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MINUTES

Meeting of the EU CROPS MARKET OBSERVATORY EXPERT GROUP

4 December 2023

Chair: AGRI.E4

All organisations were present, except CAOBISCO (no appointed experts), CEFIC and EPKK.

1. Approval of the Rules of Procedure

The Rules of Procedure of the renewed European Union Crops Market Observatory Expert Group approved.

2. Nature of the meeting

Non-public.

3. List of points discussed

3.1. Exchange of views on the market situation for cereals, oilseeds and proteins

Commission representatives presented updates on the global and EU cereals as well as oilseeds markets.

Concerning the world outlook, the International Grains Council (IGC) forecasts world total cereals production to rebound by 1.2% to 2 295 million tonnes in 2023/24. Reflecting strong growth for feed use, consumption is projected at 2 308 million tonnes (+1.6%), a new peak. Including bumper harvests in China, India, Russia, Türkiye and the US, global wheat production is placed at 787 million tonnes, 2.1% below last season's record harvest. Wheat consumption is projected at a new peak of 804 million tonnes (+1.0%), including a below average growth for food use.

Including record crops in the US and Russia, world maize production is expected to reach 1 223 million tonnes (+5.0% y/y) in 2023/24. Driven by strong demand for feed use, now seen at a record of 726 million tonnes (+3.5% y/y), total consumption is forecast at 1 213 million tonnes (+3.1%).

Cereals prices have fallen by around 25% during past year with price movements stabilising somewhat lately. For wheat, the market is dominated by ample nearby global supplies, in particular from Russia, as well as on-going harvests in the southern hemisphere. In the case of maize, prices were pressured by a record US harvest, strong shipments from Brazil and an expected rebound of output in Argentina. Moreover, Ukrainian grain exports increased moderately as well, thanks to expanding trade flow from seaports through the humanitarian grain corridor.

Fertiliser prices have dropped considerably during past year, by about 30-50%, with the strongest declines observed for nitrogen. Phosphate fertiliser prices decreased more moderately due to tighter availabilities and Chinese export restrictions. While prices are certainly lower, given the fall of cereals prices, the affordability remains an issue. On the other hand, supplies are mostly adequate and supply risks are rather limited in the short-term.

On the EU weather conditions the Commission representative highlighted that much wetter-than-usual conditions were observed during October and first half of November in large parts of Europe, including most of the Iberian Peninsula, western, central and eastern Europe. Except for Scandinavia, temperatures were well above long-term averages throughout Europe. Adverse conditions hampered field works locally. Delayed winter crops sowings for example affected crop establishment and growth in many areas.

Discussion then focused on marketing year 2023/24. Reflecting often challenging conditions throughout the season and late arrival of harvest results due to weather-related delays, the Commission continued to lower its forecast for EU cereals production even in November. Total EU cereals output is now estimated at 266.4 million tonnes (-0.1% y/y), including 125.6 million tonnes of soft wheat, 46.9 million tonnes of barley and 59.9 million tonnes of maize. As for the 2023/24 balance sheet, the Commission explained that the use of cereals is expected to increase only modestly (+0.7%), including animal feed broadly unchanged y/y at 156.8 million tonnes. On trade: including a sharp fall for maize (20 million tonnes), total cereals imports are forecast to drop by nearly 9 million tonnes to 31.5 million tonnes in 2023/24. Soft wheat imports are expected to decrease to 6.5 million tonnes, while exports are currently placed at 31 million tonnes, with total cereals exports projected at 46.1 million tonnes.

COPA COGECA indicated that due to delayed harvests, especially in Scandinavia, they had to postpone the publication of their production forecasts for the season. Spring crops suffered a lot due to adverse weather with negative impacts both on quantity and quality. Winter crops, especially soft wheat, developed rather well despite unfavourable conditions showing the quality of current varieties. However, more efforts are needed in the future to have more resilient varieties for other crops, as well. Regarding fertilisers COPA COGECA underlined the lack of appropriate risk hedging tool, which means that farmers continue to operate with lower coverage for their needs and buy on the spot.

Given reduced winter plantings due to excessive rains, more spring sowing could take place. However, there could be a shortage of sowing seeds (also affected by bad harvest in the north of Europe).

ePURE agreed with the production figures presented by the Commission. However, ePURE is less certain for the demand side, where Commission changes its figures very little year-to-year. In their view, EU demand, especially for feed use, is expected to drop in 2023/24. Meat consumption is declining, while less food is wasted following the COVID and the high inflation.

COCEAL agreed with ePURE on the weak demand situation in the EU, in particular for feed. On exports, they agree with the Commission forecast of 31 million tonnes for soft wheat, which could be even slightly higher due to strong Chinese demand. As for current low

prices, they highlighted the bumper Russian wheat harvest and large export potential, as well as nearly record high maize stocks in the US and the expanding humanitarian grain corridor from Ukraine.

COCERAL added that due to heavy rains delaying winter sowings, some areas could not be finished or need to be replanted in spring. Due to a very tight supply of malting barley, there is an unusually high premium versus feed barley. Thus, spring barley and malting barley plantings could increase for the 2024 harvest, especially given lower winter wheat plantings (mainly in France).

