



# Meeting summary

17 October 2022

- o The nineteenth meeting of the Crops Market Observatory (CMO) was held on 17 October 2022 by videoconference. Mr Koen Dillen, Head of Unit, DG AGRI Unit E.4 chaired the meeting.
- o The meeting started with presentations by Commission representatives on the global and EU cereals, as well as oilseeds markets.
- o As explained, the International Grains Council forecasts **world cereals** production to decrease by 1.5% from last season's record to 2,256 million tonnes in 2022/23, while consumption (mainly feed demand) is expected to decrease by 0.6% to 2,274 million tonnes. Boosted by record harvests in China and Russia, world **wheat** production is expected to reach a new peak at 792 million tonnes (+1.3%). Wheat consumption is placed at 786 million tonnes (+0.6%), an all-time high, with the growth rate however slower than recent average. **Maize** output is projected at 1,168 million tonnes (- 4.2%), well below the record harvest of the previous season, including sharp declines in the EU, Ukraine and the US. Linked to reduced feed demand, total maize consumption is expected to decrease by 1.8%. Nearby global supplies look relatively comfortable for wheat, however rather tight for maize, where good southern hemisphere harvests are very much needed to meet demand.
- o During summer months benchmark **cereals prices** decreased from their earlier record highs in view of a record wheat harvest in Russia, worries for economic recession and a successful re-opening of three Ukrainian ports. However, the escalation of the war against Ukraine, coupled with concerns for dry conditions in Argentina and the US in particular, led to higher prices recently.
- o The Commission then presented its updated outlook for the **EU cereals and oilseeds supply and balance** situation for marketing year **2022/23**. According to the September update, EU cereals production is forecast at 270.9 million tonnes (-7.8% year-on-year), including a significant drop in maize production due to severe drought during summer. Animal feed use is forecast to decrease by 2.3% compared to 2021/22, to 157.3 million tonnes, mainly reflecting reduced livestock production. Use of cereals for bioethanol production is also seen dropping compared to 2021/22, by 9%. Due to lower domestic availabilities, maize imports are expected at 21 million tonnes while, EU wheat exports are forecast to reach 36 million tonnes.

With regard to **oilseeds** market, the outlook for 2022/23 is for a record global production (647 million tonnes), mainly due to increases for soya bean and rapeseed. Soya bean output is higher by 10%, reflecting good yields and increased areas in southern hemisphere. Sunflower seed output is estimated at 52 million tonnes (-9% year-on-year), due to smaller harvest in Ukraine.

Driven by sustained global demand and trimmed production in US, prices of soya bean are on an upward trend year-on-year, while prices for rapeseed are down, due to sharp rebound in production for marketing year 2022/23. In the EU, oilseeds production is expected at 32.2 million tonnes, with good rapeseed and sunflower supply.
- o Following the overview of the **EU market situation** the Members provided the following comments.

