

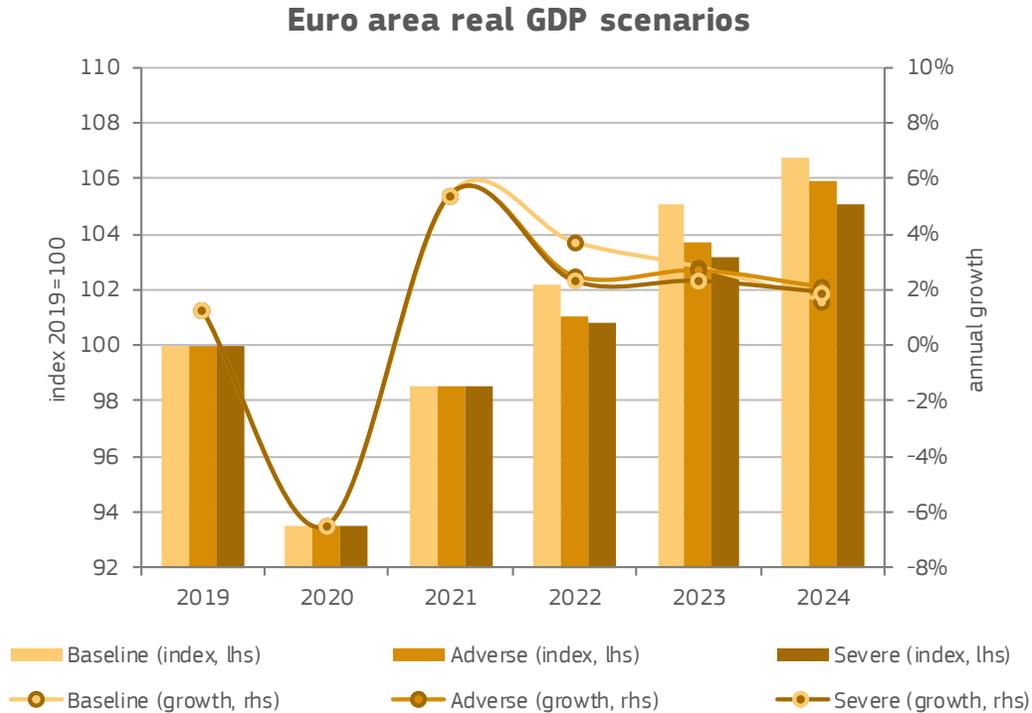


Rising costs in the supply chain: production input, fertilisers, energy, logistics

AGRI.A2 – Analysis and Outlook

CDG HOS "Fruit & Vegetables"
8th April 2022

From a pandemic to a war



- Russian invasion of Ukraine brings new shocks and uncertainties to global markets, with the EU particularly exposed to the conflict.
- War brings new uncertainty to macroeconomic forecasts: from -0.5 p.p. to almost -2 p.p. of GDP growth compared to previous baseline, depending on the severity of the conflict.
- Very difficult to make forecasts, as situation evolves every day.

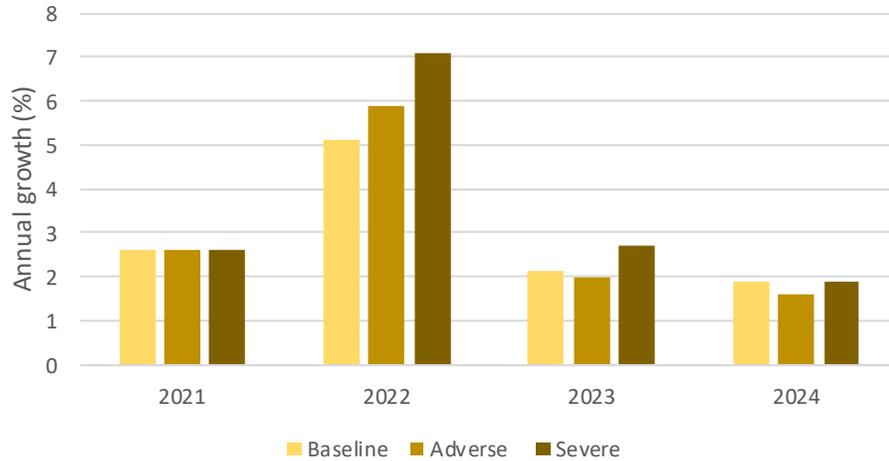
Adverse scenario: stricter sanctions imposed on Russia, leading to disruptions in global value chains.