COCERAL also mentioned that there is rather unusual development on the futures markets with hedge funds holding a record high short positions, which is rather unusual for this period of the year.

FEFAC agreed with the views expressed by other members on weak EU demand for feed use. They estimate compound feed production to drop by 2.5 million tonnes to 144.5 million tonnes in 2023. Major drops are in pig feed followed by cattle, partly offset by a modest increase for poultry. However, for poultry it is rather due to some recovery following earlier losses linked to avian flu. At this stage FEFAC does not expect any growth for 2024 either.

ePURE informed that bio-ethanol production recovered this season on lower input costs, but it is not expected that domestic production will grow further, increased demand will have to be covered by imports.

The Commission then presented the market situation and production forecasts for oilseeds in 2023/24. IGC forecasts global production of soya beans at a record of 395 million tonnes (+7.5%) in 2023/24 linked to increases in South America. The forecast for world consumption is pegged at 386 million tonnes (+7.7% y/y), linked to gains in feed, food and industrial demand for soya products.

World soya bean prices increased marginally in the last months, led by a slight increase in US export demand, concerns over Brazil's crop prospects and a rise in the value of soya meal. However, prices are still below previous year and the month of July. Export prices for the three leading exporters are quoted in the range of USD 510 – 525 per tonne. Ukrainian soya (USD 415) is significantly cheaper; however, availabilities are much smaller from that origin.

As for the EU market: total EU oilseeds production in 2023/24 is forecast at 32.7 million tonnes (+4% y/y and +9.5% above the five-year trimmed average), incl. 19.9 million tonnes of rapeseed (+2% and +15%).

COPA also reported on the difficult growing conditions for the current marketing year due to adverse weather conditions, strong competition from Ukraine, the need on new plant protection products and plant varieties.

COCERAL expressed concerns over the impact on trade flows of the EU deforestation regulation. There could be a shift from imports from Brazil to Argentina. This could lead to more expensive protein feedstock.

3.2. Exchange of views on the functioning of Solidarity Lanes and Ukrainian exports

Commission updated members about the functioning of the Solidarity Lanes and Ukrainian grain exports. Exports have declined moderately so far in 2023/24 if compared to the same period of the previous season, which is mostly due to the termination of the Black Sea Grain Initiative by Russia in July 2023. During past few weeks however, and despite the occasional Russian attacks on port infrastructure, shipments started to increase again from the Odessa ports under the humanitarian grain corridor opened by Ukraine.

Monthly cereals import into the EU stabilised at around 1.3 million tonnes since last summer with Spain being the most important destination. There is very strong demand in Spain, especially for maize and feed wheat.

Based on official outlook, as well as comments by private local forecasters, Ukrainian cereals production in 2023/24 is forecast at 58.2 million tonnes, including 22.4 million tonnes of wheat and 29 million tonnes of maize. Export could exceed 40 million tonnes, including 14.3 million tonnes of soft wheat and 23 million tonnes of maize.

3.3. Exchange of views on the challenges in the implementation of the Regulation on deforestation-free products

Under this item of the agenda, FEDIOL, COCERAL and FEFAC presented the challenges stakeholders are facing regarding the implementation of the EU Regulation on deforestation-free products.

After explaining the scope and main provisions of the Regulation, which will enter into force at the end of 2024, stakeholders highlighted the main challenges for operators and traders, and referred to several outstanding questions still to be replied by the Commission.

COPA was concerned by additional administrative burden for EU farmers, increased costs that could ultimately affect the competitiveness of the EU agri-food sector. Geo-location requirements, segregation of products in the logistic chains and handling of the personal data are the main challenges. Swift appointment of responsible authorities in each Member State would be also crucial.

FEFAC added that only four Member States set up competent authorities at this stage. FEFAC was also concerned by the level of preparedness of certain third countries, in particular the ones supplying organic soya to the EU (e.g.: Togo, Nigeria, India.). FEFAC also noticed that EU beef producers do not feel sufficiently concerned by the new requirements.

4. Conclusions/recommendations/opinions

No conclusions.

5. Next steps

No further steps decided.

6. Next meeting

The next formal meeting of the EU Crops Market Observatory Expert Group is scheduled for 13 March 2024.

7. List of participants

In the Annex.

e-signed

Pierre BASCOU

List of participants– Minutes
Meeting of the Expert Group Crops Market Observatory
4 December 2023

ORGANISATIONS
Conseil Européen de jeunes agriculteurs (CEJA)
European farmers (COPA)
European Producers Union of Renewable Ethanol (ePURE)
Comité du commerce des céréales, aliments du bétail, oléagineux, huile d'olive, huiles et graisses et agrofournitures de l'U.E. (COCERAL)
European agri-cooperatives (COGECA)
European Biodiesel Board (EBB)
European Flour Millers
The EU Vegetable Oil and Proteinmeal Industry (FEDIOL)
Fédération Européenne des Fabricants d'Aliments Composés (FEFAC)
Union des Associations des Semouliers de l'Ue (Semouliers)
AD HOC EXPERT
1 ad-hoc expert from FEDIOL