



Meeting summary

16 March 2023

- o The twentieth meeting of the Crops Market Observatory (CMO) was held on 16 March 2023 as a hybrid meeting. DG AGRI Unit E.4 chaired the meeting.
- o Under the first agenda item, Commission representatives made presentations on the global and EU cereals, as well as oilseeds markets.
- o Concerning global outlook, the International Grains Council forecasts **world cereals** production to decrease by 1.8% to 2,250 million tonnes in **2022/23**. Due to reduced feeding, consumption is placed at 2,261 million tonnes (-1.6%). Driven by record harvests in Australia, China and Russia in particular, global **wheat** production is estimated at an all-time high of 801 million tonnes (+2.6%). World harvested area is expected to remain steady in **2023/24** and assuming trend yields, wheat output is projected to ease to 787 million tonnes (-1.7%).
- o Global **maize** harvest is forecast to decline considerably in **2022/23** to 1,150 million tonnes (-5.8%), mainly due to sharp falls in the EU and Ukraine, as well as smaller crops in the US and Argentina. Mostly linked to reduced feeding (-4.2%), total maize demand is forecast to decrease by 3.6% to 1,174 million tonnes. Tentatively, IGC projects 2023/24 maize production to rebound by 4.6% to an above-average level of 1,202 million tonnes.
- o Regarding **2023/24**, it was added that according to first official outlook, all-wheat and barley production would remain broadly unchanged in **Canada**, while oats output is expected to drop sharply on reduced area. As for the **USA**, preliminary USDA figures indicate significant increase both for wheat and maize production. For **Russia**, wheat production forecasts of local private forecasters project the crop at around 85 million tonnes.
- o **Cereals prices** dropped considerably from their extremely high levels a year ago, partly linked to facilitation of Ukrainian exports under the Black Sea Grain Initiative (BSGI) and EU-UA Solidarity Lanes initiative. Uncertainties regarding the prolongation of the BSGI beyond 18 March added some pressure to cereals prices lately. (*The BSGI was finally extended, however Russia claims that it is only for 60 days vs. the expected 120 days.*)
- o Large wheat availabilities, in particular from Australia and Russia, weighed on wheat prices. As for maize, record Brazilian shipments and very competitive offers from Ukraine kept benchmark export prices at around 10-20% lower than a year ago.
- o As regards **EU cereals production** in 2022/23, the Commission provided an update about its latest forecast. Total production is estimated at 265.6 million tonnes (-9.2% y/y and -6.9% compared to the five-year trimmed average). Maize crop was severely impacted by droughts in the main producing Member States and is now seen at 52.1 million tonnes (-28.9% y/y and -24.3% vs. five-year trimmed average). Total soft wheat production reached 126 million tonnes, almost stable compared to the five-year trimmed average. Commission has also presented the balance sheet updated as of end of February.
- o EU soft wheat **exports** are forecast at 32 million tonnes, while barley at 9 million tonnes. Regarding price movements, it was

explained that **EU cereals prices** have been less volatile during past few months, while a moderate downward trend could be observed. Prices are now close to their levels before the invasion of Ukraine.

- o As regards the **global oilseeds market**, the IGC forecasts for 2022/23 a record production for soya bean (378 million tonnes; +6.3% y/y) reflecting very good Brazilian output. Total consumption is expected to increase to 374 million tonnes (+2% y/y) mainly due to strong Asian feed demand. Global rapeseed production is also seen reaching a new peak at 86 million tonnes (+16% y/y) due to upward revision for Australia and the EU. Mainly linked to a reduced harvest in Ukraine and the EU, total sunflower output is estimated to drop by 11% y/y to 51 million tonnes.
- o Soya bean **prices** fell by 12% in Argentina and the US and by 20% in Brazil from last year's record levels. Global rapeseed prices followed a similar downward trend, on ample supplies globally.
- o Looking at the **EU oilseeds market**, total production in 2022/23 reached 31.4 million tonnes (+4% y/y and +5.2% on the five-year trimmed average), including 19.6 million tonnes of rapeseed (+14.8% y/y and +13.6% vs. the five-year average).
- o Following the overview of the global and **EU market situation**, Members provided the following comments.
- o **COPA-COGECA** explained that winter plantings went well in Europe. Availability of fertilisers improved while prices decreased. Winter crops are mostly in good conditions, although risks of winterkill are still there in the Northern regions. Planted area is rather strong.
- o Spring sowings will be carried out under the new CAP and specific national rules included in the strategic plans. Sowing decisions have not been fully made, with farmers still considering what crops to plant. An increase of 5-10% for protein crops looks possible at this stage. Due to dry conditions during autumn sowing period, yields potential of winter oilseeds could be affected, partly offset by larger overall area. For maize, due to still high fertiliser prices and the severe drought of 2022/23, it is difficult to give a good perspective but given reduced availabilities of water for irrigation a decrease of area is likely, with a switch to sunflower.
- o **COCERAL** commented on EU wheat export prospects until the end of the current season. Given the strong competition from Russia and a rather relaxed attitude of importers who do

not rush to buy, it remains a challenge to fully exploit the EU export potential. Remaining EU wheat export availabilities are estimated at about 11 million tonnes.

