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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 7 April 2022 as background for the agenda item on the market situation.

CONTRIBUTIONS RECEIVED FROM DELEGATIONS

1. CZECH REPUBLIC

Agricultural markets' situation affected by the Russian invasion of Ukraine in the poultry and pig meat sector

The Czech Republic welcomes the introduction of exceptional financial support from the EC under **Article 219 of the CMO Regulation**. This measure will help the most affected sectors in the Czech Republic, particularly the **pig sector**. But despite the recovery of the **pig meat market** in the last 3 weeks and the increase in agricultural producer prices for this commodity, farmers still struggle to break even. It should also be noted that agricultural producers in the **poultry meat sector** face challenging market conditions. These include the consistent rise in input prices (mainly energy, fuel and compound feed) driven by the Ukrainian crisis along with minimal increases in agricultural producer prices. These costs are unaffordable for many farmers, with their livelihoods and businesses threatened as a direct result.

2. FINLAND

The discussion on agricultural markets at the AGRIFISH Council is most welcome.

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 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 is still some uncertainty of adequate supply of fertilisers for this summer. Related to inputs, it is now a proper time to focus for 2022/23 marketing year and to start finding ways on EU level to secure availability of fertilisers for it.

During past weeks the producer prices have also reached high levels both on arable and animal sectors. Despite the favorable direction on prices, it seems that it do not bring relief to the poor economic situation on farms due the rising input costs. For example, increase in cereal prices does not cover the higher price of fertilizers. Therefore, it is uncertain what kind of production decisions arable crop farmers are doing prior the spring sowings. In Finland the 2021 cereal crop was poor and now it causes difficult situation for pig and poultry sectors to source enough feed cereals, which prices are on record level, before the next harvest is available.

Finland welcomes the package of crisis measures proposed by the Commission.

Finland welcomes the activation of the agricultural crisis reserve. We ask for flexibility in implementation of the measures, on timetable and specifications. It is off course in our interest to pay the money to farmers as soon as possible but if the requirements are too complicated that also risks the timetable. Fast measures affecting farmers' income are needed.

Finland considers that the Commission should continue its close market surveillance 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.

3. ITALY

Situation of agricultural markets in Italy

The conflict situation between Russia and Ukraine and the increases in the input prices are causing strong tensions on the prices of all raw materials.

Although the prices of same agricultural products have recently risen, the costs of inputs do not allow farmers to have positive margins and to succeed in an appropriate fertilizing plan.

Fruit and vegetables

Political instability and the uncertainties resulting from the effects of the sanctions continue to impact the prices of the main fruit and vegetables. For some horticultural products (tomatoes, aubergines, courgettes and lettuce) there are increases of well over 50% compared to last year. For fruit products, apples have an average price slightly higher than in the same period last year, while for pears the price increase is 75% due to the reduced production volumes caused by damages related to spring frosts and pests. For citrus fruits, the campaign is coming to an end with prices of over 60% compared to the previous campaign, also due to a decrease in national production of about 30% compared to the previous one.

Oilseeds

The situation for sunflower flour and sunflower oil is challenging. As for sunflower flour, Italy imports more than 50% of its needs from Russia and Ukraine and, therefore, in the current situation, the concerns of operators are increasingly pressing. As for sunflower oil, Italy needs about 700,000 tons per year, half of which is imported from Ukraine. The concerns become even more pressing if related to the fact that in March/April there are sowing of spring crops (corn and sunflower) and a lack of cultivation risks compromising next year's stocks.

Cereals

The use of “foreign” products, to satisfy national needs, averages values close to 50%. A substantial part of corn is imported from Ukraine and speculative phenomena are also reported for this product which hinder the circulation of the product, with consequent price increases. This situation is causing serious consequences both on the financial front for farmers, unable to pay for feed (with increases of over 40%), and for the availability of the product.

Milk-meat animal husbandry

As for milk sector, although the farm gate price reached 41.50 cents per kg, an increase of more than 15% compared to last year, the increase does not cover the input costs (mainly feed and electricity). As regards the production of PDO cheeses and trade exchanges, there are no particular decreases even if the current geopolitical situation will certainly have repercussions in the coming months. On the meat production front, both for beef and pork, there are still strong pressures due to the considerable increases in production costs that cause price increases. The eggs market is also experiencing rising prices which partly offset those of feed.

Wine and spirits

In terms of exports to Russia, Italy, with 126 million euros, covers 28% of the EU's total wine exports, and 2% of Italian exports. Italian exports to Russia are very concentrated on sparkling wines (45%) and wines in Geographical Indications bottles (27%). In addition to the negative impact that the conflict is causing, the increase in production costs due to the considerable rise in the costs of electricity, methane, transport and the material necessary for both production and bottling (corks, capsules, glass, paper, etc.) causes additional pressure.