Severe scenario: stronger reaction of energy prices to more stringent cuts in supply, stronger repricing in financial markets and larger second-round effects from rising energy prices.

Source: European Central Bank – March 2022

Rising inflation, driven mainly by energy costs

HICP inflation scenarios



FAO Food Price Index and sub-indices
(2014-16 = 100)



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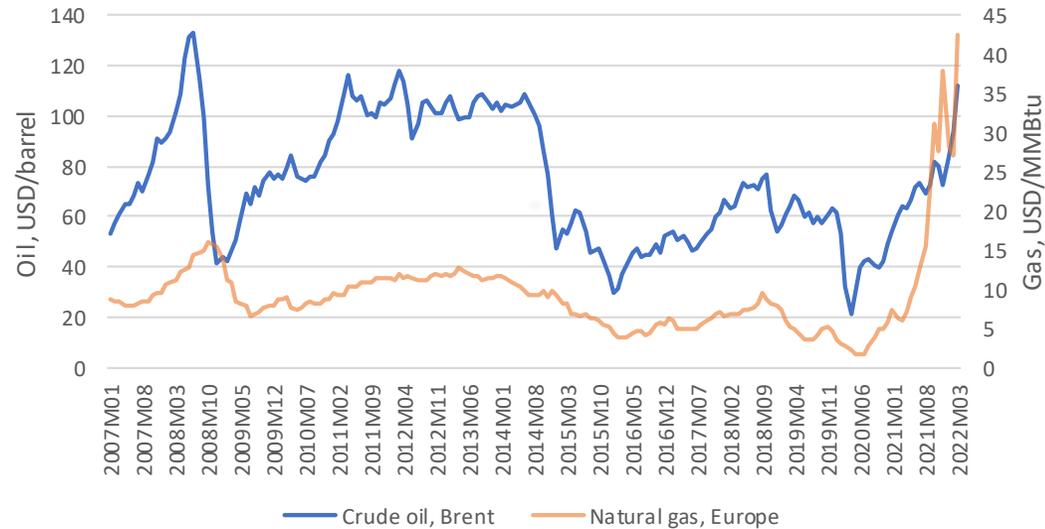
Source: European Central Bank – March 2022

- Inflation reached 7.5% in March, but large dispersion among Member States.
- Energy remains the key factor of inflation. In March, the energy component of inflation was 44.7%.
- inflation becoming more broad-based, as the effects of the war add to pre-existing drivers of price rises related to the effects of the post-pandemic recovery.



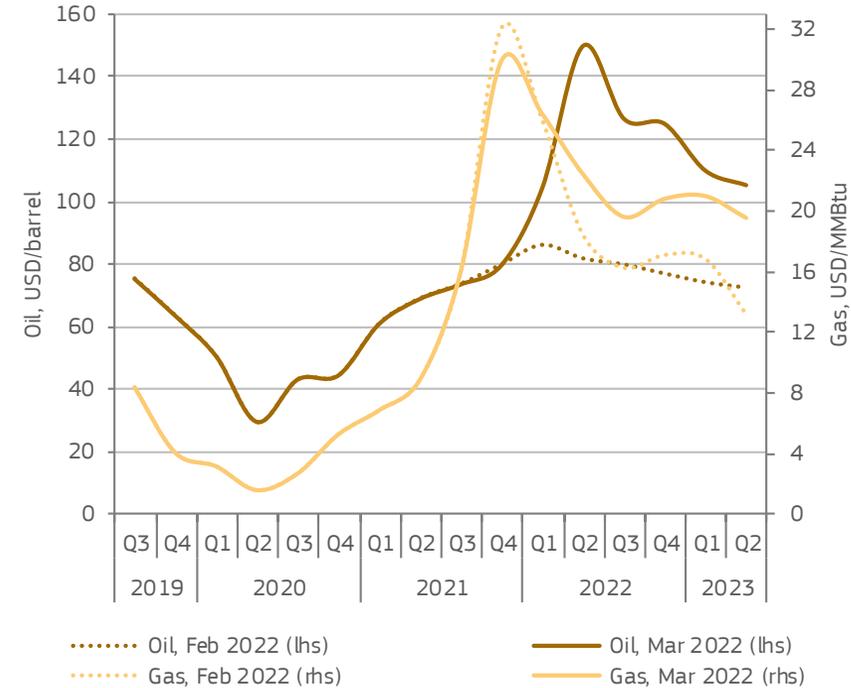
Rising energy prices, driven by natural gas

