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NOTE

From:	Presidency
To:	Council
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 Council (Agriculture and Fisheries) on 17-18 October 2022, delegations will find in the Annex a note from the Presidency on the above subject.

Situation on agricultural markets, especially after the invasion of Ukraine

European farmers face many difficult challenges this year. The war in Ukraine has profound and incalculable consequences that are not of our making. The war has been going on for several months and is still affecting the situation on agricultural markets. The financial strain on the agricultural sector is becoming unbearable for many producers. Measures have been taken at European level to mitigate the impact of the war in Ukraine in the context of disrupted supply chains and high prices. The EU has provided, among other things, EUR 500 million in exceptional adjustment aid (under the CMO Regulation) to the most affected sectors, while introducing a temporary crisis framework of state aid.

Many EU Member States have also been affected by drought at various times this year, which has had and will continue to have a negative impact on agricultural production. With the coming winter season, the need to ensure autumn sowing, including fertilisers and plant protection products, is of utmost importance and urgency. It is necessary to secure the supply of energy to ensure continuous production even in energy-intensive industries.

Currently, a significant problem in the agricultural sector is the provision of affordable fertilisers. Limiting fertilization due to expensive or unavailable fertilisers is causing a decline productivity and may progressively threaten food self-sufficiency in the EU. However, the current situation has negative impacts not only on farmers but also on fertiliser producers in the EU. Further deterioration of the situation could lead to a decline or closure of production of some EU fertiliser producers, including negative impacts on agricultural production.

Doubt and uncertainty also characterise the current scenario faced by the European livestock commodities market. From the point of view of livestock production, it is the disproportionate increase in production inputs and the failure to reflect this increase in agricultural commodity prices that can be considered most serious. However, the livestock commodities sector is affected by other factors, including, in addition to those already mentioned, the disease situation, with African swine fever and avian influenza in particular affecting the EU pork meat and poultry meat markets. Based on information from the Commission, almost all livestock sectors are experiencing a reduction in production, which may negatively affect the self-sufficiency of the EU. This situation will be exacerbated by the onset of the autumn and winter seasons, which are typically energy-intensive periods, along with an expected increase in compound feed prices.

In view of the current developments on agricultural markets and the need to assess possible further steps, the Czech Presidency proposes to focus the discussion on the following 2 questions:

1. What is the experience and further expectations of Member States concerning the measures applied so far to mitigate the impact of the crisis following the invasion of Ukraine, in particular the introduction of the Exceptional Adjustment Aid under the CMO Regulation or the Temporary Crisis Framework for State Aid.
 2. How Member States assess the impact of the sharp increase in the price of agricultural inputs, in particular the fertilisers, and what measures Member States would consider appropriate to address this situation, especially in terms of their availability and the availability of input elements for their production.
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