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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 17 January 2022, and to complement the summary contained in document ST 5153/22, delegations will find in Annex delegations' written comments.

ANNEX

CONTRIBUTIONS RECEIVED FROM DELEGATIONS

1. BELGIUM

High cereal prices leading to high feed costs are squeezing the margins of our animal producers. This is particularly important in the pig sector, which is also faced with low prices, but also in other animal sectors where prices are better.

It is anxious to see what impact avian flu will have on the laying hen and broiler sector. The market must be monitored very closely.

We would like to point out the generally rising costs. This mainly concerns manure, transport (export!) and energy. The latter cost is particularly worrying for producers of greenhouse vegetables (tomatoes, cucumbers, peppers).

Also to be closely monitored: price formation for apples is not so good at the moment and can be further negatively influenced by the embargoes imposed by Belarus.

2. BULGARIA

Bulgaria would like to express its concerns regarding the rising prices of main feeding crops and mixes. For the period between January and November 2021 the most significant increase is in the price of grain maize, which is 36.4 % higher than the price for the same period in 2020, followed by the feed wheat – with 23.4 % and feed barley – with 11,9 %.

Our country would like also to focus on the serious increase of production costs in agriculture, especially the fuel and electric energy costs. The prices of electric energy used in the agriculture in Bulgaria have increased with 160 % compared to the same period in 2020. There is serious rise in fuel prices and this aggravates the situation for farmers.

The pig meat sector in Bulgaria faces serious crisis. The meat producers are in extremely difficult market situation due to the ASF restrictions, stricter COVID 19 requirements regarding the slaughterhouses, higher feed costs and oversupply on the EU market, which stops the increase of prices. Private storage scheme cannot be effective under the present circumstances. Release of products from the warehouses may slow down market recovery.

We have similar situation in relation to price levels of feed, energy and market in the poultry sector.

Despite the growing trend of buying-in prices in the milk and meat sectors they cannot cover the costs of the producers.

3. CROATIA

Main problems, reported at the end of 2021 are still present in agricultural sector. The prices of raw material and packaging are significantly higher. At the same time, the prices of final products remain the same, causing negative impact particularly on livestock sector and food industry in general. The price of pig meat is still low due to the several reasons. We recall on the European Commission to take all possible EU support measures in line with the CMO regulation. Adverse weather conditions during previous period, increase of input production costs, as well as higher transport costs caused imbalances to the majority of primary plant production (fruits and vegetables, potatoes, olive oil and table olives and flowers).

In addition, agricultural sector has pointed out again the significant increase of the fuel prices as well as the increase of the prices of other energy sources (gas and electricity), 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.

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.

4. CZECH REPUBLIC

Pork meat and poultry sectors

- Pig rearing is a key sector of animal production in the Czech Republic.
- For several months, the prices of pigs and pork in the Czech Republic have been at the lowest level since 1994.
- Price developments in this sector are related to the COVID pandemic (limited operation of HORECA), the spread of African swine fever in Europe and the reluctance of some third countries to recognize international standards and principles of regionalization in 2020/2021.
- Despite the expected increase in pig meat consumption during the holidays within the last weeks of 2021 this has not brought any market recovery. The year 2021 and the beginning of 2022 also bring, next to above mentioned problems, rising feed prices, negative current development of energy and fuel prices.
- In the 50th week of last year, the Czech Republic had the 9th lowest price for this agricultural commodity in the EU (€ 132,44/100 kg).
- The unfavourable situation in this sector has already been pointed out by the Czech Republic at previous SCA and Council meetings. It is clear that the monitoring of the sector confirms current negative trends and it is therefore necessary to introduce emergency EU support without further delay.
- In the poultry sector, the situation has shown negative trend due to the unprecedented spread of avian influenza and increasing input costs, close monitoring of the situation in this sector is important and necessary.

Cattle and meat sector

- The market situation is stable.
- Production is slightly down year-on-year.

- Trade balance remains positive for live animals but negative for meat.

