



Council of the
European Union

Brussels, 13 May 2022
(OR. en)

8931/22

AGRI 181
AGRIFIN 43
AGRIORG 50

NOTE

From: General Secretariat of the Council
To: Delegations

Subject: Situation on agricultural markets, in particular following the invasion of
Ukraine
- Member states' comments

Delegations will find in the Annex delegations' written contributions for the meeting of the Council ("Agriculture and Fisheries") on 24 of May 2022 as background for the agenda item on the market situation.

CONTRIBUTIONS RECEIVED FROM DELEGATIONS

1. BELGIUM

In a context where production and energy costs were already squeezing producers' margins, the conflict between Russia and Ukraine is adding pressure to the situation of almost every agricultural sector. The cost of feed is the most important cost factor for pig producers, but it also plays an important role in the laying hen, poultry, sheep and goat, meat and dairy sectors. In addition, high energy prices (fuels) will also have financial consequences, especially for producers in the horticulture sector. Rising fertilizer prices are a concern for all crop production, particularly for nutrient-intensive field crops.

The pigmeat sector - where feed costs can represent more than 60% of total costs - is particularly affected. The pig meat prices increased over the last months but are still insufficient at this moment to cover the rising costs. The pig meat storage scheme did not have the expected effect on pig prices. Moreover, we expect the prices to decrease again.

The fruit sector is suffering from the geopolitical situation with the fall in prices of apples and pears. The increase in energy prices, and gas in particular, will also weigh on the cost of vegetable production without being able to assess the market response at present.

Belgium believes that all these markets need to be closely monitored.

2. BULGARIA

The cereals and oilseed crops prices continue to grow due to the market disturbances following the Russian aggression against Ukraine, which combined with the strong inflationary effects are source of concern regarding the supply of food at affordable prices for the Bulgarian citizens and pose high risk for the economic results of our farmers.

As of 11 May 2022 the average buying-in price for maize in Bulgaria is 55,6% higher at annual base. The same is observed for sunflower prices – there is increase of 63%, and for bread wheat and common wheat an increase of 67,8% and 70,6% respectively. Together with the increase of energy sources prices the higher cereals and oilseed crops prices lead to additional prices increase of the derived food products and animal feed mixes. In mid-May 2022 food chain supply prices for flour and bread in Bulgaria increase from 33,8% to 45,1% in comparison to previous year. The increase of sunflower oil prices is even higher – with approximately 81% for wholesale prices and 57% for retail prices. There is more average increase of the animal feed mix prices.

The higher production costs are reflected gradually on the animal products prices. In mid-May 2022 the food supply chain prices for poultry meat are from 39,7% to 55,9% higher than the prices at the same time for the previous year. Lamb meat is marketed between 29,3% and 37% higher at annual base. More average is the increase of prices for pig and beef meat – between 10 and 15%. The milk and milk products prices have increased between 16,2% and 25,6%, while the eggs are with 69,2% higher at wholesale level and 34,6% at retail level.

As a whole since the beginning of 2022 the prices of the basic fruits and vegetables have stayed above the levels for the previous year. At 11 May 2022 the highest increase on annual basis is for the tomatoes – over two times higher at wholesale level and 77% at retail level. The cucumbers and potatoes prices are between 26,2% and 62,3% higher than previous year. More moderate are the increases of the apple prices – with 6,6 % higher at wholesale level and 9,4% at retail level.

3. CZECH REPUBLIC

The Czech Republic welcomes the possibility of exceptional financial aid from the EC under The Commission Delegated Regulation (EU) 2022/467 from 23 March 2022. This measure should help the most affected animal sectors in the Czech Republic, particularly pig and poultry sector.

Generally speaking, all farmers have to face unprecedented increases in input prices. Energy-demanding sectors such as animal sector are in a particularly difficult situation. In animal production there is another factor that negatively affects the whole situation and that is the availability and the high prices of feed and subsequently feed mixtures. Despite the increase in the prices of agricultural producers in the pig sector, the situation is still critical and producers are below profitability. In the poultry sector, the situation is challenging due to the significant increase in the price of inputs, with poultry meat producers often below profitability too. In the milk and beef sector, there is the situation rather stable, situation for egg producers is relatively stable too.

