



Council of the
European Union

Brussels, 10 November 2021
(OR. en)

13698/21

AGRI 528
AGRIFIN 132
AGRIORG 125

NOTE

From: General Secretariat of the Council
To: Delegations
Subject: Market situation
- Exchange of Views

With a view to the discussions on the agenda item mentioned in the subject during the meeting of the Council (Agriculture and Fisheries) on 15 November 2021, and to complement the summary contained in document ST 13702/21, delegations will find in Annex delegations' written comments.

CONTRIBUTIONS RECEIVED FROM DELEGATIONS

1. BELGIUM

High feed costs squeeze the margins of all animal sectors (including dairy). The pig sector in particular - where feed costs can be as high as 70% of total costs - shares the blame.

High energy costs: especially for greenhouse horticulture, this weighs on profitability.

Agriculture faces many challenges: nitrogen and methane emissions, animal welfare, bird flu and disease pressure...

2. BULGARIA

Bulgaria would like to express its concerns regarding the rising prices of main feeding crops and mixes. The most significant increase can be seen in the grain maize, which is 34,6% higher than the price for the same period in 2020, followed by the feed wheat – with 18,7% and feed barley – with 5,4%.

Regarding the pig meat sector, we've observed a decrease of 8,3 % of the farm-gate prices of live pigs and lower production of pig meat for 2020 with 20,3% in comparison with the previous year.

Our country would like also to focus on the serious increase of production costs in agriculture, especially the fuel and electric energy costs. For the second quarter of 2021 prices of electric energy and fuel used in the agriculture in Bulgaria have increased with 18.5% compared to the same period in 2020. We expect that in the second half of the year this increase shall be even more significant, which will inevitably lead to difficulties for our agricultural producers.

3. CROATIA

In Croatia, the majority of primary plant production (fruits and vegetables, potatoes, olive oil and table olives and flowers) is currently faced with serious problems caused primarily by adverse weather conditions during spring and summer. The additional problem is related with the increase of input production costs, as well as higher transport costs. The current situation has a particularly unfavourable effect on sectors with intensive production, such as production in greenhouses (vegetables and flowers).

Despite to the increasing production costs, the vegetable and flower producers haven't manage to increase the prices of the final products and now they are forced to sell a large part of their production under much lower prices which will lead their businesses at the margins of sustainability.

The significant increase of the fuel prices is of the particular importance as well as the increase of the prices of other energy sources, the increase of fertilizers prices and prices of seed and planting material. The retail prices of final products will certainly also be affected by the increase in the labour prices of seasonal workers.

The increase of the transport and storage costs of apples, as a consequence of higher energy prices, is around 15%, and packaging, depending on the type, is around 20-30% with possible additional increase of packaging costs during November. The olive oil and table olive sector suffered large losses due to unfavourable weather conditions during the year, and with the increase of input costs of olive harvesting, as well as processing and preparation of products, wholesale and retail prices of olive oil are expected to increase by 20 to 50%.

During the last meeting of the Council of Ministers, Croatia has pointed out the problem concerning the high prices increase of corn, fuel and other raw materials, which drastically increases production costs in livestock sector. Croatian "Support program for primary agricultural producers in livestock due to difficult business conditions caused by the COVID-19 pandemic", is in its part based on these disparities in production prices and final products (meat, milk).

It is therefore of particular importance to consider the possibilities of providing help to these sectors in order to mitigate the effects of rising energy prices, to stop and stabilize the sharp rise of costs at all stages of primary production, preparation and marketing, and reduce the impact on consumer standards, ensuring short supply chain stability. We also recall of joint request, presented during the last AGRIFISH Council, to further prolong the Temporary Framework until 31 December 2022, with the proportionate increase of the thresholds referred to in Section 3.1. - in line with the first extension of the Temporary Framework in order to help agricultural sector.

4. **CYPRUS**

Cereals

There is a significant increase in the prices of cereals around the globe. This increase is mainly due to the rise in transport costs of feed materials. The prices in Cyprus are higher than the international ones and this is due to the increase of transport costs, which affect Cyprus to a larger extent, due to its small local market and its long distance from international trading cereal grain centers. Rising cereal grains prices have an adverse effect on production costs for the livestock sector.

