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NOTE

From: General Secretariat of the Council
To: Delegations

Subject: Market situation, in particular following the invasion of Ukraine
- Information from the Commission and Member States
- Exchange of views

With a view to the meeting of the Council (Agriculture and Fisheries) on 22-23 June 2026, delegations will find in the Annex a background document on the above-mentioned subject.

Market situation, in particular following the invasion of Ukraine

The current geopolitical situation, the conditions of EU trade with major partners, this year's adverse weather conditions, the temporary oversupply of certain products, and the deteriorating animal health environment in many parts of the Union continue to put the Union's agricultural markets under structural pressure. Questions exist with respect to the planning of the future harvest considering, inter alia, that the increase in the cost of inputs was not directly transmitted to the price of products depriving our producers of much needed cash flow.

During the preparation of the Council meeting, Member States expressed concerns about the impact of the Middle East conflict on agricultural input costs, adverse weather events, animal diseases, difficulties in the dairy, fruit and vegetable, sugar and wine sectors, and the need for support measures, including the agricultural reserve and the Fertiliser Action Plan. A number of delegations also reiterated their support for Ukraine and requested further clarification on the implementation of support instruments.

During March to June 2026, EU agricultural markets were characterised by relative stability. The livestock and dairy sector remained the most resilient, whereas arable crop producers faced tightening margins due to weak output prices and rising input costs. The fruit, vegetable, and other horticultural sectors continued to be highly sensitive to weather conditions and energy prices, while the wine sector was still adjusting to structural and environmental changes. The current geopolitical crisis played a central role in shaping agricultural markets, primarily through its impact on energy and fertiliser costs. This reinforces the need for a broader structural shift in EU agriculture towards production systems driven by efficiency, resilience, and sustainability.

Overall, EU agriculture remains competitive and stable in terms of supply, but increasingly complex in terms of cost structures, risk exposure, and income distribution. The conflict in the Middle East continues to have a big impact on our food-systems, contributing to higher inflation and rising production costs. Overall, inflation rose from 1.9% in February to 2.6% in March, with one third of this increase attributed to energy inflation. Food inflation remains stable at 2.4 percent. Fertiliser prices have been increasing continuously for six months: currently 30% higher, 70% above the 2024 average, and 50% higher than pre-conflict levels. Rising input-costs are expected to affect the entire food-supply chain. Like the 2022/2023 energy crisis where it took several months for the prices to be transmitted, farmers will be the most affected by fertiliser prices in the next production year of 2026/2027. With respect to the main sectors, the overall situation is as follows:

Arable crop sector

The cereals sector margins are under pressure from subdued price levels following ample global supply and increased input costs. Crop development is in line with the 5-year average for most cereals. Maize output likely lower as farmers opt for other crops following recent hot and dry summers and the increased fertiliser costs.

Oilseed markets (rapeseed, sunflower, soybean) remain more stable, supported by demand from food, feed, and biofuel sectors. However, input costs - particularly of fertilisers - continue to put pressure on farmers' margins.

Dairy sector

Eurostat data show that milk prices in early 2026 are lower than in 2025, but farm income remains relatively stable due to improved feed cost conditions and strong demand for high-value dairy products. However, the potential impact of the current energy and input price hike should not be underestimated.

Meat markets

The **beef** sector benefits from structurally tight supply conditions due to herd reductions across the EU. This supports relatively strong cattle prices. However, EU average producer prices are declining due to declining demand, even though the trade balance remains positive. The **pig** sector has stabilised following earlier volatility. Reductions in the cost of feed have led to improved margins, although they are predicted to be weaker in the coming month. Prices have stabilised following the increase observed in early spring and are expected to decline due to declining demand and slight decline in export performance. **Poultry** remains the fastest-growing livestock sector, driven by consumer preference shifts toward affordable proteins, more efficient production systems and stable demand across EU markets. There is a solid growth in production, particularly in smaller producing countries. Imports decreased slightly by 0.6 percent. As regards **Sheep and Goats**, supply constraints continue to support prices.

Fruit and vegetables sector

The fruit and vegetables sector is characterized by strong demand, but production faces a high degree of vulnerability due to increasing water stress in Southern Europe, rising irrigation and labour costs and higher exposure to climate variability. Despite these pressures, market prices remain relatively supportive, but profitability varies widely across products and regions. For example, for potatoes the high level of production last year keeps the prices under pressure. Tomatoes and oranges had this winter higher than average prices resulting from lower production levels but are now returning to average levels. Severe and adverse weather events heavily affect this sector.

Wine, olive oil, and sugar sectors

The wine sector continues to adjust structurally. Price tensions and reduction in exports affect all categories, while overall consumption shows gradual decline in some traditional markets.

Difficulties also result from geo-political instability and climate change. The wine package of last February should provide MS with flexibility to address short term problems and structural challenges.

The olive oil sector shows signs of recovery after previous drought-induced shortages. Production has improved in key producing countries, leading to partial price normalization.

The sugar sector remains relatively balanced. However, profitability is affected by higher input costs, high stock levels and the international market that continue to push prices downwards.

