Scene setter/Context of the meeting/Objective of the meeting:
Copa (representing farmers) and Cogeca (representing agri-food cooperatives) are in Brussels and would like to meet you to discuss the effects of the Russian invasion of Ukraine in the agricultural sector and consequences for the EU.

Copa and Cogeca have welcomed the Communication on “Safeguarding food security and reinforcing the resilience of food systems” and related emergency and temporary responses to the crisis, but have expressed worries on the need to guarantee the functioning of the Single market, especially in light of restrictions such as those to the movement of cereals that some Member States had considered putting in place following Hungary.

The objective of the meeting is to inform Copa and Cogeca of the actions undertaken by the Commission to mitigate the impacts of the Russian invasion of Ukraine on the agri-food sector, as well as to preserve the integrity of the Single Market.

KEY messages
• The war in Ukraine has a direct and indirect impact on food security in the EU: fertilizer prices have increased up to 40% compared with pre-crisis levels, which might lead farmers to use less and thus have a negative impact on yields; fuel prices pose a burden on farmers, fishing and food chain companies; and production and export volume of wheat, maize and sunflowers in Ukraine is unpredictable and probably much lower.
• In the short term, the cost and availability of mineral fertilisers must continue to be a priority. Fertiliser prices and supplies for farmers will be monitored to ensure that the prospects for EU harvests are not jeopardised.
• High fertiliser prices encourage more efficient use and drive innovation in using more sustainable alternatives contributing to the Farm to Fork Strategy target of reducing nutrient losses by 50% by 2030. Organic farming, for example, uses limited amounts of mineral fertiliser and is therefore less exposed to price increases.
• In the short term, availabilities of animal feed – maize and oilcakes – are also of concern. Livestock and aquaculture producers are already looking for alternative supply sources to replace the supplies lost due to the war. Some Member States have decided to make use of the existing flexibility in EU legislation on maximum residue levels of pesticides for imports in duly justified cases, on an exceptional and temporary basis, that do not compromise food safety and consumer health. The
Commission monitors such national measures.

- The implications of the conflict for our agri-food system continue to be extensively discussed between the Commission and Member States and the Commission is working to ensure a coordinated response at EU level, as well as with our close partners, to address the current challenges.
- It is of utmost importance that national measures are not at the expense of our fundamental principles and values as set out in the Treaties. In particular, a total ban to the free moment of goods is never justified and any limitations to the free movement of goods within the Single Market must be limited to what is necessary and be strictly proportionate.
- Moreover restrictions, even if legally founded, need to be proportionate, which means that they are not justified if other less restrictive measures are available to achieve the same objective.
- In this sense, we rather favour more effective coordinated measures at EU level, on which colleagues in the agricultural sector are intensively working.
- On 23 March, the Commission adopted a Communication on safeguarding food security and reinforcing the resilience of food systems. It sets out actions in three areas: safeguarding food security in Ukraine and around the world; addressing the challenge of food stability in the EU's food system; and making our food system sustainable and resilient in the years to come.
- Some examples of specific actions are: support through the Fund for European Aid to the Most Deprived; EUR 500 million to support farmers most affected; market safety net measures to support specific markets and allow for increased levels of advances of direct payments later this year; a new Temporary Crisis Framework for state aid; derogations from certain greening obligations in 2022 to bring additional agricultural land into production.

**KEY figures**

- Together, Russia (about 35 million tons) and Ukraine (about 20 million tons) supplied about 30% percent of all global wheat exports, with many Balkan, Middle-Eastern and African countries importing more than 50% of their wheat from Ukraine and Russia. The EU is a major net exporter of wheat (about 30 million tons/year) and the one with the highest yields globally.
- Russia is the biggest exporter of fertilisers to the EU (5.7 Mt: 36.0% of total EU fertiliser imports), followed by Belarus (1.9 Mt: 11.8% of total EU fertiliser imports). Ukraine is the 13th biggest fertiliser exporter to the EU (0.2 Mt: 1.4% of total EU fertiliser imports). Fertilisers imported from Russia, Belarus, and Ukraine represent 12.5%, 4.1%, and 0.5%, respectively of total EU consumption. Besides fertilisers, the EU imports 3.3 million tonnes of ammonia (35% from Russia).
- The EU export ban of luxury goods to Russia represents for agri-food products a volume equivalent to EUR 2.44 billion in 2021. In decreasing order, the main products concerned are wines (472 million), food preparations (429 million), spirits (379 million), beer (250 million), cigars (51 million). Russia represented about 5% of EU wine and spirits exports.
Concerning the export ban of luxury goods to Russia, many SMEs had already sent shipments but cannot be paid for products already sent. Some of them ship 40% of their production to Russia: if a dedicated financial mechanism is not put in place to support them urgently, these companies might be forced to file for bankruptcy, as they do not have enough equity to survive. What is the Commission doing in this respect?

