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NOTE

From:	General Secretariat of the Council
To:	Special Committee on Agriculture / Council
Subject:	Latest data on the agricultural market situation

To provide background for the discussion at the Council meeting on 21 February 2022, delegations will find in the Annex the latest data on the agricultural market situation.

Agricultural market situation

1. During the last three sessions of the AGRIFISH Council, delegations drew attention to the negative effects of rising input costs on farmers' margins in both the animal (feed costs, energy etc.) and crop sectors (fertilizers, energy etc.) and highlighted the need to continue monitoring the situation closely especially as regards the **cost of agricultural inputs** and the **situation of the pig meat sector**. To that end, the latest data on these two issues are summarized below and are also presented for easy reference in the tables and graphs in the Annex¹. A brief description on the situation of the other two sectors that currently merit attention, i.e., **cereals** and **fruit and vegetables**, is also included.
2. As regards **energy costs**, it appears that this continues to be a matter of considerable concern. Average global prices for energy products such as crude oil and natural gas continued in January 2022 to be at very high levels.
3. Compared to the last quarter of 2020, when oil prices were rather low, the cost of crude oil was over 90% higher and, most notably, there was a further increase of around 15% compared to December 2021, reaching levels not attained since 2014.
4. The cost of natural gas also continued to be very high in early 2022. European prices stood at a level which, compared to the last quarter of 2020, was 379% higher, implying an increase more than four times higher than that of crude oil. Nevertheless, it is important to note that prices dropped in January 2022, by 26% compared to those of the previous month when they had peaked at a level 544% higher than the average of the last quarter of 2020. It remains to be seen whether this decrease will continue or stabilize, given the uncertainties around supply and demand patterns.

¹ Prepared using data from World Bank commodity price data series with respect to energy and fertilizers and information included in the European Commission's weekly dashboard with respect to the pig meat sector.

5. As regards **fertilizer costs** the situation is also characterised by an increase in global prices. Compared to the last quarter of 2020 the prices of most fertilizers continued in January 2022 to be significantly higher. Notably, the prices of urea, a solid nitrogenous fertilizer for which gas is an important input, were 245% above those of the last quarter of 2020. Prices for phosphate rock increased by 111%.
6. Nonetheless, it is encouraging that there was a modest decrease of fertilisers' prices, compared to December 2021. The data presented in the annexed table signals that the peak may have been reached at the end of 2021 but this remains to be seen.
7. Concerning the situation of **the pig meat sector** the latest information is summarized in the two graphs and the table in the Annex. As regards EU pig carcass prices, there have been only minor changes in either direction following the slight increase observed in mid-December 2021. No clear trend is visible. Producer margins further declined across Europe. Piglet prices increased slightly in line with the seasonal trend but remain 13-14% lower than a year ago. The trade balance is positive, with very high exports, but the increasing trend has stopped.
8. For other animal products, the situation is much better, with record high prices. The danger comes from surging input costs that are drastically diminishing margins.
9. As regards the **cereal market situation**, although world wheat production has reached a record level in 2021/22 (+0.1% year-on-year) supplies are rather tight, especially for high-quality wheat types. Price movements are rather hectic, while global demand is strong. Benchmark wheat export prices are about 10-20% higher than a year ago, however they decreased moderately lately for the EU and the Black Sea region. Maize production is also estimated at a record level (+7.3% y/y) and supplies are considered to be more abundant than for wheat. However, harvests are still some months away in South America, where hot and dry growing conditions reduced crop prospects. A worsening outlook in Argentina and Brazil pushed maize prices about 5-7% higher during last month. Unfavourable growing conditions in South America are of concern for soya bean production. Recently, major forecasters sharply lowered projections (-0.7% y/y) reflecting smaller crops expected now in Argentina, Brazil and Paraguay. Prices continued to increase and are now about 15-20% higher year-on-year.

10. On the **fruit and vegetable sector**, there is some concern about the impact of the recent Belarus ban given the relatively high EU apple crop this year. No official trade statistics are available yet for the month of January 2022, but first indications on export volume to Belarus on key identified products are, for apples, an estimated total volume of 1K tonnes in January 2022 (vs. 15K tonnes in January 2021) and, for pears, 8K tonnes (vs. 14K tonnes in January 2021). Concerning apples, first data provided by the Polish apple sector for the month of January shows no exports to Belarus, with partial repositioning towards Egypt and an overall decrease of total exports of 7K tonnes. Apple prices in Poland showed a slight improvement in January (32 Euro cents per kg, 4% above the 5-year average), but the market situation is fragile, considering the large apple stocks in Poland, the high energy prices, and the price history of relatively important volatility.
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GLOBAL ENERGY AND FERTILIZERS INPUT PRICES JANUARY 2022					
Commodity	Average 4th Quarter 2020	Average DECEMBER 2021	Average JANUARY 2022	Change JAN 2022 vs Q4 2020	Change JAN 2022 vs DEC 2021
ENERGY					
Crude oil, Brent (USD/bbl)	44,5	74,3	85,5	92,1%	15,1%
Natural gas, Europe (USD/mmbtu)	5,9	38,0	28,3	379,0%	-25,6%
Natural gas, US (USD/mmbtu)	2,5	3,7	4,3	76,0%	17,0%
FERTILIZERS					
Phosphate rock (USD/mt)	81,9	176,7	173,1	111,4%	-2,0%
Diammonium phosphate (USD/mt)	368,4	745,0	699,4	89,8%	-6,1%
Potassium chloride (USD/mt)	202,5	221,0	221,0	9,1%	0,0%
Triple superphosphate (USD/mt)	300,8	687,7	676,3	124,8%	-1,7%
Urea (USD/mt)	245,0	890,0	846,3	245,4%	-4,9%

The above table was compiled using the February World Bank Commodity price data series.

Price situation of the pig meat sector in weeks 4 and 5 of 2022								
Product group	4th week of 2022				5th week of 2022			
	%Change since				%Change since			
	EU prices*	last week	last month	last year	EU prices	last week	last month	last year
Average (S-E)	132.9	-0.5%	-0.2%	+0.7%	133.0	+0.1%	-0.3%	+0.7%
Class S	134.1	-0.3%	+0.2%	+0.2%	134.5	+0.3%	+0.3%	+0.4%
Class E	130.4	-0.9%	-0.9%	+1.9%	130.0	-0.3%	-1.7%	+1.2%
Piglet	35.5	+0.8%	+5.0%	-12.8%	35.8	+0.8%	+4.6%	-14.3%
* EUR/100 KG CARCASS WEIGHT; EUR/HEAD FOR PIGLETS								
Source: MSs (Weekly communications under Reg. 2017/1185)								