- o Concerning fertilisers **COPA** highlighted that despite the fall of prices recently, there is still a lot of volatility and prices are still twice more expensive than a year ago. Many farmers purchased at even higher prices and their margins are squeezed as now they face much lower prices for their crops. COPA requested that import duties should be suspended for at least a year so that farmers can obtain cheaper fertiliser and buy sufficient volumes in order to increase yields and improve the quality of the crops.
- o **Semouliers Association** drew attention to the problems with the TAXUD surveillance system concerning trade data for Italy. The lack of reliable data reduces market transparency. It was added that there are unusually high price spreads within the EU indicating very tight supplies, especially in France. EU imports could reach 2.3 million tonnes in 2022/23, while EU production could decline modestly to 7.5-7.7 million tonnes next season.
- o **European Flour Millers** mentioned that their members noted a trend of reduced bread food waste of households. This trend is most probably the result of high inflation rates in many countries and will have an impact on the EU balance sheet as well.
- o **COPA-COGECA** added to the discussion that some farmers are holding back their stocks in the hope of higher prices. While input costs fell considerably lately, the decrease of cereals prices was more significant. Euronext wheat futures quotations need to climb back to above EUR 300 per tonne in order to generate more producer selling.
- o Regarding the Spanish market situation it was mentioned that it is currently cheaper to import grain instead of using local stocks, which are still ample. Therefore, stock levels could be too high for the next crop year leading to reduced storage capacity.
- o Upon a question from the Commission, **e-PURE** answered that they do not expect an important change in the quantities of cereals to be used for EU bioethanol production in 2023/24. However, it would be important to take into account for the EU balance sheet the amount of DDGS obtained during the transformation of cereals into ethanol. DDGS has high protein content and is an important source of animal feeding. **COPA** added that due to climate change, protein crops cannot be produced in some regions and the positive

aspects of biofuels on the feed protein supplies need to be taken into account.

- On the **oilseeds markets** members had the following comments.
- According to **COPA-COGECA**, given water availabilities being not optimal, farmers are interested to plant more sunflower. In order to have a viable crop, the availability of good seeds and efficient plant protection products are essential. As for protein crops, more specific plant protection products would be needed, but these are becoming less and less available. This will influence planting decisions, especially that demand for locally produced protein crops is weaker than expected by farmers.
- **FEFAC** expressed a concern with regard to sunflower seed crushing capacity in 2023/24. Farmers are expected to increase their plantings both in the EU and Ukraine, however it is unclear what is the actual crushing capacity in Ukraine currently. In case Ukrainian crop need to be crushed in the EU that could prove to be a challenge.
- Under the following item **FEFAC** shared their views on key drivers for EU feed demand. As explained, there are several factors putting downward pressure on feed demand in 2023: continued outbreaks of avian influenza; African swine fever impacting EU export prospects and reducing meat production; food price inflation limiting household expenditure and lowering demand for meat. Furthermore, changing and stricter regulatory framework on environmental standards and animal welfare is expected to prevent farmers from new investments and restocking.
- Driven by reduced demand by the pig industry, compound feed demand decreased by 3.5% in 2022, with risks of further downward corrections. The decreasing trend is expected to continue in 2023, as well. While due to cheaper availability there was a switch from maize towards wheat in compound feed production, this can turn back relatively quickly in case price patterns change considerably.
- The following topic related to production prospects in **Ukraine** and grain exports. **Commission** presented detailed statistics on the Ukrainian exports highlighting that wheat and barley shipments fell sharply in 2022 if compared to 2021 due to reduced availabilities. Maize exports remained broadly steady thanks to a record crop in 2021/22 and resulting large stocks. On the other hand exports of sunflower seed surged sharply due

to crushing constraints in Ukraine. Despite the re-opening of the Odessa ports last August, shipments to the EU and the world markets via the Solidarity Lanes remained a very important. Under the BSGI 45% of the maize was shipped to the EU, whereas it was 32% for wheat.

- Ukrainian cereals and oilseeds production prospects remain very uncertain for the next season, with planted areas forecast to further decrease sharply for cereals, but increase for oilseeds.
- It was added that there are important discrepancies between official export data from Ukraine and EU import statistics. This could be partly explained by Ukrainian traders indicating an EU Member State on the customs documents even if the shipment is only in transit in the EU and actually going to third countries.
- **COCERAL** commented that the availability of fertilisers and plant protection products is already a main concern in Ukraine in view of the next harvest. However, additional challenges will be ensuring the necessary staff for the field works and transportation as many are fighting in the war or fled the country. Input costs are high, logistics expensive and damages of the country's infrastructure just increasing difficulties. Total grain production could reach 65 million tonnes, allowing for exports of 45 million tonnes in 2023/24, levels equal to 10 years ago.
- Under the last item **COCERAL** provided an update on logistics and market challenges after one year of war in Ukraine. Roughly half of the grain exports in 2022/23 were executed via the BSGI and the other half through the Solidarity Lanes, especially the Danube river ports (22%) and by railway (18%). Ukrainian farmers adjusted to the new reality by exporting directly, investing in processing and storage equipment. In view of the uncertainties, forward contracting is rarely used and the market mainly trade on the spot. This prevents Ukrainian traders to participate at international tenders. While Solidarity Lanes initiative proved to be an important lifeline for Ukrainian agriculture, linked the high logistical costs, the preferred option remains the BSGI. Large scale imports from Ukraine also led to tensions in neighbouring Member States as local farmers often faced difficulties to market their products at the expected prices. Overall, despite the serious difficulties Ukraine had in 2022/23, its grain exports reached

surprisingly high levels, thanks to often very creative solutions of traders.

- o The next formal meeting of the CMO Economic Board is planned to take place on 7 July 2023.