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KEY MESSAGES

270.9 million t

Usable production of EU cereals in 2022/23 (-5.1%/5-year average)

+23%

EU wheat exports in 2022/2

32.2 million t

EU oilseeds production in 2022/23 (+8.5%/5-year average)

+30%

Year-on-year increase in beginning stocks of sugar at the start of 2022/23 season

ARABLE CROPS

HIGHLIGHTS

The 2022/23 EU usable cereals production is projected at 270.9 million t, a 5.1% decrease over the 5-year average (and a 7.8% decrease year-on-year), not least due to the drought conditions that affected maize in particular (-19.3%/5-year average).

The poor harvest combined with high cereals prices and anticipated decrease in meat production is expected to reduce the use of cereals for feed by 2.3% year-on-year, while food use is expected to increase slightly (+0.7% year-on-year). However, trade of cereals could further grow, by 12.3% compared to the previous marketing year (including +6.5% of exports and +24.7% of imports). The good EU oilseed production (especially of rapeseed) is expected in 2022/23 (32.2 million t, +8.5% above 5-year average).

2022/23 EU sugar production is forecast at 15.5 million t, -5.8% below 5-year average as both beet planting area and yields were reduced. Sugar consumption is also expected to decrease due to increasing prices.

CEREALS

DROUGHT CONDITIONS HURT PRODUCTION

Following drought conditions throughout the year and across large parts of the EU – combined with the negative impacts of fertiliser prices on the application rates – EU cereal production is expected to decrease considerably compared to the average of previous years. Despite the temporary relaxation of greening rules to allow farmers cultivate on a larger area, the area under cereals decreased by 1.3% compared to the 5-year average. At the same time, farmers were concerned about drought and input prices which impacted the area development negatively. Overall cereal yield decreased by 3.3% compared to the 5-year average. As a result, EU cereal production decreases by 5.1% compared to the 5-year average.

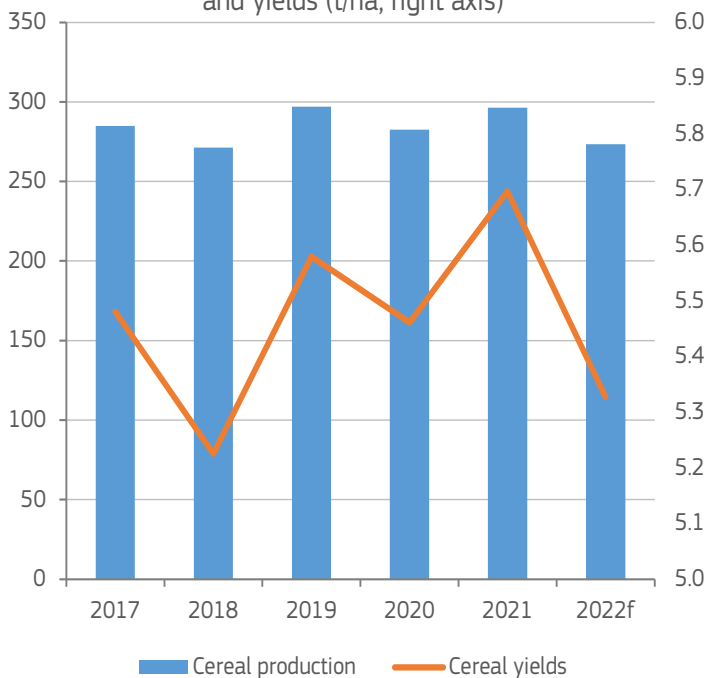
After record-high prices in spring and early summer – following the Russian invasion of Ukraine – cereal prices have come down, helped by the increasing shipping capacity out of Ukraine through both the Solidarity lanes and the Black Sea corridor, as well as on a record grains harvest in Russia and good production prospects in Canada, Brazil, and Argentina. Uncertainty about geo-political developments in the Black Sea region and concern about the availability of feed in the drought-stricken regions are factors that may trigger increased price volatility in the months to come. Nevertheless, total EU cereal use is decreasing substantially as an effect of high prices and reduced animal production outputs needing less feed (-1.7% year-on-year) followed by food consumption (23%). However, given the very low EU maize production and fodder shortage due to the drought, feed imports are expected to increase.

