



Meeting summary

4 March 2022

- o The fifteenth, extraordinary meeting of the Crops Market Observatory (CMO) was held on 4 March 2022 through videoconference. Ms Caroline Jeandin, Acting Head of Unit, DG AGRI Unit E.4 chaired the meeting.
- o The meeting was convoked in order to discuss the possible consequences of the Russian war against Ukraine on the EU and world cereals and oilseeds markets and supplies.
- o In his introduction to the meeting, Mr Michael Scannell, Deputy Director-General highlighted the various risks that Russia's aggression might have on food security at EU, but in particular global level, given the huge importance of Ukraine and Russia in global grain supplies. Disruption of grain supplies may further escalate in the medium-term in case farmers in Ukraine will not be able to complete spring sowings and harvest winter crops in 2022. In a worst-case scenario, this could turn Ukraine into a net food importing country and at the same time jeopardise the food security in the MENA region.
- o COCERAL highlighted the risks of potential **export restrictions**, which could further aggravate grain supplies leading to even higher prices and increasing panic in importing countries. Slow customs procedures in Bulgaria were mentioned as a negative example. EU Member States should refrain from introducing export bans or export restrictions.
- o Disruption of grains supplies from the Black Sea region have led to additional sharp price increases, in particular for wheat.
- o On the **situation in Ukraine** COCERAL explained that farmers are eager to start spring works in the regions not impacted by the war so far (mainly the Central and Western areas). While most of the inputs are available, however it is very uncertain what area could be sown in the spring and to what extent fertiliser or other necessary inputs would be applied.
- o COPA-COGECA urged the Commission to act rapidly with a view to relax temporarily rules on three crops obligation, set-aside, as well as on the use of plant protection products. Spring works are about to start very soon and EU farmers could still increase planted areas if quick decisions are taken. They also proposed to extend the old CAP by one additional year and to pay advance CAP payments in spring to facilitate inputs purchases.
- o Concerning **logistics** members explained that all Ukrainian ports are closed and for the time being no major damage reported to port infrastructure. The Azov Sea is closed for commercial shipping. Russian Black Sea ports are open, however demand for grain is very limited due to insecurity and on-going military actions. In addition, sanctions on Russia are expected to hamper the movements of vessels under Russian flag, as well.
- o Members agreed that given the size of Ukrainian grain exports and the existing railway network, the potential to divert grain shipment on trains is very limited. Even less feasible to transport significant

quantities on road due to unavailability of staff and diesel.

- o On the **oilseeds market** FEDIOL highlighted that sunflower oil stocks are very limited in some Member States, sufficient only for 4-6 weeks. Missing Ukrainian supplies could be potentially compensated, at least partially, from Argentina or South Africa. However, the difference in MRL (maximum residue levels) legislation need to be tackled. Given the tightness on sunflower market, some crushers might switch to rapeseed instead of sunflower seed.
- o As for rapeseed, the situation is less of concern, as Ukrainian exports usually take place in the first half of the marketing year. From January onwards it is mainly Australian and Canadian imports arriving normally. While no immediate risk for oilseeds crushers to close, some plants might consider to rather sell their contracted gas supplies and suspend crushing.
- o It was added that stocks are very low for flaxseed, as well, which is mainly sourced from Kazakhstan via Russia.
- o According to FEFAC **feed supplies** are currently very tight in Southern EU Member States, with Portugal being in the most difficult situation with stocks covering only a few weeks demand. In Hungary large amount of maize is used for ethanol production. It was suggested that the EU should consider introducing a moratorium on the use of grains for biofuel production and rather increase the supplies of feed for livestock. FEFAC also supported to put set-aside land into cultivation and requested derogations on feed additives.
- o COPA-COGECA added that minor cereals, such as oats and rye, could be increasingly used in animal feed in order to ease the overall supply tightness.
- o In contrast, ePURE argued that a potential moratorium on grain use for ethanol production would lead to reduced supplies of protein meals.
- o The Commission briefly presented its latest outlook for the **EU cereals and oilseeds supply and balance situation** for marketing year 2021/22. While overall production reached a satisfactory level this season and therefore domestic supplies are ensured, there is a need to adjust the EU balance sheet in view of the Ukrainian crisis. Especially it is questionable whether the 14.5 million

tonnes of maize import can be realized until end of June, while there will be an upward pressure on EU cereals exports.

- o FEFAC informed that majority of maize imports have been made and the remaining volumes could be sourced from US and Brazil.
- o COCERAL added that supplies from Americas could ease tightness on the EU market until the next harvest, however this might necessitate a rapid authorisation of additional GM varieties. EU maize exports have been so far rather dynamic, especially from Romania, however any remaining availabilities are now expected to remain in the EU.
- o FEFAC added that feed barley supplies are very tight in the EU and substitution of maize will be only feasible after the next harvest. Feed wheat availability is currently somewhat better and its use could increase if no maize is available.
- o ePURE suggested that in the current situation probably less maize would be used for ethanol production in the EU.
- o Semouliers informed participants that the Ukrainian crisis does not impact directly the supply situation of durum wheat, which is already very tight and prices high. However, it is now very complicated to obtain any additional supplies from Kazakhstan.
- o As for **fertiliser**, participants indicated that prices are already very high and further increase is very likely, however products are mostly available.
- o The next formal meeting of the CMO Economic Board is scheduled for 3 May 2022, however an earlier meeting could be conveyed if market situation requires.