



# Meeting summary

13 March 2024

- o The twenty-third meeting of the Crops Market Observatory (CMO) was held on 13 March 2024 as a hybrid meeting. DG AGRI Unit E.4 chaired the meeting.
- o Under the first item, Commission representatives presented updates on the global and EU cereals, as well as oilseeds markets.
- o The International Grains Council (IGC) forecasts **total world grains** production at 2,310 million tonnes (+1.9% y/y) in 2023/24, a new record. Demand is also expected to reach an all-time high at 2,317 million tonnes (+2.1% y/y). With the global **wheat** harvest now complete for 2023/24, IGC estimates output at 788.0 million tonnes (-1.9% y/y), the second largest on record. Wheat consumption is forecast at a new peak of 803.1 million tonnes (+1.0% y/y). Russia is anticipated to remain the largest exporter with a record 50.3 million tonnes (+4.6% y/y).
- o As for **2024/25**, IGC projects world harvested wheat area to decrease by 0.7% y/y to 221.6 million ha. Production is tentatively projected to increase by 1% to 799 million tonnes, while consumption to reach a new peak at 804 million tonnes.
- o Led by record harvests in China and the US, IGC forecasts world **maize** production at a new peak of 1,234 million tonnes (+6.1% y/y). Ample supplies at affordable prices will boost consumption to an all-time high of 1,222 million tonnes (+4.0% y/y), incl. 732 million tonnes of feed use (+4.7% y/y). Following a strong accumulation in the US, combined Chinese and US stocks are forecast at 80% of world total.
- o **Cereals prices** continued to decline following ample global supplies, weak demand and so far good prospects for the next campaign. In the case of wheat, Russia continues to dominate the world market given their record high stocks and positive outlook for the 2024 harvest. In the case of maize, record US harvest, as well as strong Ukrainian trade flow and prospects of an excellent Argentine harvest weighed on prices.
- o Concerning the EU cereals market, discussions still focused on marketing year **2023/24**. According to the most recent updates, the Commission estimates **EU cereals production** at 269.8 million tonnes (+1.1% y/y but 3.9% below the five-year trimmed average), including 125.6 million tonnes of soft wheat, 47.5 million tonnes of barley and 62.3 million tonnes of maize. Regarding the 2023/24 balance sheet, the Commission forecasts total **use of** cereals at 257.3 million tonnes, incl. 156.8 million tonnes for feeding.
- o As for trade, total imports in 2023/24 are currently forecast at 30.0 million tonnes, incl. 17.5 million tonnes of **maize** and 7.5 million tonnes of soft **wheat**, mainly of feed quality wheat from Ukraine. EU cereals exports are expected to reach 45.9 million tonnes, incl. 31.0 million tonnes of soft wheat and 9.5 million tonnes of barley. EU cereals **prices** declined in line with international prices, with durum prices decreasing by 17% year-on-year and maize price falling sharply by about 40% during past year.
- o **COPA** highlighted that farmers globally reacted positively to prevailing high prices by increasing their output in the 2023/24 harvest, even if input costs were also

inflated. While output increased in many countries, EU production is rather stagnating as European input costs were above those in other major producing countries. Moreover, there are also concerns with the quality. The EU has been a reliable supplier of high protein wheat and high-quality oats or malting barley. This is less the case nowadays, partly linked to a series of unfavourable weather events but also various legislative constraints limiting the use of certain inputs. Concerning EU stock levels, it was mentioned that probably many farmers prefer to keep stocks instead of selling at current very low prices.