Livestock Production

As a result of the lack of feed observed in recent months and the sharp rise in feed prices, the price of fuel and electricity supply, there is a significant increase in production costs. Additionally, the ongoing Covid-19 pandemic causes serious problems to the sector. Due to these problems, the profit margins in the productive Livestock Sectors have been sharply reduced.

Horticulture sector

Trade of ware potatoes (local trade and exports) was negatively affected due to the restrictions applied during the pandemic.

Wine market situation in Cyprus

The viti-vinicultural year 2021-2022 is currently carried out under the urgent need to manage the existing large wine stocks caused by the ongoing COVID-19 pandemic and the relating imposing restrictions adopted which are being continued in Cyprus. Despite the temporary exceptional measures derogating from certain provisions concerning the wine sector policy, the wine market of Cyprus has not entirely managed to regain its balance between supply and demand, and is not expected to regain it in the short to medium term due.

5. CZECH REPUBLIC

Pig breeding is a key sector of animal production in the Czech Republic and we have been closely monitoring price development and we are perceiving it as alarming. In the 41st week, the Czech Republic was the 8th member state with the lowest price for this agricultural commodity (€ 134.7 / 100 kg). Prices in this sector fell even deeper below production costs. In a broader context, it is important to mention that prices in the Czech Republic are at the lowest level since joining the EU. Price developments in this sector are related to the COVID pandemic and the long-term limited operation of HORECA, the reluctance of some third countries to recognize international standards and principles of regionalization. Rising feed prices have a major impact, which is exacerbating the crisis in this sector.

The current development of energy prices has a specific influence. Animal production uses fuels as a tool for the realization of its production. Within each sector, the level of their need varies. The increase in fuel and fuel prices will then logically be reflected in the selling price of the final product. This factor has a more fundamental impact on crop production, the production of which is also used by animal production for its implementation (feed base). For this reason, the increase in the prices of other inputs, especially feed, is then perceived more intensively. The unfavourable situation in this sector has already been pointed out by the Czech side at previous SCA and Council meetings. It is clear that the monitoring of the sector confirms these negative trends and it is therefore necessary to introduce emergency support without delay. In the poultry sector, the situation is stable for the time being, however, due to the spread of avian influenza, close monitoring of the situation in this sector is important and necessary.

6. FINLAND

Finland would like to thank the Presidency and the GSC for the opportunity to contribute to the preparatory document on agricultural market situation. The discussion on agricultural markets at the AGRIFISH Council is most welcome.

Rising costs of production such as energy prices, exceptionally high fertiliser prices as well as high feed prices accompanied by a poor grain harvest are some of the problems all the agricultural sectors are facing in Finland. The cereal harvest this year was 20 % lower than five year average.

Especially in the pig meat sector, the production has been unprofitable for a long time and the situation is worrying.

7. FRANCE

France would like to share the difficulties faced by the agricultural sector regarding nitrogen fertilizers. The impact of a supply disruption of nitrogen fertilizers in the spring, while difficult to quantify in advance, would have consequences for yields, but also for the quality of the harvest.

The recent surge in gas prices since June 2021 has accelerated the increase of nitrogen fertilizer prices that began in early 2021. **Prices have tripled to reach record levels in October: 650 €/t for high-dosage ammonium nitrate (AN), 600 €/t for nitrogen solutions (UAN) and 780 €/t for urea.**

In general, all European fertilizer manufacturers depend on gas imports, as the EU has a large deficit. The very high price of gas is causing profitability problems for fertilizer production sites throughout Europe, which have slowed down or even stopped their production, for fear of selling at a loss or offering their production at prices that do not find buyers. During the previous fertilizer crisis in 2008, a similar situation led to the permanent closure of several fertilizer plants in Europe.

At the same time, due to the increase of fertilizer prices, some farmers are delaying their fertilizer orders, hoping for a decrease in gas prices and therefore fertilizer prices, which is unlikely to happen during the winter season. Usually, farmers buy fertilizers during autumn/winter to meet the needs of their crops, which are at their highest in spring (March/April), when the plants are developing.

