



Brussels, 18 September 2020

To the attention of: EU Farm Commissioner Mr Janusz Wojciechowski

Dear Commissioner Wojciechowski,

We hereby wish to alert you on a series of unprecedented decisions that have been made in Romania in the past few days.

As a consequence of the drought that has affected the Eastern and South Eastern part of Romania this summer, farmers have asked the Romanian government to declare a state of force majeure nationwide, so that they cannot be held liable for the non-execution of their contracts in case their production has been affected by the drought.

The government ordinance gives farmers the right to stop deliveries on signed contracts and deprives their customers from the right to apply the penalties foreseen in the contracts. This would change the usual routine disputes settling and will leave customers no other option than to seek justice in courts – which would make recovery of losses very long.

The first step taken by the Romanian government was, on September 3, legislation approving direct support for farmers who can prove their crops have been affected by the drought.

However, following extensive pressure from the farmers to be freed from their contractual obligations towards their customers, the government issued on September 15 a draft Government Emergency Ordinance - GEO (in Romanian Ordonanta de Urgenta a Guvernului – O.U.G.) with the purpose of giving Local Counties the possibility to declare a state of calamity when more than 50% of the agriculture area of the county is affected by the drought. This ordinance gives farmers the right to stop deliveries on signed contracts and forbids their customers from applying the penalties foreseen in the contracts without taking into account the impact that this measure will have on other industries such as traders, oil crushers, feed compounders, millers, etc.

As it has been reported in the press, disruptions are already felt across the whole agri supply chain in Central Eastern Europe, due to the uncertainty that this decision has created for operators in the food and feed sectors. Indeed, this geographical area is key for the supply of agri raw material and ingredients throughout Europe – and third countries.

For that reason, the measures proposed by the Romanian Government will have a long-term effect not only on Romanian Agriculture, but on the full EU grains supply chain. Apart from the fact that giving farmers the possibility to default on their contracts can lead to serious financial difficulties throughout the supply chain, including bankruptcies, it will ultimately cause operators in the supply chain from Farm to Fork to lose confidence in EU supplied grains.

Given the regular occurrence of droughts in Romania in recent years, it is difficult to qualify them as an act of god/force majeure. It is entirely understandable that the Romanian government wishes to provide financial aid to its famers. However, agricultural production is only one part of the long chain that connects the field and the consumers. We agree that it is of key importance to support farmers in times of drought, but it is also

important to take into account how that kind of support may impact markets, traders, millers, bakers, feed compounders etc.

In addition, the fact that droughts have become a cyclical occurrence means the decision of the Romanian government would set a dangerous precedent. There are crop failures in one or the other Member State every year. If each of them gives farmers the green light to default their contracts, we would have disruptions in the Internal EU market every year, with negative consequences on international trade. This Ordinance sets a bad precedent, as we can see from similar decisions made in Hungary and Poland in previous years which have had a lasting impact on the market.

The very reason why the agri-commodities supply chain was so efficient during the COVID-19 crisis, ensuring supplies of food and feed across the EU, is mainly because every actor in the chain respected their commitments. It is very disruptive for one national authority to create legal uncertainty now.

In light of the above, we urge you to use all your authority and the instruments available to you to obtain that the Romanian government revokes the Ordinance of 15 September and terminates all attempts to classify drought as force majeure, providing Romanian farmers the possibility to default on signed contracts and depriving their customers from the right to apply the penalties foreseen in the contracts.

We thank you in advance for your consideration and remain at your disposal should you require any additional information on the state of play in Romania and the region.

Your sincerely,

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COCERAL is the European association of trade in cereals, oilseeds, pulses, olive oil, oils and fats, animal feed and agrosupply. It represents the interest of the European collectors, traders, importers, exporters and port silo storekeepers of the above-mentioned agricultural products. COCERAL's direct members are located in 14 EU countries, with one European association, Unistock representing the professional portside storekeepers for agribulk commodities within the EU and one associated member in Switzerland. With about 3000 companies as part of COCERAL national members, the sector trades agricultural raw materials destined to the supply of the food and feed chains, as well as for technical and energy uses. Gafta is an extraordinary member of COCERAL

FEDIOL, the EU vegetable oil and protein meal industry association, represents the interests of the European oilseed crushers, vegetable oil refiners and bottlers. FEDIOL members are 10 national associations and associated company members in 7 other EU countries. With about 180 facilities in Europe, the sector provides 20,000 direct employments. Its members process approximately 55 million tonnes of basic products a year, both of EU origin and imported from third country markets. The sector processes notably rapeseed, sunflower seed, soybeans and linseed into oils and meals for food, feed, technical and energy uses essentially on the European market.

FEFAC, the European Compound Feed Manufacturers' Federation, represents 23 national Associations in 23 EU Member States as well as Associations in Switzerland, Turkey, Serbia, Russia and Norway with observer/associate member status. The European compound feed industry employs over 100,000 persons on app. 3,500 production sites often in rural areas, which offer few employment opportunities.