- o **European Millers** explained that the wheat quality is indeed an issue, not only for exports but also for the EU market. Demand continues to decline by 2-3% annually for bread, while it increases for so called breakfast goods. This shift in demand requires more high protein wheat, which is not always available in the EU from domestic supplies.
- o **FEFAC** reported that compound feed production continued to decline in 2023. While it was broadly stable for the cattle outlet, the pig feed demand fell by about 5% and the downward trend is expected to continue in 2024. As for poultry, a small recovery could be observed, however that was mainly due to a very poor 2022 basis.
- o **ePURE** expressed a somewhat different opinion on EU feed demand. While it agrees with the decreasing trend for pig feed demand, overall EU compound feed market looks stable at around 256 million tonnes. As for prices, it is not surprising that many farmers are not selling at current low levels. It is interesting to note that prices are now higher for the new crop than the old one. However, due to soft internal demand and relatively slow exports, EU stocks are high and are expected to remain high in the short-term which could mean that price pressure is maintained into the new season.
- o **COPA** added to the discussion that due to planting delays in autumn, spring plantings could potentially increase this year. However, spring crops are usually riskier and also the availability of seeds is not sufficient. Moreover, the profitability of maize is currently very low, which complicated spring planting decisions for farmers.
- o Concerning the world **oilseeds** market, the Commission presented the global outlook. According to the latest USDA report, world oilseeds output is forecast at 659 million tonnes, including 397 million tonnes of soya beans. The IGC forecasts global soya beans harvest at 391 million tonnes (+18m t y/y) in 2023/24, a new peak. Total **consumption** is expected to rise by 4% year-on-year, to a record 383 million tonnes, boosted by additional gains linked to biofuel production in the US and Brazil.
- o Due to seasonal pressure in South America and a slowdown in global demand, international **soya beans prices** dropped by 24% y/y for the US and even slightly more in South America. Ukrainian soya remains the cheapest, however availabilities are much smaller than from other the leading exporters.
- o Commission forecasts total **EU oilseeds** production in **2023/24** at 32.9 million tonnes (+4.8% y/y and +10.3% above the five-year trimmed average), incl. 19.8 million tonnes of rapeseed (+1.3%).
- o **FEFAC** reminded that a substantial volume of the rapeseed and sunflower seed meal imports originate from Russia. In this context **COPA** referred to importance of reflection on the EU protein supply given its dependence on imports including from problematic regions.
- o **COPA** also highlighted the challenges with growing rapeseed in the EU: weather conditions during the growing season and availability of plant protection products. Furthermore, it expressed the need for a protein report.
- o Under the next item, Commission updated members about the functioning of the **Solidarity Lanes and Ukrainian grain exports**. Reopening of the Black Sea ports were a game changer these last few months permitting Ukraine to export at the level comparable to the pre-war period. Products can now more easily reach its traditional markets in Asia and Africa but also in the south of Europe. Between July 2023 and February 2024, the EU imported 12.9 million tonnes of cereals from Ukraine. Imports to the Member States neighbouring Ukraine were negligible. Majority of these imports went to Spain. As regards the oilseeds and oilseeds products, during the same period imports from Ukraine into the EU reached 6.2 million tonnes. it was mainly traditional products: rapeseeds, meals and vegetable oils.
- o Looking at the destination of the Ukrainian exports these last few months we see that wheat is increasingly exported to Egypt, Pakistan, Bangladesh and Indonesia, and maize to China, Egypt and Turkey. Ukraine is rapidly progressing to reach its export

- potential. By February 2024 over 45 million tonnes of cereals, oilseeds and oilseeds products were exported from Ukraine this season (compared to 59 million tonnes estimates as export potential for this season).
- o **COPA** referred to challenges with the future accession of Ukraine to the EU. Given the differences in the structure of the agricultural sector in Ukraine and the EU it is important to reflect now on the consequences of integration. Concerning the actual situation COPA highlighted the important on looking at the price of Ukrainian grains offered in the EU as well as on what inputs Ukraine imports from the EU (seeds for sowing, fuel, plant protection products, spare parts...) as it could have impacts on production cost in the regions close to Ukrainian border. Referring to logistic situation, COPA emphasised the tremendous efforts of Ukrainians operators to improve the functioning of their internal logistics. This makes their sector very competitive and efficient even during the war time.
  - o **FEFAC** was concerned by the implementation of EU deforestation Regulation as regards the imports of soya from Ukraine. It will be very challenging to get necessary information as regards geo-localisation of the fields.
  - o The meeting continued with the last point on ethanol market and in particular increased imports from Pakistan. **ePURE** and **iETHANOL** presented the situation of the sector focusing on the evolution of trade and price developments. Both fuel and industrial ethanol segment were presented. These are distinctive markets but closely interlinked. Organisations considered that the increased duty-free, quote-free imports of ethanol from Pakistan (benefit from GSP provisions) harm EU market and put at threat the EU ethanol industry. The sales of EU ethanol already dropped by 22% between 2020 and 2023. In 2022, the imports from Pakistan increased by over 200%, and Pakistan has gained an impressive 20% market share in the EU non-fuel ethanol market. The appropriate safeguards are urgently needed to limit these imports.
  - o **COPA** highlighted the importance of the ethanol outlet for EU cereals, maize in particular and contribution of the sector to the EU protein supply.
  - o **FEFAC** was concerned by environmental standards of ethanol production in Pakistan since this ethanol is not certified under EU biofuel legislation. Therefore, it would be relevant, in this context, to consider the importance of a mirror clause.
  - o Under **AOB** point **COPA-COGECA** stressed the need for early discussion with farming community on contaminants levels (nickel, mycotoxins...) since often the standards are increasingly more stringent and farmers are not sufficiently informed and prepared. The sector needs more predictability and visibility. These discussions are also important in the context of food waste objectives of Green Deal. It was agreed that a dedicated meeting on these issues would be needed together with relevant stakeholders.
  - o The next formal meeting of the EU Crops Market Observatory Expert group is tentatively scheduled for 1 July 2024.