The fertilizer market operates almost on a just-in-time basis, with low stocks given the dangerous nature of these products, which are difficult to store. This wait-and-see situation among farmers and manufacturers leads to a potential risk of fertilizer supply disruptions at the end of winter and spring 2022, when nitrogen fertilizer applications to crops will be at their highest level.

This situation would have consequences on crop rotation and harvests in 2022, with the risk of a decline in the quantity or quality of products, as well as a potential imbalance in the markets for field crop products.

In this context, it is necessary for the Commission to monitor the price of nitrogen fertilizers and, in general, of production costs of the various sectors, particularly plants, as well as European production of nitrogen fertilizers and European supplies from third countries.

8. GERMANY

Thank you for the opportunity to report specific problems on the agricultural markets in advance of the Commission's report on the market situation.

In view of the continued tense situation on the pork market due to the spread of African swine fever, the consequences of Covid-19 and the decline in exports to China, Germany is asking for a detailed market assessment of the situation on the pork market."

9. IRELAND

Ireland considers the Market Situation document for Council should address the increasing market volatility and difficulties being experienced in the Pig Sector across Europe which is impacted by the significant input price increases in fuel, fertiliser, feed and energy prices.

Ireland considers the paper should also expand on the toolbox referenced by the Commission at the October Agri-Fish council regarding fertilizer prices.

10. ITALY

Adverse climatic event in Sicily and problem with the pear sector

In the last week of October there was an adverse climatic event that hit Sicily, in particular in the area where 45% of the regional production of oranges is concentrated. This production covers about 25% of the total oranges produced in Italy.

At the moment it is not possible to provide an estimation of the damage occurred, as the climatic conditions have not yet stabilized and do not allow operators to access all the affected areas to quantify the losses. During the storm and the rain, more than 250 millimetres of water have fallen and the strong gusts of wind have caused extensive structural and infrastructural damage to farms, flooding entire citrus groves. Particularly critical is the situation for the oranges of the Navel variety that in this period are ready to be harvested and put on the market.

On a national scale, it should also be noted the difficult situation of the pear sector that due to the exceptional frosts of last spring, the summer drought and the continuous attacks of parasites (Asian bedbug), during 2021 there was a drastic drop in national production (400,000 tons - 45% of production potential).

11. LATVIA

As regards market situation, Latvian delegation expresses serious concerns regarding the developments in pigmeat sector, where situation has already become critical:

- Pigmeat prices are falling for 10 weeks continuously and the most recent price is only 101,5 EUR/100 kg, which is much below production cost and by 21% lower than a year ago. On the other hand, pig farmers have to face increase in production costs, mainly costs of feed. In EU markets as a whole, prices for all cereals have risen significantly over the past month. Feed wheat prices reach food wheat prices, reflecting the gravity of the situation.
- Market returns do not suffice for covering the production costs, while additional problems for Latvian pig farmers are created by the fact that slaughterhouses refuse purchasing locally reared pigs, as cheaper imports from other Member states are available. Having to rear pigs for longer than necessary not only aggravates the problem of financial flow, but also reduces the market quality of pigmeat, which has further negative impact on price.

- The solvency and viability of pig farms in Latvia has reached a critically low point. Given the persisting oversupply on the EU market, there is no prospect of improvement in the market situation very soon. The pessimism within the sector is growing and there is high possibility of ceasing production for many farms, if the situation deteriorates even further.

12. POLAND

In Poland, the following agricultural markets face problems: pork market, cereals market and apples market. In addition, rising fertilizer prices continue to be a huge problem for farmers.

Pork market

The situation of pig producers is very difficult and is constantly deteriorating not only in Poland, but in many EU countries. On the EU market, the average purchase price of pigs is lower by 15% compared to the average price for the last five years, while in Poland it is lower by 17%, respectively. The drop in prices on the pork market coincides with the progressive increase in the prices of basic means of production, including feed, which is more than 50% more expensive annually. This prevents profitable production.

In Poland, the difficult situation of pig producers is aggravated by the development of African swine fever, the economic effects of which result in the cessation of pig production in an increasing number of farms.

