



Meeting summary

7 July 2023

- o The twenty-first meeting of the Crops Market Observatory (CMO) was held on 7 July 2023 as a hybrid meeting. DG AGRI Unit E.4 chaired the meeting.
- o The meeting started with the presentations of Commission representatives on the global and EU cereals, as well as oilseeds markets.
- o Regarding the world outlook, the International Grains Council (IGC) forecasts **world cereals** production to rebound by 1.5% to 2,292 million tonnes in **2023/24**. Mainly driven by growth in feed use, consumption is projected to reach 2,306 million tonnes (+1.7%). Including bumper harvests in China, India and Russia, global **wheat** production is expected to reach 786 million tonnes (-2.1%), potentially second largest crop on record. IGC projects consumption at a new peak of 803 million tonnes (+1.0%), with growth expected in all uses.
- o Assuming an improvement in yields, world **maize** production is forecast to increase by 4.8% in **2023/24** reaching 1,211 million tonnes, including a record harvest in Brazil and strong rebounds in Argentina and the EU after drought-hit crops in the previous year. Mostly linked to a strong growth for feeding (+3.9%), consumption is expected to increase to 1,205 million tonnes (+2.8%).
- o **Cereals prices** continued their downward trend reflecting mostly favourable outlook for the new crops, although wheat prices evolved rather hectically driven by weather related news from the US (dryness) and increasing concerns regarding the future availability of Ukrainian grains via the Black Sea ports. Maize prices are under seasonal harvest pressure in South America with prospects of a larger global harvest next season also weighing on prices. In the case of wheat, thanks to record high stocks and outlook for a large crop, Russia is expected to be the largest exporter and very competitive on global markets.
- o **COCERAL** highlighted that Russia maintains its dominance on the export markets also through new, untransparent arrangements. This includes unclear payment facilitation provided for key importers of Russian wheat, which puts other traders at competitive disadvantage. To a large extent, Russia is able to dictate world prices and others have to follow. Therefore, there are no major price differences at destinations.
- o Regarding **EU weather conditions**, in May and beginning of June, the EU was characterised by contrasting weather patterns with wetter than usual conditions in the south and drier than usual conditions in the north. In terms of areas of concern and extreme weather events, drought conditions ended in most parts of the Iberian Peninsula, but the rains arrived too late for spring and winter crops. Dry conditions in large parts of northern Europe had negative impacts on yields potentials for winter, spring, and summer crops. JRC MARS reduced its yield forecasts for most crops, however yields are still expected close to the 5-year average.
- o As regards **EU cereals production** in **2022/23**, the Commission provided an update about its latest forecast. Total production is estimated at 265.3 million tonnes (-9.3% y/y and -6.9% compared to the five-year trimmed average).
- o Discussion then focused on marketing year **2023/24**. The Commission projects total **EU cereals area** at 50.6 million hectares (-1%

y/y), while total **EU cereals production** is placed at 278.1 million tonnes (+4.8% y/y), including almost 128.9 million tonnes of soft wheat, 49.7 million tonnes of barley and 63.7 million tonnes of maize. Concerning the 2023/24 balance sheet, it was explained that the **use of cereals for bioethanol production** is expected to increase moderately y/y to 11.5 million tonnes, while use **for animal feeding** is forecast slightly higher y/y at 156.6 million tonnes due to the continued downward trend of livestock production. On trade: soft **wheat imports** are forecast to decrease to 4 million tonnes, while exports are to remain at around 32 million tonnes. Subject to a recovery of EU maize production, **maize imports** could be slightly below recent average at 17 million tonnes. Due to very tight supplies, **durum wheat** imports are projected above last marketing year (2.6 million tonnes).

