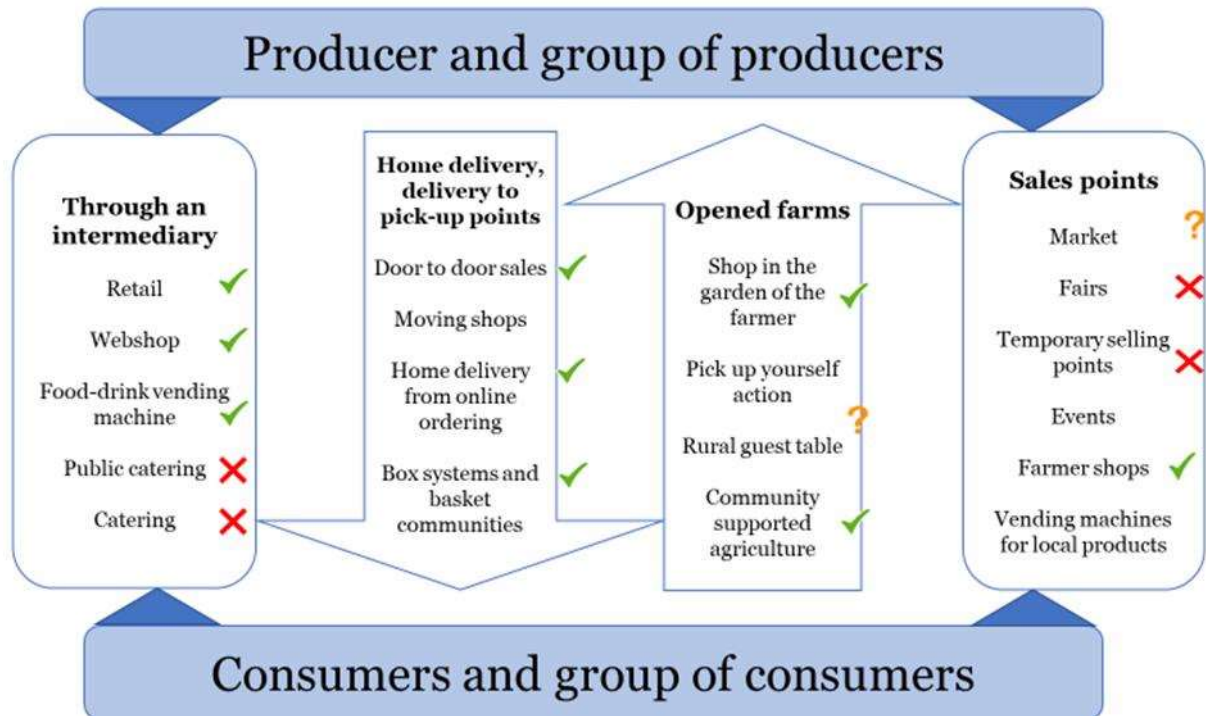
¹⁰ <https://soundcloud.com/user-93587354/agrohang-3-adas-koronavirus?fbclid=IwARoWXOmt9k1R2EFN64rFS1ZhHNJencJ6wf3iytvXBzmc6hXrYTjXMHd5ylE>

¹¹ <https://kosarkozosseg.hu/>

¹² <https://tudatosvasarlo.hu/csa>

- abroad so-called drive-systems operating. It is like car service windows of fast food restaurants; the difference is that you can pre-order online and pick it up at a strict time (example: Drive fermier 82¹³)

We reviewed the applicability of all SFSC channels in the economic and social situation due to the coronavirus. The availability of these are shown in Figure 1.



1. Figure Applicability of SFSC channels during coronavirus. Source: National Chamber of Agriculture (2015: Own editing based on the Rural Development Program

Legend:

- ✓ Sales channels that work in the epidemic situation
- ? Only work with reduced trade, and with special organization effort in the epidemic situation
- ✗ In an epidemic situation, traffic is drastically reduced or temporarily closed.

Without any sign means that the sales channel isn't enough widespread (e.g. vending machine, take it yourself action) or we don't analyze it

Due to the COVID-19 epidemic the availability of food chains has changed a lot, which can be summarized below:

- Catering in most institutions (school, kindergarten) has been stopped, but in the hospitals, elderly and residential institutions are still going
- The "village guest table" is a touristic service and tourism is one of the biggest losers in the economic side of the epidemic. Apart from this, rural tourism can serve the

¹³ https://www.drive-fermier-82.fr/?fbclid=IwAR3sMWpt_ojWwCyQl8Z7TLXyjWlxdWqfsfBXoov6WQh7DECMsfPmcivh4ig

isolated excursions with private accommodation and catering. The relapse can be seen in rural tourism too, but the negative effect is less at this area of tourism.

