



Meeting summary

5 April 2022

- o The sixteenth meeting of the Crops Market Observatory (CMO) was held on 5 April 2022 through videoconference. Ms Caroline Jeandin, Acting Head of Unit, DG AGRI Unit E.4 chaired the meeting.
- o The meeting was convened to discuss the latest market situation and short-term outlook following the Russian invasion of Ukraine.
- o In his introduction, Mr Michael Scannell, Deputy Director-General highlighted the main elements of the European Commission Communication on food security, which was published on 23 March 2022, as well as measures adopted in that context.
- o Then, the Commission provided an update on the **fertiliser market situation** and outlook. Since last spring, prices increased considerably, especially nitrogen-based fertilisers. The upward price trend further escalated by the Russian aggression against Ukraine. Surging fertiliser and energy costs now represent about 30-50% of total input costs for the production of cereals, oilseeds and protein crops.
- o Due to the sanctions imposed against Belorussia and Russia, as well as various export restrictions introduced by major producers, import availabilities are very limited, especially for ammonia. However, the restart of production by some fertiliser producing plants in Europe is a positive development.
- o **COPA** added that despite high prices, fertiliser supplies were mostly ensured for the 2022 harvest; however availabilities are very uncertain from autumn 2022 onwards. In some regions, farmers might increase the planting of clover in order to boost the nitrogen in the soils prior to the autumn plantings or even let land fallow (this could even happen already this spring).
- o Some participants highlighted the fact that with high cereals prices, farmers can afford fertilizers but that the physical availability of fertilisers for next season is uncertain. On organics, **Via Campesina** pointed out that fertilisers costs rose less sharply but energy prices are problematic.
- o The Commission briefly presented its updated outlook for the **EU cereals and oilseeds supply and balance** situation for marketing year **2021/22** and the **first projection** in respect of **2022/23**. As for the next harvest, production levels could be satisfactory if the conditions remain positive for the crops. Trade projections were revised for marketing year 2021/22 in light of the current situation. In particular wheat exports are expected to be higher, while imports of maize and oilseeds lower due to disrupted supplies from Ukraine.
- o In their comments, Board Members agreed that for the time being we can be relatively optimistic regarding the EU supplies of cereals and oilseeds. However, the attention point is dryness in certain parts of Europe and fertilizers costs. In particular, high fertilizers prices could lead farmers to focus on lower quality wheat as premium for high quality wheat does not cover for the increase in fertilisers costs.
- o As regards the use of cereals for animal feed, **FEFAC** agreed that the demand is expected to be lower in 2022/23 due to

decreasing needs in the pig meat sector. In some countries the demand may decline in the beef and poultry sectors as well (linked to Asian flu outbreaks for poultry). FEFAC does not expect an important increase of the cereals production, as some farmers (in the North of Europe for instance) rather switch to the cultivation of protein crops requiring less fertilisers (in particular nitrogen fixing crops). **COPA** confirmed this development.

- o **Coceral** pointed out that in order to realize the exports of 40 million tonnes of soft wheat and reduce maize imports to 9 million tonnes in marketing year 2022/23 EU grains production would need to be very high and feed demand would need to drop even further. The discussed balance sheet figures are subject to many assumptions making the current forecast highly tentative. Moreover, the outlook for the next Russian wheat crop is very favourable and their exports could increase significantly as well.
- o As regards projected drop in durum wheat area, **Semouliers Association** mentioned that they predict a slight increase in durum wheat area (+2%) with a potential 2% production increase.
- o Discussion continued on the **logistic** situation in Ukraine and the Black Sea. As explained by participants, Ukraine still has about 10 million tonnes of maize available for exports. However, the trade flow by rail is much more limited than by sea. By train, Ukraine exports only about 300 000 tonnes of cereals per month (main flows via Constanta in Romania but also through Poland and to a lesser extent Hungary and Slovakia). With improved logistics, the export capacity could reach 600 000 tonnes in May and perhaps 1 million tonnes by autumn. The new logistical solutions are not operating smoothly yet and need to be further facilitated. Currently, there is still a significant congestion at Ukrainian boarder with about 1000 wagons with grains waiting.
- o On this congestion of rail wagons, **FEFAC** mentioned that it concerned all kind of export goods, not only grains. However, capacity is limited on the EU side to receive and handle the increased rail shipments. On the Ukrainian side, occasional fuel shortages for the locomotives are complicating movements by rail.
- o As regards **plantings in Ukraine**, operators have problems financing the inputs for the new crops. They need for instance to pay in advance for fertilisers. As regards seeds for spring sowings, they will use seeds already in the country. EU seeds still in transit will probably arrive too late and will be used in autumn.
- o **COPA**, based on information from Ukrainian farmers added that farmers are relatively well supplied with necessary inputs in the central and western regions. Winter crops are mostly in good conditions. Producers' main concern is the availability of fuel in order to carry out the spring works and harvest later in summer. Yields will certainly decrease, potentially by 30% year-on-year. Also, farmers will try to produce more food for domestic needs (e.g. potatoes, vegetables...) and crops less demanding in fertilisers (soya or sunflower).
- o The Commission informed stakeholders of the its proposal to amend the **Market Transparency Regulation** with a view to extend Member States' reporting obligations to stocks of cereals and oilseeds on a regular basis. Russia's invasion of Ukraine and the resulting supply disruptions shed light on a series of information gaps as regards food security. The new reporting obligations will concern stocks of cereals, oilseeds, oilseeds meals and oils, as well as certified seeds of these crops. Member States will have to notify these data on a monthly basis (except for certified seed, for which communication is foreseen twice a year). Stakeholders raised some concerns over the increased administrative burden. The Commission replied that Member States may use different tools for data collection and notify estimates, reducing considerably the burden.
- o The following formal meeting of the CMO Economic Board is scheduled for 3 May 2022.