4. LATVIA

As regards market situation, **Latvian delegation expresses serious concerns regarding the developments and the general situation within livestock sectors, where situation, despite the increase in prices of livestock products, remains critical.** The situation in Latvia is particularly difficult in the pigmeat, poultry, beef, and dairy sectors.

Since the start of the war in Ukraine, world commodity and energy markets have been shaken and rising prices have affected all major inputs and raw materials - feed grains, diesel, electricity, natural gas and fertilizers.

The most recent data show significant increase in the prices of agricultural and food production resources in Latvia. Between February 2021 and February 2022, the price of feed wheat increased 26%, feed barley: 60%, feed rye: 33%, feed oats: 77%, diesel: 25%, electricity: 37%, natural gas: 51%¹ and mineral fertilizers + 75%¹.

The highest increase in the price of electricity was observed in December 2021, when the price increased by as much as 181% compared to December 2020.

The most up-to-date information on pigmeat prices indicates a gradual increase in prices – the average purchase price of pig carcasses (class E) in Latvia in the third week of March 2022 were 181.9 EUR/100 kg that is 15% higher than a year ago. Also, the average purchase price of poultry meat (‘65% chickens’) in Latvia has been gradually increasing since January 2022 and in the third week of March 2022 it reached 218 EUR/100 kg that is by 22% higher price than in the corresponding week of 2021. In addition, also the average purchase price of raw milk and beef in Latvia are on an upward trend similarly to the EU.

Despite the rising prices of pigmeat, poultry, beef and milk, the farms in these livestock sectors are unable to cover the excessive costs of production resources. The increase in prices of production resources and raw materials is several times higher than the increase in prices of livestock products.

The consequences of rising prices of all major inputs are felt in both the agricultural and food sectors and throughout the food supply chain.

5. POLAND

In the 12th week of this year (March 21-27, 2022), the prices of cereals, rapeseed, pigmeat, beef, poultry meat and milk in Poland increased significantly on a monthly and annual basis, and in relation to the period before the COVID-19 pandemic. This applies in particular to cereals and rapeseed where, compared to the period two years ago, prices were 94-122% higher, depending on the product. The exception is dessert apples, the prices of which have fallen annually and compared to the period from two years ago. The scale of the decline was 26-30%.

The problem is the **rising costs** of both plant and livestock production, including the prices of fertilizers and feed and their availability. In January 2022, even before Russia's aggression against Ukraine, the prices of compound feeds were 17-29% higher than in the previous year, and 28-37% higher than in two years ago. In turn, the prices of fertilizers in February 2022 were on average 85% higher than a year earlier. The prices of nitrogen fertilizers increased the most - by 123.5% on average.

Since the Russian aggression against Ukraine, the lack of access to selected **feed components**, including sunflower oil and sunflower meal, imported from Ukraine has become a problem for feed companies. Shortages in supplies occurred overnight, and the possibilities of changing the directions of purchase, in particular meal and sunflower oil, are limited. In 2021, the import of sunflower meal to Poland amounted to 312 thousand tonnes, of which 293 thousand tonnes from Ukraine. Sunflower oil imports in 2021 amounted to 95 thousand tonnes, including 65 thousand tonnes from Ukraine. Rapeseed meal can be used for animal feed, however, it requires changes in production technology, recipes and there is the issue of price. Feed companies are looking for alternative sources of supply.

We note significant disturbances in the functioning of the **dessert apples market**, caused by the restriction of access to the Belarusian market, caused by the embargo on imports of agricultural products from the EU on 1 January 2022. The decline in demand for these fruits has deepened due to the Russian aggression in Ukraine, in particular as a result of the blockage of the supply chain running through the territory of Ukraine, Belarus or Russia (mainly apple exports to Kazakhstan). The conflict in Ukraine may also contribute to an increased supply of, among others, apples from third countries which, for political reasons, have resigned from exporting fruit and vegetables to the Russian Federation. From their point of view, the EU market will be an alternative to the supply of these products.

In case of the **pigmeat market**, the current problem is the lack of profitability of production. Despite the increase in the purchase prices of pigs, the price ratios are unfavourable due to the rapidly growing production costs, mainly of cereals, feed and energy.

There are problems in the **baking industry**. Yeast producers signal problems with access to raw materials necessary for yeast production. Phosphoric acid (E338) and molasses are missing. In Ukraine, companies producing yeast, supplying some Polish producers in the bakery industry, ceased to operate, and at the same time the domestic demand for yeast increased.