All sectors are affected by the consistent rise in input prices (mainly energy, fuel and feed) driven by the Ukrainian crisis along with minimal increases in agricultural producer prices. These make the situation for farmers more complicated.

4. **ESTONIA**

Milk and milk products

Demand for milk and milk products has continued to be strong in 2022 and prices have further increased. At the same time, input prices for both milk production and processing have risen even more, eroding the benefits of high sales prices. Russia's ongoing invasion of Ukraine is pushing up input prices even further.

The average price of purchased milk in Estonia has increased since August 2021 by +33%, reaching to 41,2 €/100kg in March. However, despite a large increase, it remains -5,2% below the EU average milk price. Of the inputs, for example, the price of rapeseed rose by +53% over the same period, electricity price by +74%, price of fertilizers 1,5-4 times and fuel price by +49%. Milk production in Estonia has increased month-on-month since August 2021 to the previous year. In the first three months of 2022, +3,7% more milk was delivered to dairies.

Meat

High input prices (fuel, electricity, feed) impact the whole meat sector. In the structure of total costs, feed has the highest share in poultry and pig production (~52%) in Estonia. The ratio of pork price to feed barley price, which was 12 at the beginning of 2020, has been ~6 in 2022. The average price of pigmeat (class E) in Estonia has increased by +7% since the beginning of 2022 and reached 154 €/100kg in March. Despite the increase, it remains -10% lower than the EU average pigmeat price. In the first quarter of 2022 there were 304 thousand pigs in Estonia, which is -3% less than a year ago. Pigmeat production decreased by -2% year-on-year in the first quarter of 2022.

The buying of cattle and the quantity of beef produced was 4% lower in the first quarter of 2022 compared to previous year. The purchase price of cattle has increased by 25% since October 2021, but input prices have increased even more.

Cereals

Cereals sector is facing a rapid rise in input prices and although cereal and rapeseed prices have risen, fertilizer prices have risen up to 4 times and fuels by 60%, reducing the benefits of high sales prices. The input costs of crop production are transferred to animal husbandry. A record winter crop area is expected in Estonia in 2022, but the crops passed the winter period differently depending on the region, in some regions the plants were negatively affected either due to the December cold or thick snow in spring and snow fungus damage, as a result of which some winter crops had to be re-cultivated. The need for spring fertilizers is largely covered and fieldwork is under way. Russia's ongoing invasion of Ukraine has made markets extremely volatile and due to high input prices, it has made cereal production even more risky given the dependency on the weather. Time will tell how the high price of fertilizers affects the yield and quality of cereals.

Cereals and rapeseed prices in April: wheat 346,81 €/t (+14% vs March and +70% vs 2021 April), barley 291,64 €/t (+10% and +72%), rye 263,02 €/t (-4% and +99%) and rapeseed 880,71 €/t (+19% and +79%). Thus, prices have risen significantly year-on-year and have been on an upward trend this year as well.

5. FINLAND

The Ukrainian crisis situation has disturbed agricultural commodities markets to a unprecedented level taking also account that market situation was already difficult for a long time period before Russian invasion of Ukraine. The prices of main production inputs on farming have doubled or even tripled compared to their level one to two years back.

In Finland there seems to be adequate supply of fertilisers for this summer, which was a concern for farmers previously. Related to inputs, it is now a proper time to focus for 2022/23 marketing year and to start finding ways at EU level to secure availability of fertilisers at a prices that producers can afford for it.

During past months the producer prices have also reached high levels both on arable crops and animal sectors. Despite the favorable direction on prices, it seems that it do not bring relief to the poor economic situation on farms due the rising input costs. For example, cereal market prices that are currently offered for next Autumn harvest do not cover the present higher price of fertilizers. Therefore, it is still uncertain what kind of production decisions arable crop farmers are doing for this spring sowings.