2022/23 EU CEREALS PRODUCTION OUTLOOK

In 2022/23, the total cereals production area as notified by EU countries has fallen 1.4% below the last season's level. The current area includes 22.0 million ha of soft wheat (+1.4% year-on-year), 2.2 million ha durum wheat (-0.6%), 10.5 million ha barley (+1.6%), 8.7 million ha maize (-5.9%), 2.6 million ha triticale (-2.3%), 2.4 million ha oats (-5.7%), and 1.8 million ha rye (-6.6%).

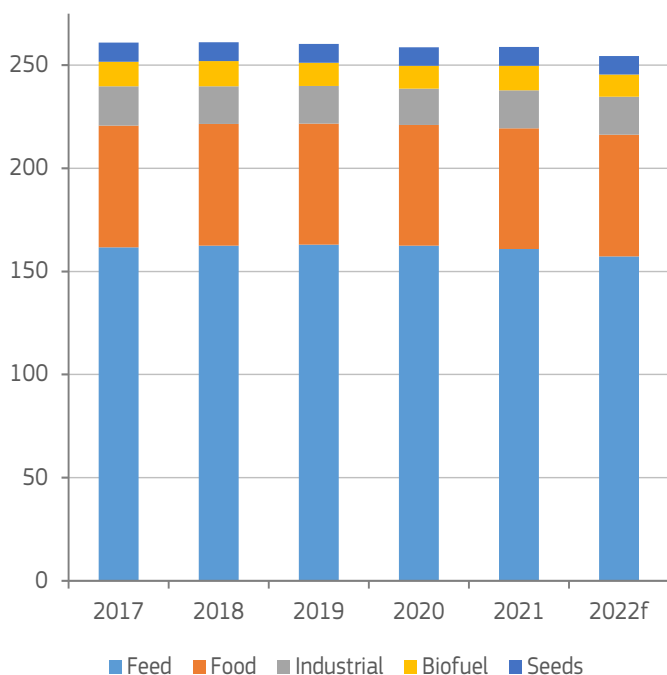
Given expected lower yields, total EU cereal production is now forecast to reach 270.9 million t (-7.8% year-on-year). Soft wheat production is forecast at 127.0 million t (-2.4%), durum wheat at 7.4 million t (-4.9%), maize at 55.5 million t (-23.7%), barley at 51.5 million t (-1.0%), triticale at 11.3 million t (-2.1%), oats at 7.6 million t (+1.9%), and rye at 7.5 million t (-4.0%).

Cereals: production (million t, left axis) and yields (t/ha, right axis)



Source: DG Agriculture and Rural Development, based on Eurostat, MS notifications and MARS data.

Total cereal use in EU27 (million t)



Source: DG Agriculture and Rural Development, based on Eurostat and MS notifications.



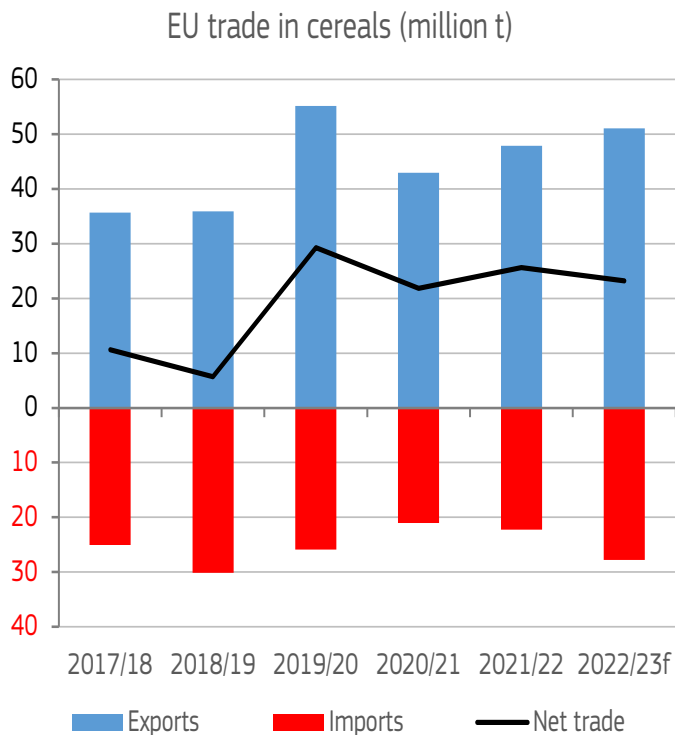
CEREALS

EU CEREAL TRADE ON TRACK TO BE SECOND ONLY TO RECORD 2019/20

EU cereal trade are forecast to increase substantially over the current season (+12% over 2021/22), to reach a total turnover of 78.8 million t. If realised, this would be the second highest season of EU cereal trade, after 81.0 million t in 2019/20.