- The Commission has adopted on 23 March a Temporary Crisis Framework for State Aid which will enable Member States to (i) grant limited amounts of aid to companies affected by the current crisis or by the related sanctions and countersanctions; (ii) ensure that sufficient liquidity remains available to businesses; and (iii) compensate companies for the additional costs incurred due to exceptionally high gas and electricity prices.

Where does the Commission stand with the revision of the EU promotion policy of agricultural and food products? Is it true that the Commission can select an option that excludes certain products from being eligible for co-funding for promotion campaigns (namely meat and alcohol)?

- The Commission is still analysing the situation. The impact assessment still provides for three different options, which are being analysed. We are well aware of the concerns of certain operators, including within your membership, about one of the options. This will ultimately be a political decision.

- The intention is to reconcile the principles of Farm to Fork (sustainability and healthy diets) and the need to maintain a promotion policy that fosters the competitiveness of the EU food sector. I cannot say more at this stage but we are aware of the sensitivity of the issue.

Does the Commission know to which countries the EU can turn to compensate the gap caused by Russia’s invasion of Ukraine and by potentially lower EU fertiliser production?

- The most plausible alternative exporters are:
  - China, Saudi Arabia, Qatar, and Egypt (for nitrogen-based fertilisers)
  - China, Morocco, and Saudi Arabia (for phosphate-based fertilisers)
  - Canada, Israel, and Jordan (for potash-based fertilisers).

- However, this has to be checked against the countries’ capacity to deliver. Therefore, the Commission is also analysing alternatives’ feasibility in the medium- to long-term (more sustainable and more “made in EU” fertilisers and intermediate products).

What will be the impact on livestock farms of the Industrial Emissions Directive revision?

- The revision of the Directive aims at reducing pollution from large-scale industrial installations, and covers among other sectors large-scale animal rearing installations.

- As the current rules only cover about 23,000 farms (about 4% of total farms), the Commission has proposed to include cattle in addition to pigs and poultry large-scale installations and to establish the new general thresholds at 150 livestock unit.

- Farmers will have 42 months from the date of entry into force of the delegated act to comply with the new rules. It is expected that the new rules will entail a yearly removal of respectively 261,000 tonnes of methane and 115,000 tonnes of ammonia.
Background information

Key figures

- Ukraine is the world’s top producer of sunflower oil and Ukraine and Russia together amount to 75% of the world’s sunflower oil exports.
- The area sown under sunflowers in Ukraine in 2022 may be 35 percent lower compared with 2021.
- The EU imports 30% of its sunflower oil consumption and industry will thus have to find alternatives to sunflower oil.
- Together, Russia and Ukraine supply about 30% percent of all global wheat exports.
- For example, Egypt, Lebanon and Turkey import more than 70% of their wheat from Russia and Ukraine.
- Almost 50% of available wheat was stored on elevators and farms where active fighting is taking place, while 49% of winter wheat and 38% of rye to be harvested in July–August 2022 are in occupied or war-affected areas.
- FAO suggests that between 20 and 30% of the areas under winter cereal, maize and sunflower seed production in Ukraine will either remain unharvested, or not be planted this spring.
- Globally, 8 million tons of maize out of 66 million tons consumption might be missed.
- The EU is a net importer of feed protein and Ukraine is an important supplier (it provides over 60% of the world market for sunflower meal for example).
- The EU export ban of luxury goods to Russia represents for agri-food products a volume equivalent to EUR 2.44 billion in 2021. In decreasing order, the main products concerned are wines (472 million), food preparations (429 million), spirits (379 million), beer (250 million), cigars (51 million). Russia represented about 5% of EU wine and spirits exports.