- Agricultural producer prices are increasing year-on-year.

Milk and dairy products

- The market situation is stable.

- Agricultural producer prices of raw milk was 9.54 CZK/l in November 2021, which represents a year-on-year increase of 10.5%.

Fruit and vegetables sector

- Harvest in the Czech Republic in 2021 - the final estimate is that it will be average, although the harvest was estimated to be rather lower during the year (as of 1st September 2021 the estimate of total fruit production was 136.8 thousand tonnes, which is a decrease of 3.2% compared to the previous year.)

- The apple harvest is average, with regional and varietal variations, with an estimated apple production of 111.5 thousand tonnes on 1st September 2021, a decrease of 5 %.

- The reasons for the lower harvest are the late onset of vegetation, the cold weather during the flowering period and the significant drop in fruit set in June. A number of areas were damaged by hail and the proportion of apples processed was higher in these affected areas.

- In pears, on the other hand, we saw an increase in production, estimated at around 7 thousand tonnes (17 % increase on the 5-year average). There was a very strong drop in a fruit set, but due to the abundance of rainfall during the growing season, the larger fruit and total volume.

- There has been pressure on prices of apples (for table fruit and processed) due to the internal EU market situation.. Situation will be also further complicated by the Russian embargo and new ban on apple imports into Belarus.

- The production situation may be significantly worsened in the future by an increase in inputs and a shortage of PPP.

- The share of fresh fruit consumption increased to 87.8 kg per capita, while fresh vegetable consumption was 93.2 kg per capita.

- Sales of stored vegetables are steady, autumn varieties are plentiful and prices are stable. Prices of fruit vegetables and some other imported varieties are slightly increasing.

Sugar

- EU: After 4 years, the average price of sugar reached the set EU reference price value at the end of 2021 (October 2021: 417 EUR/t). Sugar prices in the Czech Republic copy the upward trend in the EU.

- Currently, there is a beet campaign in the Czech Republic (the end is expected at the end of January 2022). Based on the estimate (from December 2021) sugar production will be 605 thousand t (5-year average is 550 thousand t). The previous two campaigns were not successful, because of bad agro-meteorological conditions. The current campaign should be successful, except for the increase in costs caused by rising energy prices and emission permit.

Cereals

- Harvest 2021 in the Czech Republic: the harvest of cereals and rapeseed was completed on September 2021. In total, production of basic cereals was 7 572,3 thousand t. (in the area of 1 235,3 thousand ha). In total, rapeseed production was 1,1 mil. t. (in the area of 342,3 thousand ha). The harvest was delayed, because of bad agro meteorological conditions.

- Cereal prices are increased year-on-year and the price of rapeseed is very high.

Potatoes

- The potato production (agricultural sector) reaches 671,6 thousand t. The total potato production (including household potatoes) is estimated at 827,4 thousand t. (year 2021). Potato area fell by 3 % year-on-year to 29 thousand ha.

- The potato market continues to recover slightly. In the Czech Republic, we expect an increase in farmer‘s prices in the coming period. The COVID-19 situation no longer blocks production of French fries as it did a year ago – demand is increasing. This was also reflected in the stock market, when the prices of French fries are rising.

Legumes

- Only a few types of legumes are currently grown in a relatively small area in the Czech Republic. Peas are the most widespread type of legumes (the share of peas in total of legumes is 90 %). The total area of legumes increased by 15,5 % to 43,1 thousand ha (of which 35,8 thousand ha are peas) in 2021. Overall, the legume area has risen to record highs over the past decade. In addition to legumes, the soybean area increased by 39,1 % to 19,7 thousand ha.

- Currently, the high prices are for peas for feed.

5. ESTONIA

Milk and dairy products:

In the last few months the development of Estonia's milk and dairy product market has been positive. Demand for dairy products is strong and their prices remain high. Purchase price for milk is increasing. Since July 2021 the average pruchasing price for milk has increased by +10,7%, reaching 34,1 EUR/100kg in November (strongest increase+4,2% in November). Based on the information from the sector, average milk price in December has increased even further.