Exports are expected to reach 51.0 million t, which is 6.5% and 20.9% above, respectively, last season and 5-year average. In particular, soft wheat exports are forecast to reach 36.0 million t, (+23.0% year-on-year) thanks to relatively high production and higher beginning stocks.

Imports are expected to increase even more, by 24.7% year-on-year to 27.8 million t. Due to sharp reduction in local production, maize imports are forecast to grow by 28.7% year-on-year and by 21.2% over trimmed 5-year average, to 21.0 million t.



Source: DG Agriculture and Rural Development, based on Eurostat.

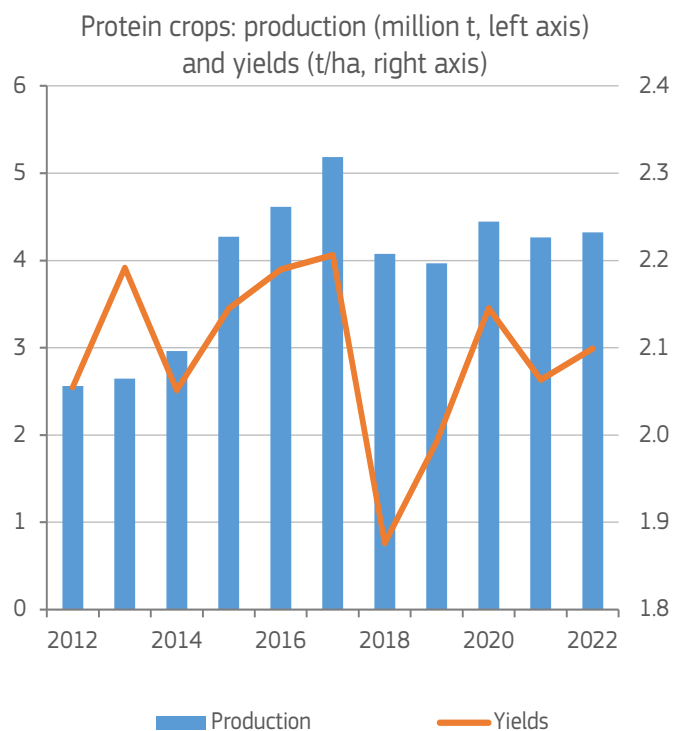
PROTEIN CROPS

EU PROTEIN CROP PRODUCTION ON THE INCREASE DESPITE A SLIGHT DECLINE IN AREA

Plantings of protein crops in 2022 have remained at a similar level of a year ago (2.05 million ha, -0.4%). However, thanks to higher expected yields despite the challenging growth conditions, 2022/23 EU protein crop production is estimated to grow and reach 4.32 million t (+1.4% year-on-year).

Production of peas is estimated to increase to 1.92 million t (+5.3% year-on-year) and that of broad peas to 1.14 million t (+1.4% year on year).

With a general decline in feed demand, feed use of protein crops overall is forecast to decline in 2022.23 by 1.3% to 3.27 million t.



Source: DG Agriculture and Rural Development, based on Eurostat, MS notifications and MARS data.



OILSEEDS

MODEST HARVEST INCREASE GIVEN RECORD PLANTING AREA

The area under oilseed crops in the EU reached an all-time high in marketing year 2022/23 of 12.2 million ha, compared to previous record of 11.5 million ha in 2017. Drivers for this development were soaring prices of oilseeds and especially vegetable oils and the temporary derogation to allow cultivation of certain crops on set-aside land. Most growth in area was recorded for soya beans (+18.8% year-on-year) and sunflower (+17.4%). In the context of surging fertilisers prices, the nitrogen fixing crops such as soya beans looks to have gained farmers' interest.

Significant expansion in the oilseeds area (+14.6% year-on-year), however, is not expected to lead to a proportional gain in production due to drought induced lower yields for sunflower (-15.4% year-on-year) and soya beans (-14.5%); only rapeseed yields increased slightly (+1.8% year-on-year). Total EU oilseed production is expected to increase +7.5% year-on-year to 32.2 million t (30.1 million t five-year trimmed average).