LTTS on possible connected topics

Direct and indirect food security impact of the war in Ukraine

- **Gas and fertilizer prices** are at record levels with potential negative impact on yields which, adding to non-exports from RU & UA, further exacerbate agri commodities inflation

Animal Feed

- In the short term, **availabilities of animal feed** are of significant concern in the EU. The EU is a net importer of feed protein and Ukraine is an important supplier (it provides over 60% of the world market for sunflower meal for example).
- Alternative supply sources have often exceed limits of the EU legislation on maximum residue levels of pesticides for imports, so temporary derogations allowed by MS have to be on an exceptional and temporary basis. The situation in Ukraine has demonstrated the need to further promote the production of protein crops in the EU (which additionally fix ammonia in the ground, reducing the need of fertilisers if there is crops rotation). DG AGRI is analysing the possibilities. FR is pushing for quantitative targets.
- Market safety net measures are deployed to support the market for pig meat, in light of the specific difficulties for that sector.
Impact of the export ban of luxury goods to Russia

- The EU export ban of luxury goods to Russia represents for agri-food products a volume equivalent to EUR 2.44 billion in 2021. In decreasing order, the main products concerned are wines (472 million), food preparations (429 million), spirits (379 million), beer (250 million), cigars (51 million). Russia represented about 5% of EU wine and spirits exports.
- As regards exports to Russia, payment difficulties/risks and logistics challenges de facto froze SME exports.

Sunflower oil

- Sunflower oil was one of Ukraine's biggest food exports. RU + UA represent 75% of world production, so alternative sunflower oil producers are not widely available, but alternative oils such as rapeseed oil are; all those oil prices are increasing; EU imports 30% of its sunflower oil, which is a key ingredient in many processed products, ranging from baked sweets to crisps and canned fish and vegetables.
- Companies have asked for temporary derogations on labelling to use alternative products to what is indicated on the label. The Commission has allowed Member States on 21 March 2022 for flexibility in the enforcement of food labelling provisions, provided that it is temporary, justified and proportionate.

Consequences on the international markets

- The invasion of Ukraine is causing major disruptions to world markets for agricultural products and commodities needed for agricultural production such as energy and fertilizer. Together, Russia and Ukraine supply about 30% percent of all global wheat exports.
- For example, Egypt, Lebanon and Turkey import more than 70% of their wheat from Russia and Ukraine. Global wheat prices are already flaring up, creating considerable subsidies burden on those countries’ budgets.
- While a sudden and steep reduction in shipments by the two countries could increase wheat exports by alternate origins, such as the EU, Canada and the USA, the potential for these exporters to fully make-up for lower wheat shipments by Ukraine and Russia is foreseen by the FAO to be limited. There is thus a significant risk of this crisis leading to social unrest.
- DG MOVE, together with Poland and Romania, is setting up train corridors (transshipment or wheel change of wagons is necessary on EU side) to export available Ukraine grain through Polish and Romanian ports.

Fertilizers situation in the EU

Known challenges in the EU

- EU-based companies in BE, DE, FR, IT curtailed their production
- Closure or halting of production in HU, ES (and in UK)

| Nitrogen-based (N) | • Natural gas availability and affordability for the production of ammonia and other intermediate products
| | • Affordability of ammonia |
| Phosphate (P) | • Availability and affordability of phosphate rock (some third-countries have contamination levels of Cadmium in phosphate rock not respecting the Regulation 2019/1009)  
| Potash (K) | • EU has banned all imports of potash from Belarus |

**Commission action:**
- Temporary Crisis Framework for State aid measures: Subject to prior notification, MSs can grant 5 different types of aid measures: (i) aid of up to EUR 400 000 per affected undertaking (applicable to every sector); (ii) support for undertakings active in the agricultural, fisheries and aquaculture sectors up to EUR 35 000/undertaking; liquidity support in the form of (iii) guarantees or (iv) subsidised loans; and (v) aid for additional energy costs due to exceptionally high gas/electricity prices. Aid under measures (i), (ii) and (v) may take a variety of forms, including direct grants.
- Communication on safeguarding food security and reinforcing the resilience of food systems.
- Changes in EU market for fertilisers: increase EU production, guaranteeing availability and affordability of natural gas and energy and key raw materials; increase import from third countries of gas (while increasing the EU production of green ammonia and green hydrogen), phosphate rock (aware of Cd-contamination levels), potash fertilisers; reduce consumption with sustainable agricultural measures (e.g. by shifting away from the production and consumption of cereals to leguminous crops that fix atmospheric N directly from air).

**Mid-term new industrial possibilities**
- Green ammonia and green hydrogen: increase EU production of green ammonia by accelerating implementation of ongoing projects e.g. in Spain, the Netherlands, Austria, and Sweden.
- New industrial possibilities by accelerating the recovery of fertilisers’ raw materials from circular economy by investing in treatment of EU biogenic materials such as waste waters, sludges, manures and bio-waste for N, P, and K recovery.