- Concerning durum wheat market, the **Semouliers Association** commented that EU production could be somewhat smaller than what is forecast by the Commission. In the short-term, supply is expected to remain tight on the EU market due to very slow imports during the last three months and logistical constraints in Canada.
- Regarding the **oilseeds** market, **FEDIOL** highlighted that rapeseed imports have been very dynamic so far and on par with last season. Imports are expected to increase from Canada and decrease from Ukraine. In view of larger EU production and strong imports, stocks of rape meal are expected to increase by 1.5-2.0 million tonnes. Sunflower seed imported from Ukraine is distributed to all EU crushers.
- **COPA -COGECA** added that fertiliser prices remain very high and availability is also a concern from time to time. Without applying the necessary fertilisers, crops will not only have smaller yields but their quality may also decrease.
- **FEFAC** informed that reflecting price changes and reduced EU maize outturn, there is a switch to replace maize by wheat and barley in feed production. However, there are large maize stocks in ES, which will enter the market if price is sufficiently attractive for the owners.
- As for wheat imports from Ukraine, **FEFAC** added that 90% was for feed production and only 10% for milling. FEFAC forecasts EU compound feed production to fall by at least 3.5%, i.e. by about 4.5 million tonnes, which corresponds to a reduced demand of 3 million tonnes of cereals. Meat production is expected to decline in the EU partly linked to various diseases (e.g. ASF, avian flu), as well as negative consequences of surging energy prices leading to reduced demand for meat products. FEFAC heightened difficulties to transfer increased costs for the consumers.
- **E-Pure** explained that EU ethanol production will be impacted by the smaller EU crop, especially in HU, as it is very difficult to replace maize by other cereals in an ethanol plant designed for processing maize. In HU, RO and Serbia there are also problems with high aflatoxin and micotoxin levels in the produced DDGs (used as animal feed). US DDGs are now very competitive on the EU market and large-scale imports could lead to imbalance on the market. Some ethanol plants reduce their processing capacities due to high energy prices.
- **Coceral** added that EU wheat exports were very strong at the start of the current marketing year as Russian wheat was not competitive and Ukrainian wheat was not available. This has started to change and the Russian wheat is now more competitive than the EU, while Ukrainian grain can be shipped again from Black Sea ports.
- **COPA-COGECA** presented its preliminary outlook on farmers' sowing decisions in the EU for the 2023 harvests. Total EU winter crop area is expected to increase modestly, by about 1%. This year's severe summer drought has influenced sowing decisions and their timing. Also, farmers' decisions are equally driven by psychological effects, in particular the disappointing maize and sunflower seeds harvests.
- High input costs, especially for fertilizer and certain sowing seeds, will also have an impact on the final plantings. Amid surging production costs, farmers are expected to reduce the application of fertilisers, which will potentially result in smaller production the next year.
- **COCERAL** updated Board members about the dynamics of Ukrainian grain exports through the Black Sea corridor. As it was highlighted, there are significant discrepancies among the various Ukrainian export and EU import sources. However, it is clear that with the help of the grain corridor and the continued relatively strong shipments via the Solidarity Lanes, Ukrainian grain exports are now nearly back to normal levels.
- The share of wheat export increased considerably in September as the new crop arrived at the ports. However, maize remained the most important commodity given large stocks and the outlook for a relatively good harvest. Rapeseed exports were exceptionally large in September and with current pace, export availabilities would be entirely shipped by the end of the year. Sunflower seed exports were also very strong in September, mainly destined to the EU, thus no shortage is expected on the EU market during following months.
- **COCERAL** emphasized that the functioning of the grain corridor is crucial not only for the Ukrainian farmers but also for improving food security at the global level. Even if a significant share of the grain has been shipped to the EU so far, meeting European demand from Ukraine means that surpluses at other origins remain available for other buyers at lower prices. While Ukrainian farmers were very much worried about the shortage of storage capacities, the re-opening of the three ports, as well as the purchases of temporary storage facilities are expected to mostly solve this challenge. However, carry-out stocks will be exceptionally high at the end of the marketing year.

- o **FEFAC** added that the re-opening of the Black Sea ports has also contributed to a much needed increase of cash-flow for the Ukrainian farmers and to ease tightness of storage capacities.
- o **COPA-COGECA** informed members that Ukrainian farmers intend to reduce winter wheat plantings considerably and many maize fields may remain unharvested in order to save on drying costs. In case the Black Sea Grain Initiative is not extended beyond end of November, this will also impact spring sowing patterns.
- o The Commission stressed that even if the Ukrainian Black Sea ports remain functional beyond the end of November, the Commission is committed to further improve logistics via the Solidarity Lanes. With the expected tightening economic relations between the EU and Ukraine, our countries need diversified and efficient transport systems.
- o Under the last agenda item, the Commission representative shared information on the export destinations for Ukrainian and Russian grains exports. Information on the destination of Ukrainian exports is easily available contrary to Russian exports as authorities stopped providing this information.
- o Under Any Other Business, Semouliers Association requested clarification on the entry into application of the new maximum levels on deoxynivalenol. The new rules should apply from 1 July 2023 and it would have impacts on the ongoing sowings. The Commission would follow-up on the latest state of play after the meeting.
- o COPA requested that the market situation of fertilisers be put on the agenda of the following meeting of the Crops Market Observatory as a separate item.
- o The following formal meeting of the CMO Economic Board is scheduled for March 2023; however, an *ad-hoc* meeting of the group could be convened earlier if necessary.