



Meeting summary

1 July 2020

- o The tenth meeting of the Crops Market Observatory (CMO) took place on 1 July 2020 through videoconference. Ms Silke Boger, Head of Unit, DG AGRI Unit G.4 chaired the meeting.
- o The meeting started with an update on agro-weather conditions. Rains in June arrived too late in many regions to improve yields expectations for winter crops, however, they were beneficial for development of summer crops and limited further downgrades to winter cereals. Heavy storms caused some damages locally, especially in HU and RO.
- o Subsequent presentations by Commission officials focused on outlook for world and EU crops in 2020/21.

In general, at global level, the supply outlook remains good for barley and maize. However, in view of dry conditions in eastern Ukraine and the significantly lower area forecast in the US, global maize supply could be less comfortable than initially expected. As for wheat, recent rains in Russia stabilised crop prospects, but a lot will depend on the Australian harvest in 2020/21 given a relative tight supply situation among major exporters. Wheat prices are expected to remain under harvest pressure until September/October. Beyond that, worsening prospects in Australia and/or Argentina could trigger important price hikes. Global outlook for soya beans production is positive at this stage, but normal weather is needed to avoid supply disruptions.

- o As regards the EU, besides a projected 10% decline of soft wheat production, heavy rains during past few weeks have possibly deteriorated quality. EU rapeseed production is forecast only slightly higher than last season and about 20% below the 5-year average.
- o Board members updated the Commission on latest developments of demand patterns on the EU market during the COVID-19 pandemic. Overall, recovery is relatively slow as food service sector operates at limited capacity. This impacts both, wheat flour and high-oleic sunflower demand. In particular, milling wheat demand is seen about 4% lower for this and next year. FEAC experts highlighted that feed demand in the EU is forecast

to decline by about 3.8% in 2020, however this could turn out worse in case the expected rebound of meat production does not materialise until the end of the year. Recent COVID-19 related closures of slaughter houses, such as in DE, could jeopardize consumer confidence and reduce meat demand. Moreover, BG, HU and RO are facing outbreaks of African swine fever and HU avian flu.

- o While beer consumption continues to recover, overall demand for malting barley is expected to be 5-7% below average levels, because producers still have large stocks. Ethanol consumption is close to normal in DE and FR, however remains subdued in Eastern Member States.
- o The expert from European Coordination Via Campesina gave a detailed and comprehensive presentation about the market situation and prospects for the organic sector in the EU. She explained that the organic is a dynamic and growing sector in food retail, which is driven by strong consumer trust. While overall production and the market as such continue growing steadily, Member States are in various phases and market shares in their countries differ significantly. In 2018, 7.7% (13.8 million ha) of total agricultural land was organic. Under the recently published Farm to Fork Strategy the share of organic land should increase to 25% by 2030.
- o During the discussion it was highlighted that policy-driven further growth may exceed demand and reduce prices and thus profitability. Board members mentioned examples, in particular in the crops sector, where prices of conventional and organic products are converging with market growth. Experts also mentioned that global companies increasingly focus on sustainability aspects, which could give the organic sector a further boost.
- o The Commission announced the publication of a new version of the EU+UK feed protein balance sheet for 2019/20 on 1 July. The Commission thanked Members for their active contribution to its elaboration.
- o Next meeting of the CMO Economic Board is planned for the beginning of October 2020.