Milk production in Estonia has grown month-on-month since August 2021 compared to 2020. During the first 11 months of 2021 milk deliveries to daires has increased +1,5% (strongest increase +4,2% in November). Despite the improvements of current market situation, the producers' income is adversely influenced by significant growth of imput prices (feed, energy, fertlizers, labor, etc).

Meat

The purchasing price of beef has increased since the 18th week of 2021. By the the 49th week it exceeded the pre-pandemic level by 6%. Price increased in October by 10% compared to the same time last year. The volume of beef decreased by 8,5% and the value increased by 1%. From November 2020 to October 2021 the price increased by 2%, the amount of meat increased by 9% and the value increased by approximately 1,9 million euros. As of 30.September 2021, there were 258,2 thousand heads, which is 1,9 thousand less than a year ago.

Decline in the purchasing price of pigmeat, that started in the 30th week of 2021, has stabilized at the low level of 1,40 €/kg in the end of 2021. Price of pigmeat decreased by 3% year-on-year in October, the quantity of pigmeat purchased decreased by 7% and the value decreased by 10%. In comparison of 12 months (Nov 2020- Oct 2021) the price is 11% lower, quantity is 2% lower and value 13% lower. Cereal prices have had a significant impact on the cost of production. As of 30. September 2021, the number of pigs was 311,2 thousand, which is 3,6 thousand less than a year ago.

Cereals

Estonia's 2021 cereal production is estimated at 1.27 million tonnes, which is 22% less than last year's record, but will remain at the average level of the last five years. Compared to previous year (2020), the production of winter cereals will decrease by 9% and summer cereals by 38%. Rapeseed production will increase by 9% due to higher area under cultivation. The prices of cereals in Estonia in the 50th week of 2021 compared to the 50th week of 2020 were as follows:

- Milling wheat 231.36 €/t (+26% vs 2020 50th week)
- Feed wheat 250.80 €/t (+42%)
- Feed barley 245.92 €/t (+56%)
- Oat 193.10 €/t (+45%)
- Rapeseed 704.10 €/t (+82%)

According to preliminary estimates, the value of cereal output in 2021 will be 245 million euros (+ 0.5% compared to 2020), the increase in prices will compensate the decline in yields. The value of rapeseed output will be 110.6 million € (+ 46% compared to 2020), affected by the good production of rapeseed (incl. increase in area under cultivation) and high price.

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 continued discussion and follow-up on agricultural markets at the AGRIFISH Council is most welcome.

Rising costs of production such as energy prices (electricity, fuels) and 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. Especially fertiliser prices are now in Finland on a historically high level and it has a direct negative impact to the crop production and the sowing intentions of the spring 2022. We have also observed that the farmers are delaying the purchase of fertilisers for spring and this may cause logistical problems in the short spring sowing period.

Unlike generally in the EU, the grain harvest in Finland was very poor in 2021: the harvest was nearly 30 % smaller than a ten-year average. This means that the cereal producers cannot benefit from the high cereal prices.

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

The fourth wave of the novel coronavirus disease (COVID-19) pandemic may have impacts on agricultural market situation and food security, for example through the availability of labour.

7. HUNGARY

Energy prices and input costs in Hungary have risen radically in recent months. The price of electricity has tripled and the price of gas has quadrupled. This sudden rise in prices is having a negative effect on all agricultural holdings.

Crop production has faced a sharp rise in fertilizer prices, while animal husbandry has experienced significantly higher feed prices. The price of fertilizers has essentially quadrupled in the last year, while the prices of feed grains and protein crops which are essential for animal husbandry, have doubled.

The income-generating capacity of agricultural enterprises has been hard to maintain even during normal periods, especially those involved in animal husbandry. These sectors cannot tolerate such a sudden and large increase in input costs, which is why some companies are planning to cancel their investments or give up their activities. The sharp decline in production levels may also be accompanied by job losses and a shrinking food supply.

