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NOTE

From: General Secretariat of the Council
To: Delegations

Subject: Situation on agricultural markets particularly following the Russian 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 13 June 2022 as background for the agenda item on the market situation.

CONTRIBUTIONS RECEIVED FROM DELEGATIONS

1. 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 the 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 fertilizers for this summer's crop production. Related to inputs, it is now important to focus for 2022/23 marketing year and to start finding ways at EU level to secure availability of fertilizers at a price that producers can afford.

During past months, the producer prices have also reached high levels in both the arable crop and animal sectors. Despite the favorable direction of prices, it seems that they 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's harvest do not cover the present higher price of fertilizers. Therefore, and before the information from direct aid applications is available, it is still uncertain what kind of production decisions arable crop farmers made for this spring's sowings.

Due to the cool weather in Finland in April and at the beginning of May, the spring sowings in Finland were delayed by 1-2 weeks from the normal schedule. Unfortunately, there were major winter damages on winter cereal and oilseed areas this year. The winter cereal area sown (mainly wheat) was a record high, but it had to be resown for most of it, especially in the Southern Finland. This caused an additional financial burden for producers and for example reduced the interest to take EFA areas under cultivation. As spring sowings are still underway, we do not yet have exact knowledge on how much EFA areas have been taken into cultivation this year.

In Finland the 2021 cereal crop was lowest in 30 years and now it causes a difficult situation for pig and poultry sectors to source enough feed cereals, the prices of which are at a 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. Finland is ready consider on a case-by-case basis further exemptions from the rules of the CAP to fully utilize the production possibilities in the EU.

2. LATVIA

As regards the market situation, nothing has changed significantly. There have been no improvements to provide relief to agri-food operators for a long time. On the contrary, forecasts suggest that no significant improvement can be expected in the short to medium term.

The market is still in a situation where the price of inputs is increasing faster than the price of agricultural products: in one month (April compared to March), the price of feed wheat increased by 14% and it reached the price of food wheat, while the average buying-in price for pigmeat increased by 12%, raw milk by 4%, poultry meat by 13%, while the price of beef even decreased by 1%.

The most up-to-date information on weekly data on grain prices in Latvia show that the price of feed wheat also increased in May. In the second and third weeks of May, the price of feed wheat increased by an average of 5% each week, and in the third week of May the price of feed wheat in Latvia was 380 EUR/t, that is 110% higher than a year ago.

There are certain agricultural sectors that are particularly struggling in the current market conditions.

It should be noted that in the pigmeat and poultry sector, as well as in the covered horticulture sector (glasshouses), there is a clear divergence between the product price and the input price - the price of products has not kept pace with the rapid growth of inputs. Considering the cost structure of the pigmeat and poultry sectors, input prices in March 2022 compared to March 2021 have risen by 100% and 39% respectively, while the price increase for pigmeat, poultry meat and eggs over the same period amounted to only 9%, 10% and 15% respectively. Overall, feed, heating and electricity costs have increased significantly in the pigmeat sector. In poultry farms, however, feed costs account for the largest share.

In the covered horticulture sector, input prices have increased by 70% in March 2022 compared to March 2021. Meanwhile the increase in prices for vegetables is on a much smaller scale: for tomatoes it is 10%, for long cucumbers 7%, while the price of short cucumbers has even fallen by 11%. Overall, the covered horticulture sector is significantly affected by the increase in heating costs.

As regards the derogations for this year, Latvia appreciates the Commission's swift reaction to promote food security by allowing fallow land to be used for food and fodder production. In Latvia this option has been used for 19 448 ha, 3 906 fields and 2 281 unique applicants.

3. POLAND

The war in Ukraine contributes to a strong increase in the prices of both agricultural inputs and agricultural products. Since the outbreak of the war, the prices of pigmeat (+57.2%, to PLN 6.56 per kg live weight) and rapeseed (+50.8%, to PLN 4,681 per tonne) have increased to the greatest extent. The average purchase price of slaughter pigs is slightly below the highest level in history of price quotations (PLN 6.88 per kg live weight recorded in 17th week of 2022). A smaller, but also significant increase in prices was recorded in the cereal market (+37.6% in the case of consumption wheat, up to PLN 1,733 per tonne), poultry meat market (+34.1%; the price of chickens was PLN 6.16 per kg) and table eggs (+24.4%, up to PLN 49.09 per 100 pcs.). Cattle prices are at a historically high level (PLN 11.28 per kg live weight; + 15.6% in the last 3 months), although in May this year compared to April this year price drops were recorded (- 1.7%). In April this year, the average purchase price of raw milk, compared to the average price in February this year, increased by +13.6% and amounted to a record PLN 209.9 per 100 kg. In Poland, exceptional adjustment aid under Regulation (EU) 2022/467 has been granted to table apple producers and is to be implemented for pig producers, since these two sectors were most affected by the Russian aggression against Ukraine. An important aspect in the current situation, influencing the situation on agricultural markets, is the provision of stable, but also affordable energy supplies, including fuels for entities in the agri-food industry and agriculture. Access to electricity and natural gas is crucial at all stages of animal husbandry and meat and milk production. The undisturbed process of food production guarantees the maintenance of agricultural production and the reduction of sharp, further increases in the prices of agricultural products and food.