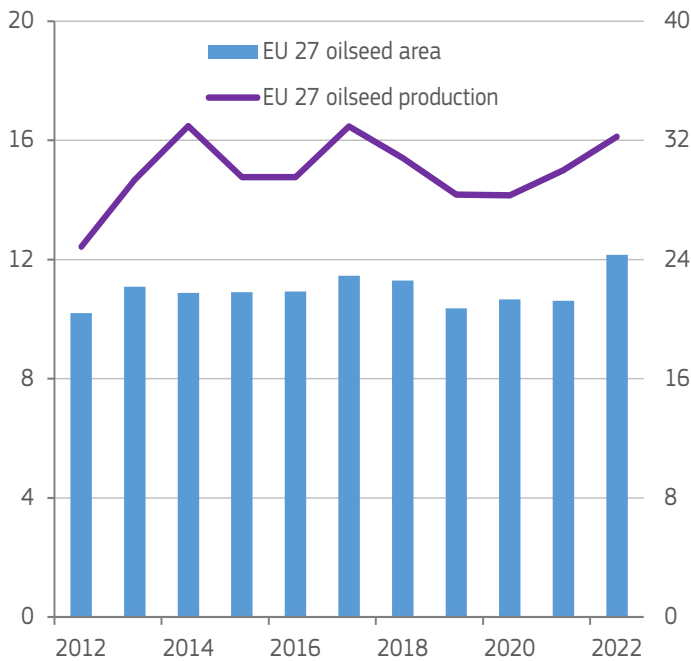
On the back of the higher EU oilseed production (compared to 2021/22), EU crushing could still increase by +1.8% year-on-year, allowing total EU meals production (29.6 million t) to exceed the 5-year average (29.2 million t). Likewise, EU vegetable oils production is expected to grow by 2.6% year-on-year to 16.2 million t, also above past production levels (15.6 million is the five-year average).

While production of rapeseed oil is expected to increase (+5.9% year-on-year to 9.3 million t), sunflower oil production is now due to decrease by 1.3 % year-on-year to 4.0 million t. Very exceptional sunflower imports from Ukraine during the last six months are slowing down as crushing facilities are reopening in Ukraine and less seeds would be available for exports. At the same time Ukraine is expecting to have a lower harvest, by more than 40%.

DOMESTIC USE OF OILSEEDS ON THE UPSIDE

The expected increases in domestic oilseed production are sufficient to allow the domestic use of oilseeds to increase to 50.7 million t (+1.7% year-on-year) despite a reduction in net imports to 18.4 million t (-8.4% year-on-year). As regards rapeseed, the significant increase in production (17.0 million t in 2021/22 to 19.3 million t in 2022/23) and the reduction in imports (from 5.6 million t to 4.5 million t) allows a level of domestic use of 23.5 million t that is 6.0% above the previous season, and 4.9% above the 5-year average.

Oilseed crops: area (million ha, left axis) and production (million t, right axis)



Source: DG Agriculture and Rural Development, based on Eurostat, MS notifications and MARS data.

Supply of sunflower seeds in EU27 (million t)



Source: DG Agriculture and Rural Development, based on Eurostat and MS notifications.



SUGAR

EU PRICE AT ITS HIGHEST POST-QUOTA LEVEL

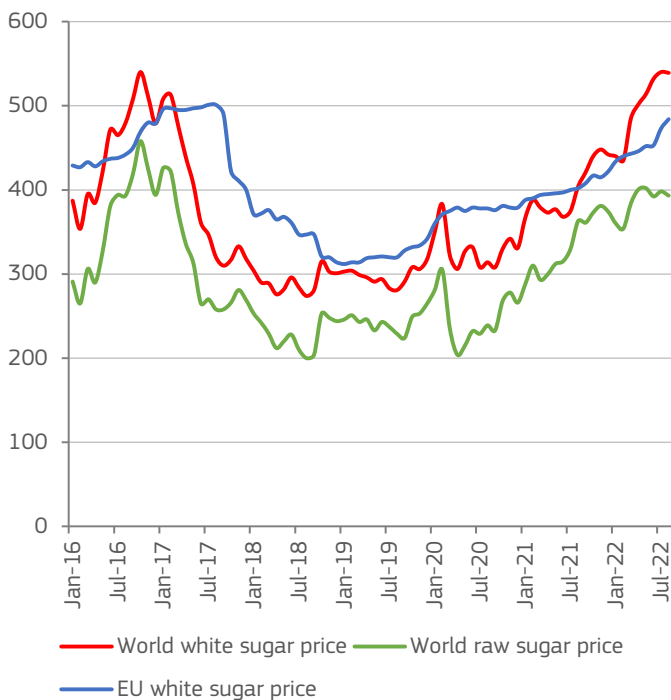
In 2021/22, EU sugar production reached 16.65 million t, well above the previous disease-stricken season (+14.5%) and above a 5-year average.