Within the framework of state aid, in Poland, applicable support mechanisms have been implemented, which facilitate the functioning of, in particular, those farms that suffer financial losses due to the presence of ASF. This aid, however, in the situation of a prolonged period of downturn on the pork market, is not sufficient, **therefore it is necessary for the European Commission to implement exceptional measures for pig producers. Poland has already reported this problem several times and we renew our request for action by the European Commission.**

Cereals market

High cereal prices, both in Poland and in the European Union, increase feed prices and worsen the income situation in the livestock sector. In October, grain prices were higher than in the previous year - for feed wheat by 34%, for feed rye - by 57%, maize - by 30%, and triticale - by 43%.

High cereal prices affect the prices of cereal products and increase the share of raw material costs in the cereal processing sector. In October, the price of bakery wheat flour was 38% higher compared to the previous year, while the price of baker's rye flour was 30% higher. This, in turn, results in an increase in the prices of bakery products.

Apple market

In the current harvest season, a difficult situation is present on the apple market. The forecasted increase in the domestic production of apples this year (from 3.4 million tonnes in 2020 to over 4.0 million tonnes in 2021) and high inventory levels from the previous harvest period have a negative impact on the market situation, resulting in a significant reduction in the purchase prices of apples for the dessert market and for processing compared to last season. According to the producers, the prices offered by the purchasers do not cover production costs.

In week 43 of 2021, the average dessert apple prices amounted to PLN 0.78 / kg and were 40% lower than the prices recorded in the same period of 2020, and the prices of apples for processing in processing plants were at the level of PLN 0.28-0.34 / kg compared to PLN 0.50-0.58 / kg in the same period of 2020.

Apple producers in Poland are **appealing for support and intervention aimed at stabilizing the difficult situation on this market.**

Fertilizer price increases

Growing prices of fertilizers (the basic agricultural input), significantly affecting the increase in plant production costs, are a huge problem for farmers. Poland pointed to this unfavourable situation as a consequence of the increase in fertilizer production costs as a result of, inter alia, uncontrolled increase in gas prices on world markets during the last AGRIFISH meeting, which was held on October 11-12 in Luxembourg.

The available market analyses show that currently mineral fertilizers in Poland, depending on the type, are from 50% to 160% more expensive than the year before. The largest price increase concerns nitrogen fertilizers (more than twice). The price of compound fertilizers increased by about 80%, and phosphorus and potassium fertilizers by about 50-60%.

The level of domestic production makes it possible to almost fully meet the needs of Polish agriculture in the use of nitrogen and phosphorus fertilizers, but the supplies of potassium fertilizers for Polish farmers are mainly imported. Importantly, practically all domestic production is based on imported raw materials - natural gas, phosphates and potassium chloride.

Increases in the prices of fertilizers, which are the basic input in plant production, pose a threat to the implementation of key assumptions for the European Union resulting from the European Green Deal. One of the goals of the Farm to Fork Strategy is a sustainable food system that must provide people with a sufficient and diverse offer of safe, nutritious and affordable food at all times. Without stopping the rising prices of fertilizers, meeting these assumptions will be very difficult or impossible.

The fertilizer crisis will have an impact on the increase in food prices and on the entire economy, which in turn may result in social unrest throughout the European Union, thus threatening the security of individual Member States.

In the situation that has arisen, when food prices will probably not sufficiently compensate for the increase in prices of agricultural inputs, agriculture cannot be the only sector bearing the costs of the current situation, therefore **Poland maintains its call for the European Commission to take firm and specific actions to stabilize or temporarily compensate high costs of fertilizers, which will translate into stabilization of prices of agricultural inputs for farmers and food prices.**

In the case of Poland, the unfavourable supply situation of fertilizers is mainly influenced by the record increase in the prices of natural gas, the increase in the prices of CO2 emission allowances, the increase in employment and transport costs, resulting in a significant increase in the production costs of mineral fertilizers and a marked increase in fertilizer prices in world trade.

The production of nitrogen fertilizers is based on ammonia (NH₃), which currently produces about 97% of nitrogen fertilizers. On the other hand, 80-90% of the total ammonia production costs used to produce nitrogen fertilizers are natural gas. For this reason, changes in gas prices are critical to the industrial production of nitrogen fertilizers.

