



Meeting summary

30 June 2021

- o The thirteenth meeting of the Crops Market Observatory (CMO) took place on 30 June 2021 through videoconference. Ms Silke Boger, Head of Unit, DG AGRI Unit G.4 chaired the meeting.
- o The meeting started with an update by the Commission on the agro-weather conditions. While unusually cool temperatures in May slowed crop developments, rains were highly beneficial in many parts of the EU. Weather conditions have been mostly favourable so far and no major concerns affecting crop developments were reported.
- o As regards **global cereals markets**, the Commission summarised the latest outlook of the International Grains Council (IGC) for crop year 2021/22. Based on expectations for record wheat and maize harvests, IGC projects world total grains production at an all-time high. However, with consumption seen reaching a new peak as well, the increase in output will be fully absorbed, leaving stocks broadly unchanged from previous season.
- o The variable grain export tax system, introduced by Russia on 2 June 2021, increased uncertainty of trade in the Black Sea region. With the tax adjusted on a weekly basis, forward contracting and price discovery has become a challenge. As a result, as explained by COCERAL, trade would be carried out more on spot basis, potentially increasing price volatility.
- o Besides Russia, there may also be increased spot trading in Ukraine, following series of defaults by farmers to deliver contracted quantities during previous season.
- o Board members highlighted that, while EU wheat and barley lost or may lose some market share in Algeria and Saudi Arabia, it has gained access to the Nigerian market. With maritime freight rates climbing to multi-year highs, competitiveness of EU wheat has improved significantly in Nigeria and Sub-Saharan Africa. Moreover, local customers have got used to and appreciate EU wheat.
- o With the start of the harvests in the northern hemisphere, wheat prices started to decrease, however still being well above previous season (+20-25%). With the ongoing maize harvest in Latin America and a fairly good outlook reported for the new crop in the North, maize prices also eased lately. However, continued downgrades for the Brazilian harvest limited price declines and overall, maize supplies will remain very tight in the next few months. Similarly to 2020/21, Chinese demand will be a decisive element for global prices. Pig prices declined sharply during past few months in China, and profit margins turned negative recently, which could potentially reduce feed demand. However, it is uncertain how Chinese pig production will evolve and Chinese demand for cereals is still expected at a high level.
- o Commission presented its updated forecast for the **EU cereals** supply and balance situation for marketing year 2021/22. Accordingly, total cereals production is expected to reach 288.7 million tonnes (+3.8% year-on-year), driven by larger wheat (133.5 million tonnes; +7.4%) and maize (70.6 million tonnes; +8.7%) harvests.

- o Although wheat prices decreased lately at the key EU export location (France, Rouen), benchmark EU cereals prices remain relatively high and certainly well above levels of last summer.
- o Board members added that substitutions in feed ratios would remain important market drivers in marketing year 2021/22. Feed wheat is more competitive than maize in the EU, especially given tight global supplies for maize. However, extended switch from maize to wheat may drive its price up in view of worldwide strong feed demand. In general, it is uncertain how prices will move next season and it will depend on the maize situation (especially the final production of the Safrinha crops in Brazil) and on the Chinese demand. However, a price crush does not seem likely in the short term.
- o As regards the EU feed market, the FEFAC representative explained that they expect production in 2021 to remain close to last year's levels or slightly below. While the spread of ASF in Europe may reduce feed demand, the improving situation for avian flu can compensate for the losses.
- o For the **oilseeds sector**, the Commission presented the main conclusions of the latest IGC and USDA reports on world market supply and demand outlook for 2021/22. USDA forecast global oilseeds production at a record of 633 million tonnes, including 385.5 million tonnes of soya beans, a new peak. Driven by a strong recovery in the EU and the Black Sea region, sunflower seed output is expected at 55 million tonnes.
- o For marketing year 2021/22, the Commission forecasts **EU oilseeds** production to increase by 9.5% to 30.1 million tonnes, including rapeseed up by 3.5% to 16.7 million tonnes.
- o Board members commented that to date growing conditions have been mostly favourable for rapeseed with a potential for a further increase in production. However, supply will remain tight, except perhaps during the harvest period. Demand for biodiesel production will remain high and even higher than, provided that no new lockdowns are introduced.
- o Looking ahead to autumn plantings, the representative of COPA-COGECA explained that planted area of rapeseed for the 2022 harvest is expected to increase, as prices are very attractive for farmers.
- o The expert of the IGC gave a presentation on the developments of the ocean **freight market**. He highlighted that importers have to cope with high transportation costs as well, in addition to elevated grains/oilseeds prices. The Baltic Dry Index has reached an 11-year high this year.
- o Boosted by rising vessel hire rates and fuel prices, total costs for transporting grains/oilseeds increased by 2.2 times since last summer on the main trade routes. He concluded, that freight market might cool moderately in the near future, however freight rates were expected to remain above pre-COVID levels.
- o Commission presented the updated version of the **EU Feed Balance Sheet** for the current marketing year and next one (2021/22). Board members commented the mid and long-term trends that would affect the EU feed balance sheet such as a possible decline in the domestic production of rapeseed, growing import needs (which will be difficult to satisfy given the expanding world demand) and its impact on EU self-sufficiency in feed proteins.
- o The last point on the agenda concerned the **EU market transparency** initiative. Commission presented some examples of new price series for selected products, in particular, for oilseeds. Other new prices datasets will be added to the Commission agri-food data portal, when the data is sufficient and consistent. The official communication of several new cereals, oilseeds and protein crops prices started beginning of January 2021. This new data will help improve transparency of several agricultural markets.
- o The next formal meeting of the CMO Economic Board is scheduled for 4 October 2021.