

Meeting summary

3 April 2019

- o The sixth meeting of the Crops Market Observatory (CMO) took place on 3 April 2019, chaired by Mr Michael Scannell, Director for Agricultural Markets. It gathered the representatives of organisations from all stages of the cereals, oilseeds and protein crops supply chain.
- o The meeting started with an exchange of views on the current market situation and developments for cereals oilseeds and protein crops. With regard to cereals, the Board focused the discussion on the evolution of Romanian maize production. Several experts see the recent steep increases of maize yields in Romania as exceptionally favourable weather conditions and an increasingly modern farming sector. Romanian farmers use more efficiently plant protection products as well as fertilisers. The farming sector undergoes consolidation with increasing number of big holdings heavily investing in storage capacity as well as in infrastructure (including export facilities). Very efficient irrigation system could also be a factor in boosting yields. However, one expert expressed surprise that the increased yields had not impacted more in prices for the 2018/19 marketing year. The Board invited the Commission to analyse further the on-farm consumption of maize in Romania to get a deeper understanding of the market dynamics. On cereals trade, the Board confirmed the increasing competitiveness of Russian wheat in the world market, mainly due to lower production costs and less constraints in the use of plant protection products and fertilizers. Russian wheat may indeed become a major competitor of EU wheat exports, including in traditional EU export markets, such as Algeria, not only in terms of price but also in terms of quality. The Board confirmed the record volumes of EU maize imports given the switch from wheat to maize in the compound feed composition and in feedstock used for ethanol production (due to lower maize prices). With regard to the oilseeds sector, the Board has not identified any major changes in the market. EU soya production has a potential to increase further under suitable climatic and profitability conditions. The Board considered that policy developments in other areas such as biofuels or plant protection influence the developments in this sector. As regards the current marketing year, higher soya crushing volumes compensate for the lower crushing of rapeseed.
- o The Board expressed also concerns on Brexit's potential indirect impact on the feed sector, as EU animal production would strongly suffer from a disorderly Brexit. However, the Board considered that the market should be able to adapt to the changing trade flows in the crops sectors.
- o The meeting continued with the presentation of the study on "Market developments and policy evaluation aspects of plant protein sector in the EU". A representative of EEIG AGROSYNERGIE, the author of the study conducted for the European Commission, summarised the main findings. The Board welcomed the conclusions of the study. However, the Board emphasised that the main use of plant proteins remains the traditional compound feed market, which was not in the main focus of the study.
- o Experts were also informed about the updated and improved "EU Feed Protein Balance Sheet" (created in 2017). The presentation focused on the new elements introduced and adjustments proposed, which aim at giving a more comprehensive overview on the source and use of plant proteins in the EU. The Board welcomed the revised Balance Sheet and considered it as a very useful tool to analyse the developments in the feed sector. Overall, the Board supported the updated version raising minor technical questions on data. After a final verification, DG AGRI plans to publish the new balance sheet in the coming weeks.
- o Finally, an invited expert from the European Biodiesel Board presented an overview on the industrial uses of oilseeds with a focus on the European biodiesel sector. After a pick-up of capacity in 2013, the biodiesel market has experienced a constant capacity reduction. Today, capacity only reaches 88% compared to 2013. 85% of total feedstock for the EU biodiesel production is crop-based, of which around 50% is rapeseed oil. As regards trade, the presentation highlighted the negative impact on the EU biodiesel prices due to high imports from low cost origins. The Board highlighted that the biodiesel industry is a significant contributor of plant proteins (in particular rapeseed meal) to the feed sector.
- o The next meeting of the CMO Economic Board is scheduled for 5 July 2019 (tentative date).