World sugar prices have continued growing and reached around USD 550/t by mid-2022, its highest level since early 2017. The EU sugar price has also grown and reached EUR 484/t in August, a record price of the post-quota era, which started in October 2017. Additionally, due to the depreciation of the euro against the US dollar, the EU sugar price reached a discount of EUR 65/t compared to the world price, and a premium of EUR 25/t compared to a year ago.

The relatively good affordability, the increase of the EU population driven by an inflow of Ukrainian refugees has increased uses of sugar, to an estimated 16.8 million t in 2021/22 (5.6% above 2020/21). Additionally, some demand may have been generated by short-term increase of sugar price expectations due to increasing costs for energy intensive sugar processing.

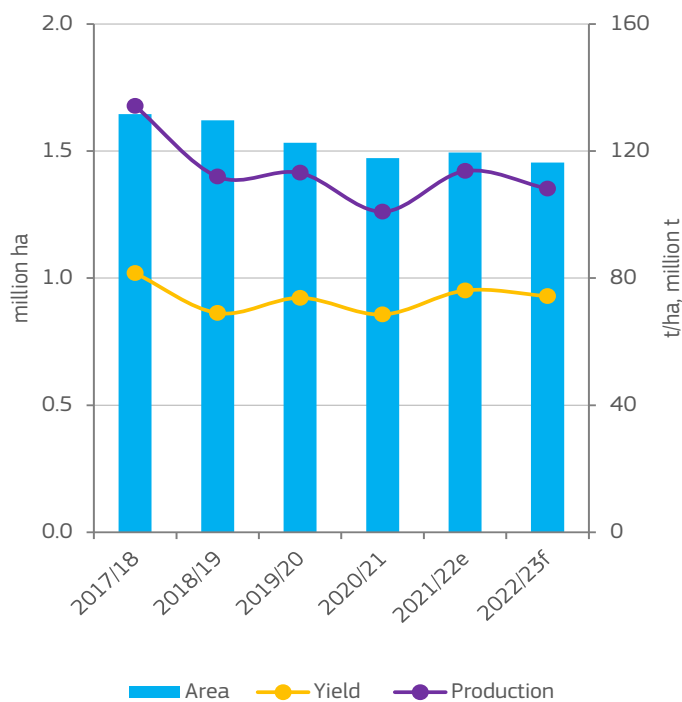
With higher domestic demand, EU sugar imports in 2021/22 are expected to grow by 6.6% to 1.4 million t, while exports should decrease by 2.3%.

World and EU sugar prices (EUR/t)



Source: DG Agriculture and Rural Development, based on MS notifications.

EU sugar beet area, yield and production



Source: DG Agriculture and Rural Development, based on Eurostat.

SUGAR BEET YIELDS HIT BY DROUGHT IN 2022/23

Due to severe summer drought in many EU regions, sugar beet yield forecast for the 2022/23 EU crop is 4% below the last season but in line with a 5-year trimmed average (73.2 t/ha). With the EU sugar beet area estimated at 1.43 million ha (also a decrease of 4% compared to last season), EU sugar beet production could reach 105 million t (7.7% below the current season).

Due to hot and dry summer, sugar beet in some EU regions might provide higher than average sugar content. Therefore, EU sugar production is forecast to drop by only 6.9% and could reach 15.5 million t in 2022/23.

2022/23 human consumption of sugar in the EU is expected to decline slightly (-1.6%) due to inflationary pressures and potential demand frontloading.

2022/23 EU imports are expected to increase, given the limited EU availability. For the same reason, EU exports are not expected to increase, despite attractive world prices. Ending stocks are expected to decline to 1.3 million t, which is a low, but not critical level.