Due the cool weather in Finland on recent weeks, the spring sowings in Finland are delayed by 1-2 weeks from the normal schedule. Unfortunately there has been major winter damages on winter cereal and oilseed areas this year. The winter cereal area sown (mainly wheat) was a record high, but now it seems that there is need to resow for most of it. This causes an additional financial burden for producers and for example reduces the interest to take EFA areas under cultivation.

In Finland the 2021 cereal crop was poor and now it causes difficult situation for pig and poultry sectors to source enough feed cereals, the prices of which are on record level, before the next harvest is available. According to some estimations our domestic end of the marketing year cereals stocks are going to be at a level that is clearly lower than normally.

Finland considers that the Commission should continue its close market surveillance on producer and input prices and, if necessary, take measures to balance the markets and strengthen the currently weak profitability of production and security of supply of the European Union.

6. LATVIA

The situation on agricultural markets continues to be markedly unfavourable, with no improvement despite the rise in prices of agricultural products. Producers in livestock sectors in particular face exceptional market conditions. Production of livestock products needs to be ensured in critical market environment, where market is experiencing an unprecedented increase in input prices, new sources of supply of some feed materials must be sought, while, at the same time, the increase in the price of output is limited or even with downward trend as in case of pigmeat.

Following the start of war in Ukraine, feed grains are experiencing a dramatic increase: in March 2022, the purchase price of feed wheat in Latvia was by 59%, feed barley by 78%, feed rye by 114% and feed oats by 95% higher than a year ago.

Moreover, data on grain prices in Latvia in the fourth week of April 2022 show that increase in the price of feed wheat continues. In the last week of April, the price of feed wheat in Latvia (368,03 EUR /t) was by 6% higher than that of food wheat (347,68 EUR/t).

At the same time, the most up-to-date information on pigmeat prices indicates that since the beginning of April, there has been a gradual price decrease, with the average buying-in price for Class E pigmeat reaching EUR 185,9/100 kg, which is by 11% lower than in the last week of March 2022.

For other livestock sectors, despite the rising prices of products, the situation persists where farms are unable to cover the excessive costs of production resources. The increase in prices of production resources and raw materials is several times higher than the increase in prices of livestock products.

7. **POLAND**

Pigmeat market

It is assessed that the pigmeat market in Poland is primarily susceptible to the effects of the armed conflict in Ukraine. The main reason is the rising costs of pig rearing, and in particular the cost of feeding, which is the main item in the cost structure.

In Poland, we are dealing with a long-term downward trend in the number of pigs, which is, inter alia, the result of the relative cheapening of pigs in relation to grain and fodder. The war in Ukraine will exacerbate this phenomenon, as grain and feed prices will rise. Still present ASF, which many EU Member States are struggling with, is an additional threat.

In crisis conditions, a slowdown in structural changes in the production of pigs can be expected, as specialised farms may limit investment activities. At the same time, high purchase prices of pigs as well as selling and retail prices of pork products will constitute a demand barrier.

Fruit and vegetable market

The effects of the war in Ukraine in relation to the fruit and vegetable sector mainly relate to the increase in the prices of inputs and restrictions on access to export markets. The dynamically growing costs of fertilizers, pesticides, fuels, gas and electricity have a negative impact on the beginning of the new production season in the fruit and vegetable sector and deteriorate the profitability of production. The increase in energy resources prices affects to a large extent producers of greenhouse vegetables. The cost increases are not accompanied by an increase in selling prices, as is the case in most other sectors. Currently, however, in Poland we are dealing with a large supply of apples on the domestic market for the current stage of the season, and consequently low purchase prices.

On the basis of the Commission Delegated Regulation (EU) 2022/467 of 23 March 2022 providing for exceptional adjustment aid for producers in agricultural sectors (OJ L 96, p. 4), Poland implemented exceptional adjustment aid for producers of dessert apples. The purpose of the aid is to reduce the supply of dessert apples in the current season (2021/2022) by redirecting some of them to be used as a raw material for processing. Dessert apple producers will receive financial support for each kilogram of apples covered by the aid. The maximum quantity of apples that will receive aid will be 200,000 tonnes.