Undoubtedly, the biggest problem in Hungary is in the pig sector, and our pig farmers have reached the limit of their tolerance. In addition, in the dairy and poultry sectors, there is a clear worsening of the crisis and, in the absence of action, this severe shock is unlikely to be sustained without major losses, as well as such an increase in expenditure cannot just be passed on to consumers in such a short time.

In recent years, Hungarian agricultural enterprises have modernized and developed their operations with significant investments, and maintaining these results is of paramount importance in order for the affected sectors to remain competitive on the domestic and world markets.

The situation is still so serious that the available tools are not enough to deal with it, a European solution is needed. Every effort must be made to prevent the crisis from deepening further, the introduction of emergency market measures is urgently needed and the state aid framework needs to be raised.

8. LATVIA

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

- On November 1, 2021, the price of pigmeat reached the lowest level - 93.7 EUR/100 kg (for class E carcasses), which is by 24.6% less than a year ago. In December 2021, a gradual increase in pigmeat prices was observed: on December 13, the average purchase price of pigmeat reached 146,4 EUR/100 kg. However, **despite rising prices, they remain critically low** (i.e. below the production costs) and may have been driven up in the short term by the end of the year.

- **The information provided by the industry for the first week of 2022 shows that the purchase price of pigmeat is starting to decrease** - compared to the last week of December 2021, the purchase price has already decreased **by 8.4%.**

- Pig farmers have to face **a prolonged increase in production costs, mainly costs of feed**. In EU prices for all cereals have risen significantly over the past months. In the third week of December, **the price of feed wheat in Latvia was higher than the price of bread wheat** (price of feed wheat - 224.4 EUR/t, price of bread wheat - 190.9 EUR/t), reflecting the gravity of the situation.

- The changes of prices - both feed grain (wheat, barley, and oats) and pigmeat (class E carcasses), expressed in the price indices, shows dramatic difference between prices and their development. On 13 January 2021, the price index of pigmeat in Latvia is 103, while the price index of feed wheat is 165, the price index of feed barley is 172, and the price index of feed oats is 161.

- The indices show that **pig farmers have been facing a critical situation to cover excessive feed costs. In addition, farms are facing significant increases in energy prices (electricity and gas). Market returns do not suffice for covering the production costs.**

- The solvency and viability of pig farms in Latvia has reached a critically low point. Concerns about the ability of farms to survive in these conditions have been confirmed, as 2022 has begun with the news that one of best-known pig farms is being put up for sale. Besides, other farms are desperately looking for solutions to this difficult situation as another large farm has closed one of its pig breeding complex. This is very disturbing news from the industry and a sign that the survival limits have been reached.

9. MALTA

1. We still have major concerns about the ever-increasing livestock feed prices which are negatively impacting a wide range of animal sectors. The price increases are exacerbating the situation for the heavily hit livestock industries, such as the pork sector. In view that Malta is already heavily dependent on food imports, and in view that the Maltese livestock sector also relies on feed imports, Malta reiterates the call for a consolidated plan which considers direct aid to help our livestock farmers absorb the inflation observed in feed prices. This would help to safeguard the already struggling livestock sector and avoid further jeopardising the local food security position.

2. The challenges brought about by Malta's geographic insularity and economies of scale are also being felt more than ever in the arable agricultural sector. The increase in fertiliser prices on the international market, coupled with the disruptions being encountered in the transportation and logistics industry as a result of the COVID-19 pandemic, has resulted in significant additional costs and lower profitability margins for the local farming community.

3. Tourism in the first 9 months of 2021 remained at the same level as the same period in 2020 (an 0.4% increase in 2021). Nonetheless, tourist numbers remained at a relatively low level when compared to the pre-pandemic levels in 2019, leading to a halt in sales volume growth in the agri-food sector. Moreover, the exponential increase in COVID-19 cases during the festive season, led the Maltese Government to reintroduce some restrictive measures, which further affected the already challenging market situation.

