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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*
- *Exchange of views*

With a view to the Council (Agriculture and Fisheries) on 20 March 2023, delegations will find in the Annex a background document.

Market situation in particular following the invasion of Ukraine

One year after the Russian invasion of Ukraine, inflationary pressures concerning energy, raw materials, fertilizers, and freight remained as the main challenges for EU agricultural markets. While prices seemed to have normalised in recent months and farmers' incomes had to some extent stabilized, high energy and input prices remained a concern and avian flu and African swine fever still affected Member States. Certain sectors appeared more affected than others, in particular meat (especially poultry), wine and fruit and vegetables. Moreover, high food inflation had a heavy impact on consumers, especially those on low incomes.

Uncertainty in EU agricultural markets remains high despite the partial unblocking of Ukrainian Black Sea ports and the success of the EU's solidarity lanes initiative in helping Ukraine export agricultural goods via all possible routes – including rail, road and river transport. The agreement on the Black Sea Grain Initiative is set to expire on 18 March and is up for renewal again. Russia has signaled that it is unhappy with some aspects of the deal and has asked for sanctions affecting its agricultural exports to be lifted while Ukraine is seeking an extension of at least one year and an inclusion of the port of Mykolaiv.

During the “Agriculture and Fisheries” Council meeting on 30 January, in the context of the Ministerial debate on the situation of EU agricultural markets, it appeared that the current crisis had two facets, namely the fact that the impact of the Russian aggression of Ukraine, and the resulting economic consequences, affected all EU farmers, while trade liberalisation for Ukrainian products, and the need to facilitate Ukraine's exports, affect some Member States' farmers more than those in other Member States. It was understood that the Commission might present a proposal soon on the use of the agricultural reserve to support farmers in the most affected Member States. In addition, the Commission indicated that the situation in Ukraine is difficult and that it is expected to lead to a significantly diminished harvest in 2023 compared to the average.

On 23 February, the Commission presented a proposal to renew the suspension of import duties, quotas and trade defense measures on Ukrainian exports to the European Union – known as the Autonomous Trade Measures (ATMs) – for another year. This is a continuation of the EU's unwavering support for Ukraine's economy and helps alleviate the difficult situation faced by Ukrainian producers and exporters because of Russia's unprovoked and unjustified military aggression.

The latest version of the regular update containing statistics on agricultural exports from Ukraine was published on the Delegates Portal on 27 February.

A recent ECJ decision to block the emergency use of bee-toxic neonicotinoid pesticides raised major concerns for the sugar sector's agricultural and industrial players and could have serious economic consequences for this sector, by discouraging beet production. The European Commission is analysing the implications of the ECJ ruling with a view to ensuring that the rules are applied consistently.

Finally, on 18 January, the European Pigmeat Reflection Group presented its final report with recommendations and handed it over to Commissioner Wojciechowski. The report is available on https://agriculture.ec.europa.eu/system/files/2023-01/report-european-pig-reflection-group_en.pdf.

In order to focus the Ministerial debate at the “Agriculture and Fisheries” Council meeting on 20 March, the Presidency invites ministers to answer the following two questions:

- 1. Based on the current market situation, what do the Member States see as particular difficulties in the short term for individual sectors and what could be the appropriate measures to address them? In addition, what challenges do Member states see in the medium to long term?*
- 2. Which conclusions from the report on the pig sector are particularly important to take into consideration. Are there any good examples that you could share concerning the measures you will or have put in place to follow up on the recommendations addressed to Member States?*