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#### NOTE

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From:	General Secretariat of the Council
To:	Delegations
Subject:	Market situation, in particular following the invasion of Ukraine - <i>Information from the Commission and the Member States</i> - <i>Preparation of the Council debate</i>

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With a view to the preparation of the 18 July Council debate on the market situation, in particular following the invasion of Ukraine, by the Special Committee on Agriculture on 4 July 2022, delegations will find in the Annex a Presidency preparatory document.

**Market situation, in particular following the invasion of Ukraine**

In the context of the war in Ukraine, the economic situation in the agricultural sector is currently very difficult.

The current blockade of the Black Sea ports by Russia has caused a shortfall in Ukrainian exports of basic cereals. Prices are also hitting record highs on the market. Compound feed producers, as well as downstream processors, demand raw materials that are difficult to obtain due to limited supply and high prices. The impact of the Russian-Ukrainian conflict on energy and agricultural input markets is also significant. Russia is a major exporter of oil and natural gas. In general, agriculture and its global supply chains are dependent on fossil fuels (fuel and natural gas).

High input prices have a major impact on agricultural production and downstream manufacturing. In this respect, the most energy-intensive sectors are the most affected. Other sectors of agricultural production, especially those with higher added value, are also facing economic problems due to increasing input prices. The situation is not expected to improve in the short term. From a food security perspective, the situation could prove to be challenging if these trends persist, but food security and food supply are not at threat in the EU at the moment, thanks to the resilience of the EU food supply chains. The EU Solidarity Lanes and relevant matchmaking platforms are established to help transit commodities from Ukraine.

In this context, the monitoring of individual sectors in the EU and developments at global level are used to assess the way forward in the longer term.

Regarding the SCA meeting of 4 July in preparation for the ministerial debate in the Agriculture and Fisheries Council on 18 July, the Commission will update Member States on the current situation on European agricultural markets and food security in light of the impacts of Russia's aggression against Ukraine. Delegations will also have the opportunity to share information on the subject and to comment on the Commission's presentation. The Presidency proposes that the exchange of views in the Council should focus on the following issues in order to assess the current situation and possible steps:

- 1) How do the Member States view the prospects for this year's harvest in the light of the war in Ukraine, with a view to stabilising cereal supplies to meet both intra-EU and global demand?
  - 2) What is Member States' experience and lessons learnt from the preparation and implementation of the exceptional adjustment aid under the CMO Regulation? What other types of actions (both under and beyond the CAP) do you consider important with a view to contributing to global food security and supporting the implementation of EU-Ukraine Solidarity lanes?
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