- The box systems, take it yourself actions can be operating systems with previous registration (it must be organized with a few consumers at one time, protective equipment and regulations must be used)
- Most of the markets are closed by the governments and the organizers of the markets. The open-air markets can be an important place of purchasing basic food, with the right regulations related to health. Pre-ordering opportunity should be granted by the organizers, with the opportunity to pick the ordered food at the market.

New results:

- The trade of the Box Community of Nyíregyháza¹⁴ has increased by 180%. New members have joined.
- The My Basket¹⁵ shopping community experienced 30% growth in Pest county, Órbottyán and Gödöllő
- The membership of shopping communities has shown relevant growth in the recent weeks

At every pickup point safety rules are used established by the organizers of the communities, and consumers are obeying these.

¹⁴ <https://kosarkozosseg.hu/>

¹⁵ <http://enkosaram.hu/shop>

Opportunities and challenges of the domestic small producers and actors of SFSC in the economic situation caused by the coronavirus

Following our interviews, we tried to summarize those changes that influences the producers, farmers. We grouped these challenges into two categories: opportunity and difficulty in the table below.

| Opportunity | Difficulty |
|--|---|
| The demand of basic food is growing, more people purchase locally. 1 to 3 meals has to be made at home because of home office and closure of schools. | Many producers make up most of their livelihoods of sale at markets and events, supply to public catering, and other catering units, which sales opportunities have fallen now. |
| In larger municipalities there are more customers which can provide greater demand, thus the livelihoods of producers. | The consumers are scattered with a large physical distance, so the group distribution or the demand that is above household requirements aren't possible or too expensive. A serious problem is now the starting of strawberry harvest and the sale of Easter lamb. |
| Pack-free sales and purchases rates expected to increase. | The governments or organizers of markets has closed the markets for security reasons. At some markets the number of buyers has decreased. |
| They can make better use of producer shops (made by tenders) and online ordering systems, modern producer marketplaces in several municipalities. | The producer shops and online producer sales are currently facing legal obstacles so in Hungary these solutions cannot operate now. |
| Multi-stakeholder local food supply also increases product diversity. A larger agro-biodiversity-based economy is given the opportunity. | Demand for better value-added processed gourmet food (which are not basic food) has ceased. |
| Shopping communities and basket communities operate in several municipalities, their trade is currently increasing, their long-term development is possible. | Producers in smaller settlements/villages cannot find enough customers locally. The online ordering isn't established in rural areas yet. |
| Strengthening of social and solidarity economy is possible. | Many producers can't serve orders because input materials (seeds, pesticides, packaging materials, tools, etc.) cannot be obtained now. |
| Government support is also opened to multi-stakeholder REL support, and small processors, community processors, mobile slaughterhouses and mobile processors can receive support. The pre-financing and facilitated administration of grants is more likely. | Currently the payment of tax and contribution charges also threatens production and livelihoods due to loss of income. |
| Legislation shows flexibility and facilitations may come with the non-state actors | During the season the shortage of labour in agriculture and processors causes serious problems and in this crisis this can increase. |
| Marketing, PR messages are easier to pass through. | Knowledge transfer workshops and study visits are cancelled. There is no opportunity for group consultancy and training. |

HOW COULD BE THE LOCAL FOOD SYSTEMS MORE EFFECTIVE IN HUNGARY DURING THE CORONAVIRUS?

Our suggestions are based on the reports sent to us and published. Furthermore, we used our previous profession reports, international examples and collected legal good practices.