- o **COPA COGECA** indicated that they project EU cereals production at 256 million tonnes in 2023/24, incl. about 122 million tonnes of soft wheat and 44 million tonnes of barley. At this stage they are more pessimistic than the Commission as droughts and atypical weather conditions had more severe impact on yield prospects than expected. For maize, the prospect is still positive with the rains arriving timely. COPA COGECA also shared their concerns with regard to the quality of the next crop, in particular for barley, soft wheat and durum wheat in some regions.
- o **Semouliers** commented on durum wheat. They forecast higher ending stocks (at least 500,000 tonnes) for 2022/23 than the Commission. As for 2023/24, they agree with the Commission's figures. Probably, imports will increase in 2023/24 and highlighted that droughts might have caused quality issues for durum wheat in some regions. The EU will have to import high quality durum next year, which might prove difficult as key exporters could have quality problems, as well.
- o **Coceral** mostly shares Commission's projections for 2023/24. With regard to feed use, they stressed that it is not expected to improve and will probably decrease y/y as livestock production is not expected to rebound. Coceral forecasts EU soft wheat exports at 32 million tonnes, however lot will depend on competition from Russia, who will remain very competitive and with large availabilities. On the other hand, some major exporters will have probably less supplies and also import demand could increase facilitating strong EU exports.
- o **Coceral** added that the quality situation of cereals is highly variable from one country to another. However, early harvest results in

France and the Balkans showed mostly good yields and quality for winter barley but the protein content in malting barley is rather poor. As for markets, Coceral explained that both farmers and buyers are "poorly" covered for their economic positions, which could lead to high volatility on the cash market.

- o **FEFAC** commented on feedstock production, which declined in 2022/23 and further reduction is expected in 2023/24, as well (around -3.2% in the EU). This is explained by both economic and environmental situation. With new regulations coming on animal welfare, farmers who should invest are waiting and might stop producing. There is a recovery in poultry production though, but it is not reaching the levels of previous years.
 - o Then, Commission presented the market situation and production forecasts for **oilseeds** in 2023/24. As reported by the IGC, **global soya beans** production in **2022/23** increased by 3% to 369 million tonnes, incl. a record crop in Brazil but a very poor harvest in Argentina due to severe drought. Total consumption declined modestly to 362 million tonnes (-1% y/y) due to reduced uptake in Argentina. In respect of 2023/24, world output is tentatively projected at a new peak of 402 million tonnes (+9%), assuming a strong rebound in Argentina and record output in Brazil. Consumption is also expected to reach a new record at 389 million tonnes (+8%).
- Global **rapeseed** harvest amounted to a record 87 million tonnes (+17% y/y) in **2022/23**, which is expected to facilitate consumption reaching an all-time high of 85 million tonnes. IGC forecasts production to remain strong in **2023/24** as well, with output placed at 86 million tonnes (-1%), 2nd largest on record. Boosted by ample availabilities, demand could edge higher to a fresh peak of 86 million tonnes.
- o Amid ongoing worries on the water deficit in the US, strong domestic crush demand and increased imports from China, global soya bean **prices** gained ground in the last months, with US as the most expensive origin at USD 598 per tonne and Brazil at USD 532 per tonne. Rapeseed and sunflower seed quotations followed a similar upward trend in the EU with 10% and 2% increase in the last month.
 - o Concerning the **EU oilseeds** market, total production in **2023/24** is projected at 33.7 million tonnes (+8% y/y and +13% on the five-year trimmed average), incl. 19.9 million tonnes of rapeseed (+2% and +15%).

- o **COPA-COGECA** agrees with the outlook of the Commission, although their production forecast is slightly lower at 32 million tonnes for total oilseeds. **COCERAL** added that rather disappointing yields were reported during the early stages of the rapeseed harvest in France, 10-15% less than the previous year.

The second agenda item was about the **EU biodiesel market** and the presentation was made by the **European Biodiesel Board (EBB)**. **EBB** was established in 1997 and has 35 members from 21 Member States representing about 65% of EU biodiesel production.