Information about the partial lifting by Belarus of the embargo on imports of certain fruit and vegetables (including apples) and the re-opening of the Belarusian market resulted in a slight recovery in the apple trade.

At the same time, according to the information from the Central Statistical Office on the preliminary assessment of the overwintering of crops, no significant frost damage was recorded on fruit trees and shrubs after the winter of 2021/22. Due to the lack of sufficient moisture in the soil, sowing of field vegetables in some regions of the country was slightly delayed, but most of the necessary agrotechnical operations performed before sowing were carried out in a timely manner.

Other markets

On the one hand, record prices of cereals are favourable for their producers, and on the other hand, they constitute a very big challenge for the milling and baking industries as well as for feed producers.

High prices of cereals and oilseed rape encourage an increase in the sown area at the expense of other crops, such as potatoes or sugar beet, and at the expense of maintaining crop rotation. According to information from market participants, in 2022, the decrease in the sugar beet cultivation area in Poland will amount to approx. 10%. It is forecasted that in the following years the sugar beet cultivation area may decrease to 200-230 thousand hectares with 250 thousand hectares in the marketing year 2021/2022. This will lead to a reduction in sugar production. High uncertainty on the market hinders price negotiations between sugar beet growers and sugar producers.

School scheme

On May 5, 2022, the Polish Minister of Agriculture and Rural Development submitted a letter to DG AGRI of the European Commission in which he asked for an increase in the school scheme budget allocation for Poland for the next school year in order to include the children of refugees from Ukraine. These pupils meet the requirements for participation in the school scheme.

According to the data of the Ministry of Education and Science, as of May 8, 2022, the number of Ukrainian pupils in Polish primary schools is 77,936, i.e. it increased by 1.4% (1,080 pupils) in relation to the data provided to the European Commission in the above mentioned letter.

8. ROMANIA

The crisis in Ukraine continues to put severe pressure on the Romanian market, and at the moment, we cannot exactly predict the extent of the negative consequences on the market.

The market situation is volatile, in the sense that prices have continued to rise sharply on several levels: energy, gas, electricity, gasoline, diesel, fertilizers and other inputs. All these increases lead to an increase in the cost of production costs and implicitly of food prices, affecting all more final consumers.

In Romania, most agricultural sectors are affected: fertilizers, cereals, vegetable production, poultry, pork, beef, sheep, fruit and vegetables, but also the feed sector where price growth has reached an unprecedented level and there are prospects such as the livestock sector. to record large production losses and the bankruptcy of many producers.

Unfavorable weather conditions further contribute to the precarious situation in the agricultural sectors. Thus, it is estimated that the average yield per hectare for the main crop could be about **10% and 15%** lower this season due to **drought**.

Romania has faced drier-than-usual conditions since the beginning of the year, especially in the eastern half of the country, where rainfall has been, locally, up to 80% below the long-term average. This situation generates a water deficit in the soil, and this type of deficit accumulates from year to year.

On the other hand, as support funds are insufficient, they cannot allow farmers to finance their own systems even at the individual farm level.

At the same time, given the increase in fertilizer prices, many farmers have given up soil fertilization or reduced fertilization, which will lead to a decrease in production.

Also, due to the price explosion, we are receiving signals that some companies in the agricultural sector have stopped working and farmers have given up their businesses.

The same critical situation remains in the **pork sector**. All the price increases, as well as the effects of swine fever, have caused great losses in the pig sector. The production cost increased from 6.60 RON / kg live in 2020 to 7.60 RON / kg in 2022, the loss can no longer be recovered. As for the prices of Class E pig carcasses, they continued to fall from EUR 130.34 / 100 kg in the first week of February 2022, which is 1.7% lower than in January a.c. and 9.7% lower than in December 2021.

Romanian producers are also affected by **intra-Community trade**, which places pork on the Romanian market below the production costs of domestic producers.

Therefore, although producer prices have seen significant increases in the latest conditions in the plant and livestock sectors, these increases are NOT reflected in the profit margins of farms which remain worryingly low due to prices. increasing inputs.