Crude oil and natural gas prices



Source: World Bank Commodity Prices – April 2022

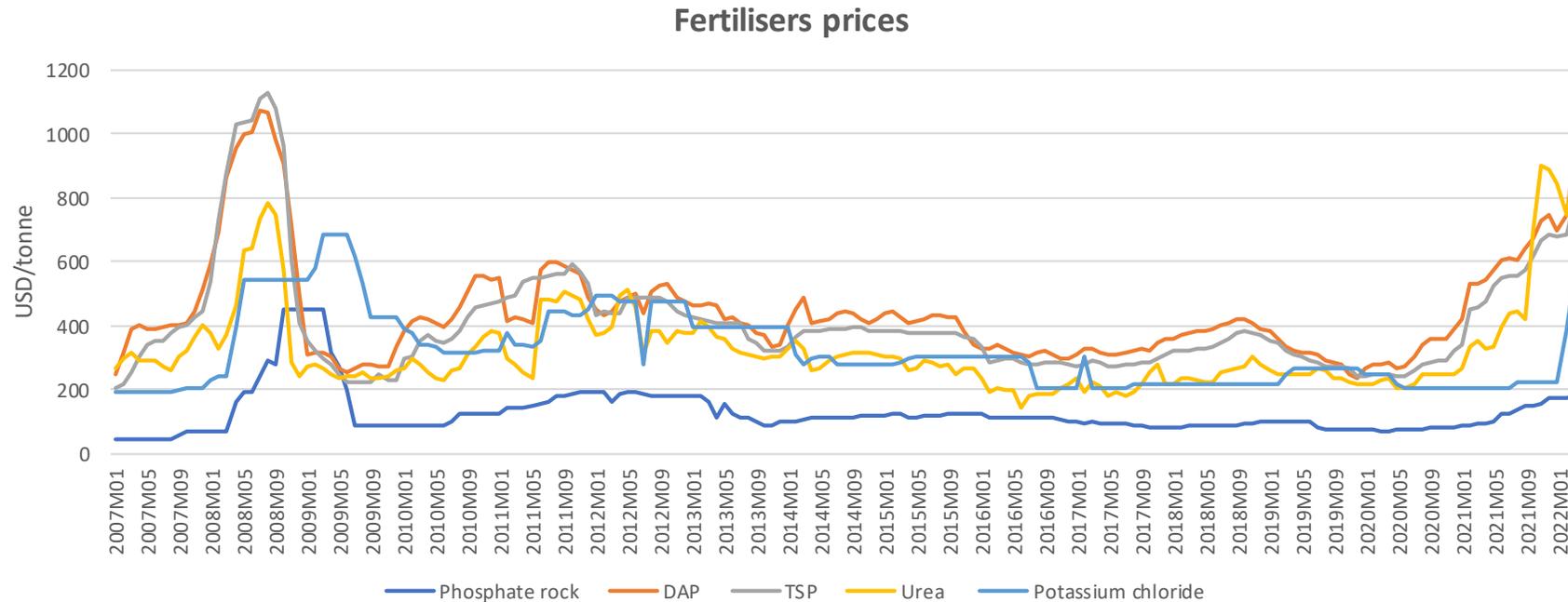
Brent crude oil and UK natural gas price forecasts



Source: IHS Markit

- Duration of the conflict and effects of sanctions pose additional uncertainty on energy prices.
- Commitments from REPowerEU communication and Versailles declaration to reduce energy dependencies from Russia.

