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NOTE

From:	General Secretariat of the Council
To:	Delegations
Subject:	Situation in the livestock sector with regard to the cost of feed - <i>Information from the Croatian delegation</i>

Delegations will find in the Annex a note from the Croatian delegation on the above-mentioned subject, to be dealt with under "Any other business" at the Council (Agriculture and Fisheries) on 19 July 2021.

SITUATION IN THE LIVESTOCK SECTOR WITH REGARD TO THE COST OF FEED

The livestock sector is significantly affected by the situation resulting from the long-lasting COVID 19 pandemic. The closure of hotels and restaurants had a particular impact on the production of agricultural products predominantly oriented towards the HoReCa sector. Despite the general perception of resilience of the agricultural sector, the pandemic put a significant strain at all levels of production and in particular on the most vulnerable part of the supply chain, the primary producers. Their resilience, i.e. the capacity to resist any further challenges has been seriously reduced, and consequently each new disturbance causes financial losses that lead to the loss of production potential and in the worst case, complete termination of production. Taking all this into account, it is necessary to consider the effect of recent trends in the feed price market on primary livestock production.

It is important to emphasize that the cost of animal feed has a large share in total costs in the livestock sector, estimated at up to 80% depending on the type of production. High prices of cereals at the EU level were also observed by the European Commission in its report delivered at the last AGRIFISH Council, including the prices of oilseed rape, which are constantly rising. The Commission also noted high feed prices as a major source of concern in the livestock sector.

According to the European Commission, on July 8, the average export price of EU corn was 41% higher in comparison to the same period last year, while the export price of corn from the USA was 58% higher. At the same time, the export price of soybeans in the USA is 42% higher than in July 2020. The issue of feed costs and prices for individual crops should also be viewed in the context of the world market situation, especially given the increased demands in China and the USA. Adverse global developments have also been exacerbated by Argentina's ban on corn exports as the second-largest global exporter. Such market circumstances create unfavourable conditions in which, due to high grain prices, livestock farmers cannot compete with their production in global market conditions.

This situation is also reflected in the growth of corn and protein crops prices in the Republic of Croatia, which forms the majority of animal feed. Compared to prices in May 2020, the price of corn rose 43.8%, wheat 20.7%, fodder barley 12.7%, sunflower meal 37.0% and soybean 94.9%. These prices have reached the highest levels in seven years. In the same period, the price of livestock products recorded a significantly lower growth, and in pig production a decline of 15.8%. This generated new pressure on the profit margin of producers, whose ability to cope with additional pressure has been exhausted by the pandemic, as already mentioned in the introduction. We should not forget that the effects of the crisis are multidimensional, nor the fact that the livestock production is one of the most demanding and comprehensive agricultural productions.

Taking into account these market circumstances and global trends, and considering the sensitivity of livestock production, we call on the European Commission to examine all available options for stabilizing the sector, either in the form of financial support or other effective mechanisms. Only a stable livestock sector can ensure that the green transition is implemented in a sustainable way.