- o As explained, biodiesel is the main renewable energy source in the EU transport sector and the EU is a world leader in both the production and use of biodiesel. There are nearly 200 plants in the EU producing about 14 million tonnes of biodiesel per year. The main feedstock is rapeseed (40%), followed by palm oil (26%). Demand for biodiesel is expected to increase dynamically during coming years. **EBB** also informed on the increased waste-based biofuel imports from China year-on-year with negative impact on the EU biofuel market.
- o **Coceral** expressed concerns on the deletion of the NUTS2 values from DG ENER's website as it could cause a major shift in how the sustainability of agricultural production, particularly rapeseed is measured. Consequently, the majority of rapeseed producing areas in the EU will no longer be considered sustainable under the current system, which would revert to the default values.
- o Under the following item, the Commission has briefly presented market developments on the EU **ethanol markets**. It was highlighted that imports reached record high in 2022 reflecting reduced production in the EU and also elevated prices following a surge in energy and feedstock prices. Imports remained brisk during the first four months of 2023 with Pakistan and Brazil being the main suppliers. Prices for the non-fuel grades decreased gradually during the past year and current stocks levels are said to be sufficient, while demand moderate. Fuel ethanol prices were more hectic and demand is strong given the start of the holiday period in Europe.
- o **E-PURE** commented that indeed imports continue to be strong in 2023 as Pakistan can benefit duty free market access under the GSP scheme, while Brazilian producer pay lower prices for their energy bills, which

deteriorates competition with European producers even on the EU market. They estimate that about 6.6 million tonnes of maize and 3.5 million tonnes of wheat is used for ethanol production in the EU. They highlighted the need to increase maize yields in the EU as that could improve the competitiveness of the EU industry vs. Brazil, where yields of sugar cane and maize continue to rise.

- o **E-pure** reiterated their view that the EU cereals balance sheet should also indicate the total output of around 6 million tonnes of protein rich food and feed products which are obtained as by-products of the ethanol manufacturing. It was also added that there are large-scale investments in the US partly financed by national programs to improve the sustainability of the US ethanol industry. Once these investments are completed, the competitiveness of US ethanol will be even higher than nowadays.
- o Before presenting the latest development related to the **review of the EU plant protein policy**, the Commission explained why plant protein are high on the agenda. The report to be adopted during the first quarter of 2024 will have a comprehensive scope, looking at the supply and demand side, both on the feed and food segment, in particular analysing the import dependencies. It will also explore opportunities for developing plant-based and alternative proteins in the EU, analysing the demand for protein in the livestock sector and considering ways to increase plant-based protein in the human diet.
- o **COPA** and **EBB** asked about the targets that the Commission will include in its reports. The Commission answered it is too early to mention targets and that the report should also be considered in broader contexts (e.g., the CAP) where targets are defined.
- o **EBB** drew the attention of the participants on the impact of a possible phase-out of the use of biofuels produced from food and feed crops in Germany on the EU plant protein dependency.
- o **COPA** welcomed the approach of the Commission of having a comprehensive scope for the report and considered that the EU should not aim at being fully self-sufficient in terms of fertiliser, energy or plant protein but should build on interdependences.
- o The final topic of the meeting related to production prospects in **Ukraine** and grain exports especially under the Solidarity Lanes Action Plan. The **Commission** presented an overview of the Solidarity Lanes, as well as data on what has been achieved thus far and

some of the remaining bottlenecks. It was said that with the continuation of the Black Sea Grain Initiative very much in doubt, the focus is now on expanding the capacity of the so-called Danube cluster, which is to say the closest and most efficient alternative to exporting out of the Odessa ports. Recently, Ukrainian exports through the Baltic and Adriatic corridors have dropped sharply and border issues with the five "front line" Member States are well known. Nonetheless, capacity building through the Danube cluster towards Constanta harbour is continuing with a heightened urgency.

- o It was added that the Solidarity Lanes corridor that feeds Ukrainian grains into the Spanish markets does not seem very economical and would only be considered if transport subsidies were in place.

- o The next formal meeting of the CMO Economic Board is scheduled for 9 October 2023.