



Meeting summary

3 May 2022

- o The seventeenth meeting of the EU Crops Market Observatory (CMO) was held on 3 May 2022 through videoconference. Ms Justyna Wrobel, DG AGRI, Unit E.4 chaired the meeting.
- o Mr Michael Scannell, Deputy Director-General, in his introductory speech emphasized that ensuring food security, both at European and global, is high on the agenda following the Russian aggression against Ukraine. The European Commission has announced various measures with the short-term objectives of lifting production potential.
- o **COPA** commented that high fertiliser prices, surging energy and fuel costs are major concerns for European farmers.
- o As usual, the Commission then presented the market situation for cereals, oilseeds and protein crops. The presentation started with highlights on **agrometeorological conditions**. While the April cold spell had little impact on crops in western and northern EU, rain deficit in the Iberian Peninsula, Central Europe and drought in Italy and southern France started to affect yield potential of winter crops.
- o The meeting continued with an update from the Commission on **global prospects for 2022/23**. The International Grains Council (IGC) projects world grains production to decrease slightly in 2022/23 to 2,275 million tonnes (-0.6% y/y) due to a smaller maize crop. Linked to high prices, demand growth is expected to be slower than average, yet consumption is still forecast at a new peak (2,302 million tonnes; +0.9%). World **wheat** production is expected to decrease slightly to 780 million tonnes (- 0.1%), while demand to reach a new peak at 785 million tonnes (+1.2%), mainly driven by population growth.
- o **Maize** output is tentatively forecast at 1,197 million tonnes (- 1.1%) on reduced area, with consumption, boosted by strong demand for feeding, increasing to a record 1,218 million tonnes (+1.4%). Needless to emphasize, that the duration of the war in Ukraine and its consequences on Black Sea supplies will significantly influence developments of global demand and trade, as well.
- o IGC expects global **soya bean** production to rebound to 383 million tonnes (+10% y/y), mainly due to strong demand and recovery in yields. **Rapeseed** production could reach a new record at 79.5 million tonnes (+11% y/y), due to rebound in Canadian output and increase in the EU. As for the **sunflower seed**, the possible drop in plantings in Ukraine will likely reduce global production to 51 million tonnes (-9% y/y).
- o Commission then presented its updated outlook for the **EU cereals and oilseeds supply and balance** situation for marketing year **2022/23**. According to the April update, EU production is forecast at 296 million tonnes (+0.9%), including increases for barley, rye and maize. Animal feed use is forecast to decrease by 1% to 159 million tonnes, mainly reflecting reduced demand for maize and feed wheat. Boosted by high prices and strong international demand, wheat exports are expected to reach 40 million tonnes next season.
- o As for the EU oilseeds outlook, production is predicted to increase to 32.4 million tonnes, mainly on increased sunflower and rapeseed output due to the temporary derogation to allow the sowing of crops on fallow land. **Rapeseed** production is seen at 18.3 million tonnes (+7.6% y/y). **Sunflower seed** output is forecast at 11 million tonnes (+6.4% y/y).

- o **FEFAC** explained that they expect a 3% decrease of feed production in the EU, mainly linked to reduced poultry output due to outbreaks of avian flu in France and Italy. In general, the outlook remains more uncertain than usual as a consequence of high feed and input costs. It is also difficult to forecast how meat consumption will develop in view of surging prices and overall inflation.
- o Germany is expected to have a good soft wheat harvest this year, however logistics, due to high energy and fuel prices and certain capacity constraints will influence trade flows more importantly than usual.
- o As regards prospects for durum wheat, **Semouliers Association** agreed with current Commission forecast. They added that the crop outlook is relatively satisfactory in Italy, mostly favourable in Greece and France. However, due to drought, conditions are unfavourable in Spain. Despite record high prices, durum area is expected to decrease further in the EU, which could lead to additional drawdown of stocks.
- o **Flour millers** stated that flour production is forecast to remain stable in 2022, with relatively good harvest expected in the EU. On the other hand, US Hard Red Winter wheat output could be jeopardized by unfavourable conditions pushing wheat prices even higher. They expect retail food prices to increase further during following months, as surging production costs have not passed through the food chains, yet.
- o **FEDIOL** highlighted that the **export ban introduced by Indonesia on palm oil** covers all types of palm oils (including even used cooking oils), however, in the short term, it has no real impact in the EU as there are sufficient stocks in the EU (4 to 6 weeks). Main impact would be on the local prices. Considering that palm oil production is a continuous process and that the Indonesian storage capacity is limited, the ban is expected to terminate with the coming weeks. As regards sunflower oil after first panic on the market prices slightly dropped with imports from Ukraine continuing to a certain extent and food industry reformulating the recipes to use more other vegetable oils.
- o With regard to **biodiesel**, participants added that Germany is likely to reduce its biofuels mandates.
- o Members highlighted the need to maintain free trade despite all the difficulties we encounter nowadays. During past 4-5 years, more countries started to follow more restrictive trade policies, which accelerated after the COVID and more recently the war in Ukraine. FEFAC added that improved data on actual stock levels could contribute to reduce governments' fears for supply disruptions and thus trade restrictions could be avoided. There is also a need for a better monitoring of EU export flows though.
- o Concerning the prospects of Indian wheat exports in the longer run, members commented that the current rise in their exports is more a short-term conjunctural event than the beginning of a fundamental development.
- o The Joint Research Centre has presented its assessment of the **Ukrainian grain production in 2022**. A first presentation concerned the methodology applied for the assessment, while the second focused on winter crop conditions for the 2022 harvest and early crop yield forecasts. Overall, crop conditions are not ideal, as dryness and cold temperatures delayed crop development and potentially reduced yield prospects. Even assuming that the regular and necessary field operations can be carried out this spring, yields are forecast at below trend for soft wheat and barley.
- o Based on information from Ukrainian farmers, **COPA** explained that winter crops are in mostly good, although not excellent conditions in western and central regions. Spring sowings are delayed, but farmers make every effort to advance to the extent possible.
- o Members commented that **logistics** remain very challenging, which are now limited to railway and road in principle due to the blockade of the seaports. In an already tight global grain market, missing Ukrainian supplies are particularly problematic. Despite an expected much lower grain harvest in Ukraine this season, there is an urgent need to free up storage capacity in the country to avoid spoiling crop and ensure food and feed availabilities on the global markets.
- o Severe shortage of grain-carrying wagons is exacerbated by lack of specialised personnel to execute necessary inspections. Insurance companies are reluctant to cover railcars and locomotives when crossing to Ukrainian territory, which represents another bottleneck for the grain trade.
- o Under the last item of the agenda, the Commission updated stakeholders about the revision of the **Market Transparency** initiative, with the objective to improve the availability of up-to-date information on the stock levels of cereals, oilseeds and rice. The

Russian invasion of Ukraine has clearly shown how essential such information are for taking the right decisions.

- o Discussions will take place very soon with Member States concerning the guidelines and best practices on the methodologies to be used for collecting the relevant data. The amendment to Regulation 2017/1185 will be published in the second half of May 2022 with the new notification becoming applicable as from 1 July 2022.
- o The following formal meeting of the EU Crops Market Observatory is scheduled for **17 October 2022**, however, ad-hoc meeting of the group could be convene earlier if necessary.