10. POLAND

In Poland, the pigmeat market has been experiencing problems related to ASF and low prices for a long time, while the Belarusian embargo may cause problems mainly on the markets of horticultural products.

Pigmeat market

The situation in the pigmeat market is still difficult. Despite the fact that the decline in prices on the market has stopped in the last few weeks, the current purchase price of pigs in Poland is one of the lowest on the EU market. Farmers face rising production costs, including feed and energy and in ASF regions they struggle to sell pigs and receive lower prices. Poland, as already reported, has implemented applicable state aid to farms that have suffered losses due to ASF, but with the current market downturn, this aid is insufficient. Poland maintains its current position on the need for the European Commission to provide financial support to pig producers.

Horticultural products' markets

Before the introduction of the embargo on imports of certain agri-food products from EU countries in 2014 by the Russian Federation, Russia was one of the largest market outlets for Polish fruit and vegetables. After the introduction of the embargo, this role was partially taken over by Belarus.

In 2020, the value of Polish agri-food exports to Belarus was EUR 252.4 million. Belarus was major recipient or one of the major recipients of the following products: a) pears valued at EUR 25 million with nearly 90% Belorussian share in total volume of Polish exports of these fruits; b) apples valued at EUR 46 million with over 18% share in total volume exported with Belarus being the largest recipient of this product; c) fresh strawberries valued at EUR 5 million with over 70% share in total volume exported; d) frozen cherries and sour cherries valued at EUR 9.5 million with about 30% share in total volume exported; e) live mycelium valued at EUR 14 million with about 80% share in total volume exported; f) frozen vegetables valued at EUR 18 million with about 7% share in total volume of exports of this product from Poland.

In the period of January-October 2021, the value of Polish agri-food exports to Belarus was EUR 194.0 million. In the case of the above products the value of exports and the share in total volume of Polish exports were as follows: a) pears - EUR 15.4 million and nearly 83%; b) apples - EUR 31.8 million and about 14%(the second largest recipient after Egypt); c) fresh strawberries - EUR 4.5 million and over 70%; d) frozen cherries and sour cherries - EUR 8.3 million and about 30% (the second largest recipient after Germany); e) live mycelium - EUR 10.5 million and around 73%; f) frozen vegetables - EUR 12.5 million and around 6%.

Poland expresses its concern about the embargo on imports of agri-food products from the EU introduced by Belarus from 1 January 2022. This may aggravate the problems related to the management of horticultural production in Poland.

11. PORTUGAL

The market situation in the various sectors has not changed from the last PT presentation and position at the December Council.

The supply of the main raw materials continues to be ensured and without major supply disruptions at the production, industry, distribution and retail levels, and no disruptions are expected in the near future.

The continuation of this situation is causing cash flow problems for farms and may compromise the preparation of spring/summer campaigns to start in March.

In fact, although there are no disruptions in the supply of inputs, there are disruptions in delivery times due to logistical difficulties in sea and road transit, which are requiring more anticipation and volume of purchase of these materials compared to what traditionally occurred, which brings even greater pressure on cash flow, increased by the high prices charged for the acquisition of these materials.

It should be noted that there have recently been 5 cases of avian influenza outbreak in Portugal, and the contingency plan was activated by the authorities with the respective control measures foreseen. This situation had immediate consequences at the level of national exports to major destinations, including eggs, which will mean an increase in supply in the domestic market, with consequent effect on price, which will bring greater pressure on farms given the high costs of animal feed.

In the current context in which there has been an increase in the price of raw materials and given the high dependence of Portugal on the external market (European domestic market, but also in third countries) in the supply of raw materials, namely cereals for animal feed, the situation has been reflected with a negative impact on production costs, especially for livestock farms due to high feed costs.

This price pressure of livestock production costs (feed, energy) and the difficulties of access to some production factors, packaging materials, CO_2 for slaughterhouses and industry has had a negative impact on the livestock sector in general and in particular the pig, dairy and poultry meat production sector.

