



# Meeting summary

27 July 2022

- o The eighteenth meeting of the Crops Market Observatory (CMO) was held on 27 July 2022 by videoconference. Mr Koen Dillen, Head of Unit, DG AGRI Unit E.4 chaired the meeting.
- o Mr Michael Scannell, Deputy Director-General, opened the meeting referring to the humanitarian corridor in the Black Sea, but also the operation of Solidarity Lanes and its huge importance for global grain supplies. He also outlined the new exceptional measures the Commission has taken to support the EU agricultural and food sectors in order to help to alleviate the global shortage in the next season. Finally, he expressed concerns on the current harvest prospects, linked to the adverse weather conditions.
- o The meeting continued with an update by the Commission on the agro-weather conditions based on the July Joint Research Centre (JRC) bulletin. Weather conditions have been mostly unfavourable with extremely hot and dry conditions in several regions of Europe resulting in **lower yield** forecasts for **grain, maize, sunflowers** and **soya beans** (with yields below the five-year average). Consequently, EU cereals production is expected to be significantly revised downward for the marketing year 2022/23. Total cereals production is projected to be about 5% lower than last season. In particular durum wheat production is 8% lower compared to previous year, while the cut in maize output is even more pronounced (-10% year-on-year). However, oilseeds output is slightly above the five-year average, as the higher area partially offsets lower yields.
- o The presentation continued with some highlights on **the EU imports and exports** for cereals and oilseeds, both for the previous marketing year 2021/22 and for the first few weeks of the current marketing year. EU soft wheat exports in 2021/22 were less dynamic than initially expected. The preliminary figures based on Taxud Surveillance data show about 28.3 million tonnes of soft wheat grains and flour were exported (however, this figure will be certainly revised up within few weeks when all customs data would be included). Maize imports picked up in recent months on strong imports from Ukraine due to the successful implementation of the Solidarity Lanes initiative. EU maize imports in 2021/22 are 16.5 million tonnes. As regards the new marketing year 2022/23, after the first four weeks both soft wheat exports and maize imports are more dynamic than during the same period last year.
- o EU oilseeds imports in 2021/22 were initially affected by a temporary standstill in Ukrainian exports, however at the end of the season this shortfall was fully made up and oil imports came back to normal. Only sunflower meal imports were below the level of the last years.
- o Concerning **grains and oilseed prices**, the Commission referred to an important drop that has been observed these recent weeks. This is due to several reasons, in particular on the hopes of reopening Ukrainian Black Sea ports.
- o The Commission presentation finished with updates on Ukraine's yields and the production forecast from the JRC assessment. This forecast was compared with other international forecasters and market experts.
- o Concerning the **EU market situation** the Members provided the following comments.
- o **Copa** informed that EU farmers bought much less fertiliser given the very high prices of the

recent months. Farmers also tend to stockpile grains in expectation of higher prices, given the increasing production cost (energy, fertilisers...).

- **Estonian Chamber of Agriculture & Commerce** pointed out that prices reacted to disrupted global demand and a larger crop in Brazil and Russia.
- **FEFAC** informed that feed production for 2021/2022 decreased by 3% mainly due to avian influenza, reduction of the pig herd and rising costs of production. Feed users are reviewing feed composition depending on the price spread between wheat and maize.
- **Coceral** referred to an early wheat harvest in Europe, but with a high disparity in terms of quality and yields, which are strongly related to natural constraints (for example the quality of soil). **European Flour Millers** added that in particular in Germany and the UK protein content of wheat tends to be lower than usual. **Estonian Chamber of Agriculture & Commerce** added that protein content is also low in the Baltic States (like in 2015).
- Concerning EU wheat exports in 2021/22, **Coceral** highlighted the acceleration in the pace of exports in May and June. It is expected that in 2022/23, the EU will continue to be very active on several markets. It added that the maize crop is affected by drought and many regions in France are subject to irrigation restrictions. The impact on yields is expected to be important.
- Concerning the EU durum wheat market, **Semouliers Association** informed that the quality of durum produced in France, Italy and Spain is very good. Given low carryover stocks from last season, a smaller EU harvest and expected good availabilities in the US and Canada, EU durum wheat imports are expected to increase this new season to the highest level since years.
- **FEDIOL** highlighted that there is no problem with the supply of oilseeds given ample availabilities of rapeseed. Still a major problem on the market is the price level. There is also a concern over congestion and availability of crushing capacity in Romania. Moreover, changes in the biofuel policy would have a huge impact on oilseeds prices as well as on the supply of feed protein.
- Concerning the **situation in Ukraine**, **Coceral** referred to the critical importance of liquidity for Ukrainian farmers with market even reverting to barter as alternative. Another critical issue for Ukrainian farmers is surging transport cost that increase three to four times these last months. With surging costs, there is a high risk that farmers are not

covering the production cost. If the situation persists, many farmers will reduce their planting area or switch to low input crops.

- **Copa** added that that fuel availability (and its cost) is an issue in Ukraine, but also in neighbourhood regions in Poland and Romania. Concerning the Ukrainian farmers' decision for the autumn, the expectation is that they will sow more rapeseed at the expense of winter wheat (rapeseed needs less storage and seeds can be crushed in the EU). As regards the ongoing harvest in Ukraine, its progress is very rapid and collected grains are very dry and can be stored immediately.
- Under the Any Other Business point, members discussed the situation of Sub-Saharan African millers, the issue of gas availability for the EU milling wheat suppliers (packaging industry), the fertiliser issue and the recently adopted derogation from certain greening obligations for the new season<sup>1</sup>.
- **Coceral** stressed the urgency to support Sub-Saharan Africa, in particular, in particular its milling industry. Some countries are still able to subsidise wheat purchases for millers so that flour can be provided at lower prices to the population, however some governments cannot do this and their milling industry (in particular small mills) would soon stop producing flour. High bread prices already cause social unrest with all the negative consequences for the region's stability.
- On the fertiliser point, **Copa** commented that buying habits of farmers have changed since cooperatives do not hold any more fertilisers stocks and farmers on their own. In this challenging context, farmers apply several strategies: choosing low input crops, reducing application (with negative impacts on yields and quality), looking for alternatives (very few). **Copa** reiterated its request to remove all duties on fertiliser imports to avoid this unnecessary extra cost. The Commission highlighted the importance of the cooperatives in purchasing fertilisers and the digitalisation as a way to improve price transparency on the fertiliser market. It also stressed that the upcoming Food Security dashboard would include elements on fertilisers market transparency. In this context, Members stressed the role of AMIS at the global level.
- The following formal meeting of the CMO Economic Board is scheduled for 17 October 2022; however, an ad-hoc meeting of the group could be convene earlier if necessary.

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<sup>1</sup> Commission Implementing Regulation (EU) 2022/1317