According to the monthly data of the World Bank, the natural gas price index has remained in an upward trend since July 2020. From September 2020 to September 2021, it increased almost fourfold. The increase in natural gas prices results from a number of factors, mainly from increased demand and low storage reserves after the 2020/21 winter season, but also from restrictions on supplies from Russia to Europe.

In October, the World Bank's fertilizer price index increased by 23.4% compared to the previous month reaching almost 160 points and was the highest since May 2012. Within 12 months, prices of mineral fertilizers in international trade increased by an average of 108.5%. The price of urea increased 2.5 3 times, while ammonium phosphate and triple superphosphate increased on average by about 100%. Phosphate rock went up by 84% during this time.

The forecasts of the World Bank as of October this year show that the average annual prices of fertilizers in 2021 will be on average 58.6% higher than the year before, including the prices of urea which will increase by 63.6%. In 2022, the average annual prices of fertilizers in world trade will be 6.5% higher y/y.

13. ROMANIA

Romanian farmers are deeply concerned about the dramatic rise in energy, fuel and transport prices.

In addition, we are facing a crisis in the fertilizer market which is experiencing the largest increase in prices in the last 10 years.

As a result, production costs have increased considerably, leading to a dramatic increase in prices in absolutely all market sectors (vegetables, fruit, animal - pork, beef, poultry, eggs, dairy products, cereals, vegetables, etc.).

Statistics show that the price of fuel has doubled and prices of electricity and fertilizers have tripled.

The petroleum fuel became more expensive from 2.23 RON per liter to 4.20 RON per liter; the electricity has risen from 0.26 RON per kilowatt to 0.88 RON per kilowatt, without other taxes, starting with November 1.

In terms of fertilizers, ammonium nitrate became more expensive from 1000 RON per ton to 3200 RON per ton.

Thus, farmers face new major fears: declining sales of the finished product, which could lead to the closure of many businesses.

In this context, we ask the COM to constantly monitor the situation of European producers and to inform us about possible solutions for farmers.

14. SLOVAKIA

- Rising global energy prices are inter alia reflected in the price of fertilizers on the European market, which results in the consequent increase in production costs for plant and animal commodities.
- Compound feed prices in Slovakia increased in September this year compared to the situation a year ago by 31,2 % for dairy cows, 13,4 % for fattening pigs, 20 % for laying hens and 13 % for broilers.
- The development in primary producer prices does not correspond to the above mentioned increase in feed and energy costs. This causes further demotivation in all livestock sectors.
- In addition, the pigmeat sector is seriously negatively affected by the oversupply of pigmeat on the European market, the gradual continuous decrease in slaughter pig prices (8 % lower than last year) and African swine fever.
- In the sectors of pigmeat and milk and milk products, there is a rising number of producers leaving the business.
- The poultry meat sector is negatively affected by increasing imports of poultry meat from Ukraine.
- In the light of the coronavirus situation and related limitation of commercial activities in the HORECA sector, the outlook for the winter tourist season is not favourable for animal product sales.

We would welcome the Commission's presentation of a comprehensive multisectoral approach to tackling the serious situation of producers in the livestock sectors. We also urge the Commission to activate exceptional measures under the CMO rules.

15. SPAIN

The current situation on the international markets has led to increasingly strong inflationary pressure: energy and fuel, raw materials, fertilizers and, above all, freight transport have experienced sharp price rises during the first half of 2021.

In this context, it is essential to monitor very closely the evolution of the main sectors that could be affected by this triple cost crisis (rising prices of raw materials, energy and transport). This continuous rise in production costs is an issue that affects each and every one of the production processes and all the agents involved, but the administrations are also concerned about these rises, since it means a decrease in profitability. It can also have a very negative impact on the supply of raw materials for European production, and also for the proper development of agri-food exports.

RAW SUPPLIES / ANIMAL FEEDING

Since mid-September last year, the prices of agricultural raw materials have begun a constant upward spiral that has pushed prices to record highs.

