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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 the Member States*
- *Exchange of views*

With a view to the meeting of the Council (Agriculture and Fisheries) on 25 July 2023, delegations will find in the Annex a Presidency document on the above-mentioned subject including questions to frame the ministerial debate.

Market situation in particular following the invasion of Ukraine

Following the invasion of Ukraine by Russia in February 2022, it has become evident that there is a need to enhance knowledge regarding the availability of essential basic raw materials for food security in the European Union. The objective is to promote transparency in the internal market and to assess suitable measures and actions to be implemented in the event of potential disruptions in the trade channels of these materials.

Regarding the international situation, the International Cereal Council (ICC) has reduced the global cereal production forecast for the 2023/24 season by 2Mt in its June report, bringing it down to 2.292 Mt. This reduction in world production is a result of recent widespread and excessively dry weather conditions, which have had a negative impact on global yields.

Despite these challenges, the cumulative cereal production forecast is expected to be only slightly below the record set two years ago, when it reached 2.295 million tonnes. However, projected consumption is expected to exceed production, leading to a 2,5 % decrease in end-of-season stocks compared to the previous season.

This situation of reduced stocks, combined with uncertainty regarding the renewal of the Black Sea Grain Corridor Agreement, will mean that volatility will continue to be the prevailing condition in the world's basic grains markets.

On the other hand, in order to have tools that can help mitigate volatility and improve awareness of the stock situation at the EU level, Commission Implementing Regulation (EU) 2022/791 was adopted on May 19, 2022. This regulation amends Implementing Regulation (EU) 2017/1185 with regards to the notification of stock levels of cereals, oilseeds, and rice. It introduces the obligation to communicate this information from the agricultural sector to the European Commission, starting in July 2022.

Following the establishment of this new stock monitoring framework, the system is monitored during meetings of the Expert Group on the agricultural market, and the Commission regularly reports on the status of communications from the Member States.

One year after the implementation of the monthly stock monitoring, it is worthwhile to evaluate its effectiveness and usefulness.

Considering this context and the beginning of the marketing year for many essential agricultural commodities, and in order to facilitate constructive discussions in the Council, the following questions are proposed:

- 1. Taking into account that the cereal and oilseed campaign began on July 1st, how do Member States perceive the market situation based on their 2023 harvest estimates and the geopolitical context? What medium and long-term challenges do Member States anticipate?*
- 2. What experience and expectations do Member States have regarding the contribution of the new stock monitoring system to enhancing market transparency? What other tools do you consider appropriate for a better understanding of the market, particularly in terms of anticipating potential crisis situations?*