Our suggestions:

- The special personal hygiene tools and antiseptics should be given to the small producers, farmers, SFSC actors ¹⁶too, in order to be able to supply the orders safely
- We recommend releasing the monthly or quarterly taxes and contribution charges for 2020 due to the loss of producer's income. If it is not possible it could be also helpful to pay these public charges only in installments after the quarter following the crisis
- We recommend the self-employed persons and the businesses independent from entrepreneurial forms (primary producers, self-employed persons, thus self-employed taxpayers according to KATA, joint ventures such as KATA and KIVA-taxing Bt. and Kkt. Ltd., including the companies taxing according to KIVA) and the quality of legal relations to get contribution discount for their members and themselves. We ask priority to these facilitations for farmers (who are considered as micro and small enterprises), small-scale food producers, rural guest table servicers, rural and agritourism providers, artisans, gourmet product producers, palinka producers, winemakers, and artisan beer producers
- We ask to complete the 71/2020 Government Decree with allowance to be able to collect the pre-ordered food at pick-up points (for example for shopping communities).
- We ask to let other persons (for example employee) sell and deliver the ordered food not just the producer and their family members or let commissioned people to help during the crisis to be able to ensure the supply chain.
- In case of prohibition on leaving homes, the delivery systems and post services will work so this sales channel should be ensured for small producers with cash on delivery.
- For those producers who do home delivery and deliver for catering services should get support for fuel costs.
- There aren't working restaurants in smaller settlements where rural tourism has a great role, so we support the ask of FATOSZ (Rural and Agritourism National Association) to let the private accommodations to use the same SFSC channels as small producers.
- The National Chamber of Agriculture should release the annual membership fee which is based on the previous year's income.
- Eliminate administrative and tax barriers to food and beverage vending machines and allow a viable selling method for local products. ¹⁷

¹⁶ Actors of short supply chain: producers, market organizers, organizers of basket communities, rural guest table services, artisanal processors or hired processor: winmill, slaughterhouse, restaurant, public catering, governments, producer shops

- Implementation of a passing voucher system at common producer sales point, and pickup points based on French and Italian examples. Successful discussions have been held with the Ministry of National Economy, National Chamber of Agriculture, Ministry of Agriculture, National Tax and Custom Administration, but due to personnel changes it stopped in 2018. Legislative changes would mean the development of short supply chains.
- In order to increase the amount of domestic processed food, the so-called small-scale processing category with flexible and facilitated hygiene conditions should be created. For this the collection of legal good practices made by Kislépték Association in the BOND (H2020) project¹⁸ provides wide range examples, which contains examples connected to hygiene in case of small-scale producers and moving slaughterhouses.
- Social enterprises need an incentive legalization environment. Connected to it professional materials were made in the previous year. The Kislépték Association made a legal review in the Carpathian-basin¹⁹ for the request of National Strategy Institute, and in the framework of the Bond H2020 project a cooperation agreement²⁰ ([Hungarian Memorandum of Understanding](#)) was signed by several professional actors. Meanwhile during the epidemic, the compliance with strict regulations is very difficult in case of the mentally, socially handicapped and disadvantaged employees, so the employment practice should be judged depending on this in the crisis.
- We recommend rethinking the VP3-16.4.1-17, "Supporting Cooperation for the Establishment, Development and Promotion of REL and Local Markets" calls to allow market access for small-scale producers across the country. Establish a SFSC Program Office to coordinate the call for proposals would support the restart of local economy.
- We recommend organizing trainings (hygiene, sales, labeling) and consultancy events for producers in the work frame of Rural Development Program.
- We recommend restart supporting the tools for access the market in the work frame of small-scale investment support, for example: refrigerated car, cars with re frigerated counter, mobile lavatories, hygiene products, labeling software, order management software, marketing tools, etc.

We agree with the suggestions of the National Chamber of Agriculture connected to the necessary steps for local food systems

- moratory of paying taxes and contributions
- early payment of ongoing grants
- postpone the deadline for fulfilling tender commitments
- extension of the validity period of licenses and certificates, so mitigation of official restrictions

¹⁷https://hvg.hu/gazdasag/20180710_Csod_az_etel_es_italautomataknal_sorban_halnak_el_fagynak_le_mennek_tonkre

¹⁸ <https://www.bondproject.eu/>

¹⁹ Schwarcz Gy.; Major Á., Szabadkai A., NSKI 2018 EFOP-1.12.1-17-2017-00003 Makroregionális kutatások a Kárpát-medencében a közösségfejlesztés és társadalmi felelősségvállalás megerősítése érdekében. „A szociális gazdaság jogi környezetének vizsgálata a Kárpát-medence országában

²⁰ https://www.kisleptek.hu/mou_bond_hu/

- fast and coordinated assessment of overcapacity and starting the utilization of these at sector level
- support for evolving product structures that are different from the market needs