



Meeting summary

26 March 2020

- o The twelfth meeting of the Crops Market Observatory (CMO) took place on 26 March 2021 through videoconference. Ms Silke Boger, Head of Unit, DG AGRI Unit G.4 chaired the meeting.
- o Under the first agenda item, the Commission provided a brief update on the agro-weather conditions. Despite contrasting weather events observed throughout Europe in February, overall, crops are in good conditions in most regions.
- o As regards world cereals markets, the Commission summarised the first outlook of the International Grains Council (IGC) for crop year 2021/22. IGC projects world total grains production to reach a new record, boosted by new peaks of wheat and maize harvests. All production growth is expected to be absorbed by higher consumption keeping stocks unchanged. As for prices, most cereals prices have decreased recently reflecting improved prospects for the new wheat crop and somewhat better weather conditions in South America for maize. However, maize supplies are expected to remain rather tight and overall feed demand by China very strong.
- o COCERAL highlighted that increasing cereals and commodity prices in general attracted an inflow of fresh money from financial investors on the futures markets who intend to hedge against expected rising inflation. This trend, while supportive for prices, will also lead to more volatility on the markets.
- o Then, the Commission presented its first forecast for the EU-27 cereals supply and balance situation in marketing year 2021/22. Based on Member States' communication of planted areas and partly using trend yields, as well as JRC yield forecasts for winter crops, total cereals production is projected at 292.5 million tonnes (+5.3% year-on-year). Initially, both wheat and maize production are expected to recover considerably thanks to higher wheat area and mostly favourable growing conditions.
- o With regard to current EU market situation, Board members added that supply situation is already rather tight, especially for wheat and barley and will tighten further until harvest. If the next harvest is delayed/impacted for any reasons, this could cause additional problems for cereal users.
- o Trade policies in leading cereals exporting and importing countries significantly affected EU markets. In particular, the wheat export taxes imposed by Russia pushed both world and EU prices up. Furthermore, strong Chinese demand for barely has created a price premium in those EU countries, which are approved origins for exports to China.
- o Regarding biofuels experts explained that recent lockdown measures have impacted bioethanol demand, however to a lesser extent than during the first lockdown in spring 2020. Recent high maize prices influenced production margins but they remain still positive.
- o In its first outlook, the Commission forecasts EU oilseeds production to increase by 10.5% to 30.4 million tonnes in 2021/22. The annual increase is mainly due to a sharp rise for sunflower seed output, while rapeseed production, despite

a small annual increase, would remain below the 5-year average.

- o Board members provided short update on crop prospects for rapeseed. Growing conditions for winter rapeseed have been mostly favourable so far and current high prices should encourage farmers to expand their spring rapeseed sowings. However, current total rapeseed area should be rather viewed as the “new normal” and a return to historical levels is not realistic for the time being.
- o After strong increases during winter months, soya beans prices have stabilised recently. In contrast, prices of rapeseed and sunflower continued to rally higher on strong Chinese demand for rapeseed oil, as well as very tight supplies of sunflower seeds in the Black Sea region. Low canola (rapeseed) stocks in Canada have increased pressure on prices. Moreover, a relatively low palm oil supply and increasing biofuel demand (related to increased blending targets in US) supported an overall upward price trend for oilseeds.
- o During the next presentation, the FEAC expert explained that EU compound feed production in calendar year 2020 is estimated at 164 million tonnes, representing a smaller than expected decrease of -0.4% from 2019. Strong Chinese demand for pigmeat boosted EU meat exports and higher domestic consumption favouring EU produced meat at the expense of imported meat (which is more frequently consumed in the hospitality sector) helped maintain EU meat production in 2020.
- o However, there was certain stock building during lockdown periods and some products are only progressively released from storage, which affects meat supply and future feed demand.
- o Last year, livestock producers faced slaughterhouse backlogs due to temporary distortion in demand and forced certain farmers to keep animals longer on farm, which increased feed consumption consequently.
- o The past year was very challenging for their industry, not only due to COVID, but also linked to outbreaks of some animal diseases (avian flu and African Swine Fever), as well as strong increase of cereals and oilseeds prices. As for 2021, Chinese demand will remain a key market driver. Low margins of animal production caused by high feed prices could force EU farmers to reduce output. Environmental

restrictions due to nitrogen leakage problems in some countries will also affect meat production and feed demand in the coming months.

- o Members also discussed the developments in the organic segment of the animal feed supply and highlighted the challenging situation for developing this segment given the limited EU area of organic cereals and oilseeds.
- o The Commission has updated the Board on the state of play of the EU Contingency plan, planned for adoption by end 2021. Members emphasised the need to increase knowledge about existing stocks (both strategic stocks and market stocks), which they consider essential for an early identification of potential market tensions. Members also stressed the importance of efficient and fluid logistics for a smooth flow of both food and production inputs.
- o The issue of supply of micro-ingredients, which are crucial inputs in animal feeding, should be taken into account in the analysis, since the EU is highly import dependent for these products. Any supply disruption could have serious consequences for the entire sector.
- o Under AOB, COPA-COGECA highlighted that fertilizer prices have increased significantly lately. Moreover, fertilizer costs vary considerably, typically the EU being a more expensive region and putting European farmers at a disadvantage compared to farmers in the US or the Black Sea region. They urged that more attention is paid to the monitoring of fertilizer markets.
- o The next formal meeting of the CMO Economic Board will take place in the second half of June 2021.