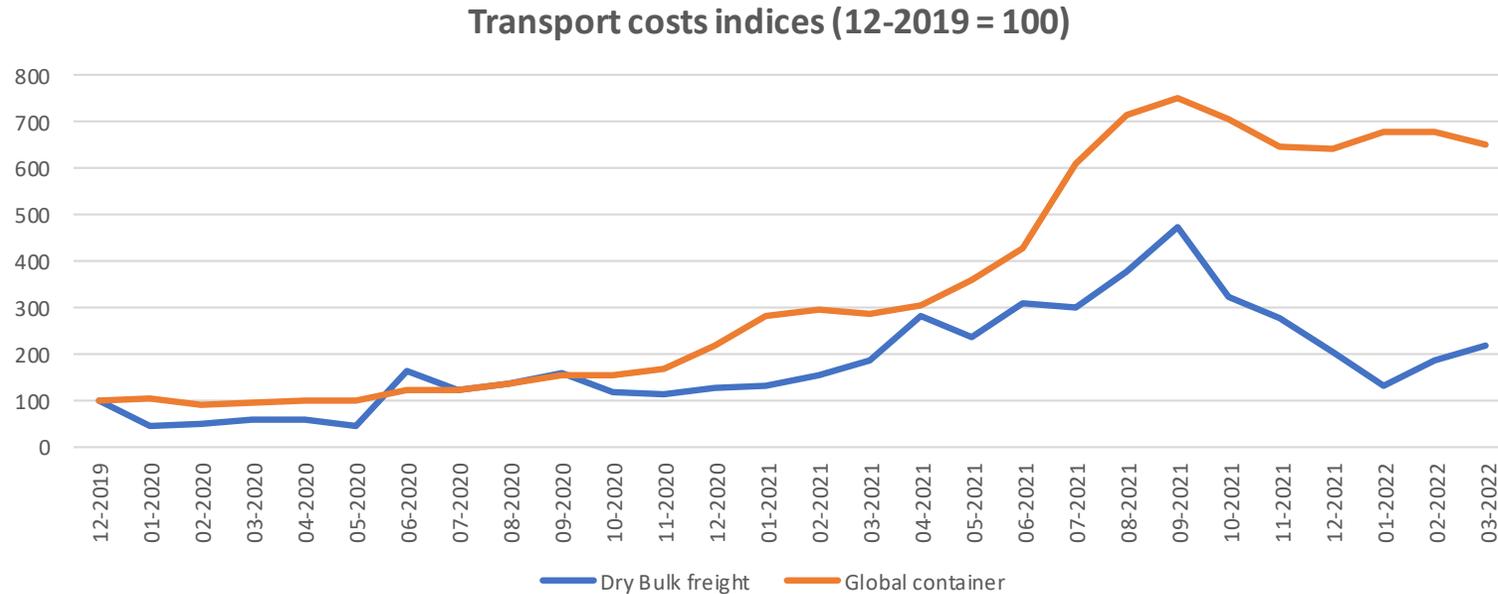
Rising fertilisers prices, affected by natural gas



Source: World Bank Commodity Prices – April 2022

- Surge in gas prices poses a serious challenge for the EU fertiliser industry, curtailing production of nitrogen fertilisers, where natural gas is largely used as feedstock in the production process.
- Fertilisers availability in the EU is not concerning this year, but natural gas price volatility and trade disruptions makes production very hard to predict.

Rising transport costs, mainly containers side



Source: Freightos Global Container Index, Baltic Dry Index

- Trade disruptions in the Black Sea, the effects of Russian sanctions on redirecting trade routes and recent surge in COVID-19 cases in Asia pose additional risks and uncertainties in the short-term.

For more information Spring 2022 Short Term Outlook is published!



SHORT-TERM OUTLOOK for EU agricultural markets in 2022



Agriculture
and Rural
Development

Spring 2022 edition



Russia's military aggression against Ukraine has significantly disturbed global agricultural markets. This has created more uncertainty regarding the future availability of grains and oilseeds, and has added a layer of instability to already tense markets. The EU is largely self-sufficient for food, with a massive agri-food trade surplus, and the EU single market can once again be expected to prove its ability to absorb shocks. Nevertheless, there are some concerns around affordability due to high market prices and inflationary trends. These issues form the basis for the spring 2022 edition of the short-term outlook report.

Market outlooks are provided for the EU-27; EU-28 historic data is maintained and updated as revisions are received. In addition to the short-term outlook, the Commission also publishes [associated documents](#), including statistical annexes and balance sheets.

https://ec.europa.eu/info/food-farming-fisheries/farming/facts-and-figures/markets/outlook/short-term_en

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Thank you for your attention!