The main factors driving this situation upwards are: the strong demand for agricultural raw materials, especially corn and soybeans, from China, the rise in oil prices, the logistical problems arising from the shortage and high cost of freight, as well as the lack of containers in international trade, bottlenecks due to problems arising from the pandemic (work restrictions in ports, etc.) and the bad weather in certain production areas.

Although record world cereal production is forecast for the 2021/22 marketing year, world stocks or reserves of this raw material will shrink as a result of increased demand, which in turn would put even more pressure on prices. They are already well above those recorded in the last season.

These increases are particularly relevant in the case of corn, wheat and barley, with market increases of between 20% and 45%. In the world oilseed market, and more specifically in the soybean market, the most widely consumed source of vegetable protein in animal feed, the market has also been characterized by high prices with strong year-on-year gains of around 15%.

This situation has led to a significant price increase, between 20 - 46%, for animal feeding. As a result, this has had an especially negative impact on the narrow margins of dairy cattle farms and calf feedlots, which are experiencing serious difficulties, as they are unable to transfer these increases on to the next links in the agri-food chain.

Specifically, in fattening cattle, these have been reduced by half compared to the average of the last five years and maintain a downward trend since September 2020, the most unfavourable moment for the sector, coinciding with the increase in the cost of raw materials. For the dairy cattle sector, the data show a continued decline during 2021 and it is estimated that in the third quarter margins are 65% lower than in the same quarter of 2020.

It is therefore necessary to closely monitor market evolution, which continues to show an uncertain and volatility in price behaviour. It is also very important to monitor the margins of livestock farms and take measures if necessary.

FERTILIZERS

Energy prices, especially natural gas in Europe, which has quadrupled in price and on which we are tremendously dependent, are reaching new highs.

Currently, up to 94% of the cost of ammonia, the main raw material used in the production of nitrogen fertilizers, is due to the cost of gas. This, in turn, translates into a percentage increase in relative terms of the cost of gas over the total cost of manufacturing nitrogen fertilizer products, rising, for example, from 59% a few months ago to 86% today in the case of nitrogen solution.

This situation is accompanied by a highly stressed international market, where major exporters such as China are limiting shipments conditioned by transport costs and logistical difficulties in international ports with the lack of containers, but also the announcement of closures of production plants or the reduction of production capacity, which will limit the available supply. All this is having a strong impact on fertilizer prices, which have practically doubled in one year (the World Bank fertilizer index of September 2021 is 77% higher than in 2020).

This input represents for the farmer about 7.4% of the expenditure in intermediate consumption and therefore the increase in prices will result in a reduction in its use not so much in seeding as in late top dressing (where the current increase in costs will be passed on) with a potential secondary effect such as the foreseeable decrease in the harvest.

FUELS AND ENERGY

The fact that the average price of agricultural diesel has shot up by nearly 42% since October 2020 means a tax increase, which will have a negative impact on the profitability of each farm.

In relation to energy costs related to the demand for electricity, these have shot up by 270% in the last year.

In the case of irrigation, the average increase in the electricity bill during the hottest months has been around 20-30%. Likewise, the cost of construction of irrigation facilities and tanks has increased, respectively, by 9% and 6%.

Furthermore, in the case of greenhouses that need this electricity in their heating systems and other air conditioning elements, the increase in the cost of electricity is 53%. A similar increase occurs in fruit and vegetable handling plants, where electricity is a very important cost for the use of machinery for the classification, conditioning and packaging products.

Livestock is also one of the sectors most affected by this increase, especially electricity, whose consumption is a key element in the milking process. In these cases, monthly costs have practically doubled.

The increase in the price of electricity, gas and diesel also affect the most intensive farms as a whole, especially for heating in breeding and weaning area in pigs and in the air-conditioning of the farms in other productions systems such as poultry farming. In this type of farms, the energy bill has risen by around 30%.

OTHER SUPPLIES AND INPUTS:

In the case of greenhouse horticultural productions, the increase in the cost of raw materials also has an impact on the construction of the facilities with increases of 10% in the cost of metal structures, 6% in roofing plastics and 4% in substrates and sanding as well as 9% in other supplies such as covering material or beehives.

As for the fruit and vegetable conditioning plants, the increase in the cost of construction is 4%.