The imbalance between supply and demand for many agricultural products, to which current logistical difficulties contribute, is a warning of difficulties to come in the coming months.

EU production is being hit by a triple cost crisis, with rising raw material, energy and transport prices that are not being passed on to producer prices.

In the case of crop production, the increased energy costs, and the increased costs of production factors, namely fertilisers, require large cash-flow capacities to meet the greater demands in terms of deferred supply, which may condition the installation of spring/summer crops, as already mentioned regarding the increased costs of animal feed, with a negative impact on the production costs of livestock farms. Added to these costs are those resulting from more demanding standards for European farmers in terms of animal welfare, environment and climate, among others.

As argued by several MS, including PT, in recent debates in the Council and SCA, the situation is worrying and justifies, on the part of European bodies, the monitoring and adoption of initiatives aimed at anticipating serious disturbances in agricultural markets and preparing possible courses of action.

It should also be noted that difficulties in the supply of raw materials, due to availability or high costs, may also come to affect human nutrition.

To highlight the national supply situation of raw materials:

- n the short term, since the model is oriented towards purchases in deferred financial markets, due to high prices, fewer purchases are being made for storage;

- In the medium term, current prices may lead to the non-realization of contracts due to the risk of retraction in the pork production sector, which may condition purchasing decisions

12. ROMANIA

Compared to November of the previous year, the situation of the Romanian market did not recover on the aspects previously reported.

On the contrary, starting with January 1 of this year, the large increases in utility prices (energy, fuels, transport) are increasingly felt.

Significant increases in fertilizer and feed prices have a negative effect on producers' profit margins in the pig meat, beef, poultry and egg and cereals sectors.

We are paying close attention to the pork and arable crops markets, which have suffered significant imbalances (the incidence of African swine fever, the prolonged pedological drought of 2020), and those affected in the production chain are still in a worrying situation. recover economically. Although various support schemes were allocated, they failed to compensate for the losses incurred.

We are particularly concerned about the situation on the pork market which is not showing signs of recovery in the foreseeable time horizon in the conditions in which African Swine Fever (PPA) continues to evolve in Romania, the trade balance is affected by massive imports, and the cost of production is significantly affected by the high price of feed and utilities.

The dramatic rise in energy prices is leading to new price increases in production costs that are mainly reflected in the price of food, which has a negative impact on final consumers.

Farmers, in turn, fear that sales of finished products will fall and, as a result, will be forced to give up the business they are currently running with great difficulty.

13. SLOVAKIA

Rising energy prices, among other things, are reflected in the prices of fertilizers on the European market, which results in a consequent increase in the production costs of plant and animal commodities. The most significant year-on-year increase in feed prices recorded in November 2021 was evident in broilers by more than 56% and in laying hens by 44%. However, the pig and milk sectors are also severely affected. In November 2021, pig farmers spent 30% more on feed and dairy producers more than 33% compared to November 2020. However, the development of primary producer prices does not correspond to the above-mentioned increase in feed and energy costs. This is causing further demotivation in all livestock sectors. In addition, the pigmeat sector is seriously negatively affected by the oversupply of pigmeat on the European market. Although we have seen a slight increase in the prices of pigs for slaughter in recent weeks (6.5% higher than last month), the situation in the pig sector remains very unfavorable. Another negative factor in the pig sector is the occurrence of new cases of African swine fever. In the pigmeat and milk and dairy sectors, the number of producers leaving the business is rising. The poultry sector is negatively affected by the growing imports of poultry meat from Ukraine. Due to the coronavirus situation and the related limitation of commercial activities in the hotel and gastro sector, the outlook for the winter tourist season is not favorable for the sale of animal products. We would like the Commission to present a comprehensive multi-sectoral approach to address the serious situation of producers in the livestock sectors. We also call on the Commission to activate exceptional measures under the CMO rules.