

Impact of Russia's invasion of Ukraine on Irish feed production

25 April 2022

Introduction

IGFA is the united voice of the compound feed manufacturers, feed and material importers, grain intake and premix companies in Ireland. Our members provide employment for thousands of people throughout the country and are an essential partner in the Irish rural economy.

Irish compound feed production

Our members produced 4.7 million tonnes of compound animal feed in 2020. Approximately 3.1 million tonnes (65%) of this are destined for the ruminant sector and 1.42 million tonnes (30%) is produced for the monogastric sector. This is in contrast to other EU member states where the majority of production is for the monogastric market.

Table 1: 2020 EU Feed Volumes Ruminant V Monogastric

2020 Feed Volumes (million tonnes)					
Country	Ruminant	%	Monogastric	%	Total
DE	6.92	29%	16.34	68%	23.98
NL	4.5	31%	9.04	62%	14.69
FR	5.4	26%	13.57	65%	20.82
Italy	3.44	24%	10.05	69%	14.55
EU 27	42.1	28%	100.1	66%	150
IE	3.1	66%	1.42	30%	4.74

Source: FEFAC

Approximately 2 million tonnes of cereals are produced annually in Ireland and the Irish feed sector uses approximately 1.6 million tonnes of the available Irish crop. It is estimated that a further 20-30% of the feed consumed by Irish livestock is supplied by the home mixing sector. In addition, we import over 1.2 million tonnes of unprocessed cereals and almost 3 million tonnes of co-products from the food, biofuel and drinks industry.

Ireland is deficient in all feed ingredients and must source them internationally. Our importers therefore provide a key service in sourcing materials, providing logistics, shipping and port storage facilities. Our deficit for feed materials can be as high as 60% depending on the year. A country such as Germany may run a deficit of only 25% as they have a large indigenous tillage area, have large domestic food and biofuel processing industries and can easily access EU feed materials by road or rail. In addition, all mineral additives (amino acids, vitamins) and fats and oils are imported into Ireland.

Table 2: Volume of Irish Feed Material Imports 2021 & 2020

Feed Imports Jan-Dec	2021	2020
Total Cereals	1,530,357	1,749,252
Wheat (9-11%)	171,745	223,598
Barley (9-11%)	170,749	213,787
Sorghum (10%)	28	28

Oats (9-10%)	2,399	3,529
Maize (9-14%)	1,185,436	1,308,310
Total Co products	2,966,102	2,983,226
Total other Feeds Types	315,633	282,101
Soya beans (40-45%)	19,722	8,051
Peas (20 -23%)	1,349	4,144
Alfalfa	6,737	7,147
Compound feed	232,918	214,910
Other compound feed	54,907	47,849
Total Feed Imports	4,812,092	5,014,579

Source CSO

Disruption to the global trade in feed materials therefore has immediate and dramatic impacts on the Irish feed sector and in turn, on Irish livestock farmers. Already this year the sector has experienced feed material market disturbances due to weather induced supply issues in major exporting regions combined with logistic problems and freight and labour shortages as a result of the Covid pandemic. These factors have also impacted the availability and price of vitamins, amino acids, vital trace elements and fats and oils. The outbreak of war in Ukraine in February 2022 has exacerbated the disruption and has a dramatic impact on logistics and the availability of feed materials.

The impact of Russia's invasion of Ukraine on Irish feed production

The Ukraine and Russia are major suppliers of maize, wheat, barley, rapeseed, beet pulp and sunflower oil. Most of the wheat and barley crops are harvested in the summer and exported during the autumn. Ukraine maize exports typically take place through the spring into the early summer. This makes them an important source of maize for Ireland and the rest of the EU during this period. It will be later in the spring/summer before supplies are accessible out of the great lakes of North America and Canada. Brazilian and Argentinian corn is generally available in the Summer to early Autumn with the main US corn crop being shipped Autumn/Winter.

The Ukraine alone supplies 9.2 million tonnes of maize to the EU (57% of our imports). In Ireland, we imported a total tonnage of 119,269MT of maize in March 2021 and 86,460T (73%) came from The Ukraine. In the case of beet pulp, we imported 34,783T and 31,500 (90%) originated in Russia.

The current crisis is having an immediate impact on grain exports from the Black Sea region. Traditionally most grain flows out of Odessa and other western ports on the Black Sea but disruptions in the short and medium term due to military strikes means accessing supplies from this region is now impossible.

The grain markets spiked sharply higher in the three weeks following the invasion as countries struggled to secure supplies. Prices fell somewhat in early April as exporters in Ukraine reported renewed movement of some grains by rail over the border for transshipment onwards. It is estimated the maximum exports by rail will be 500,000 T/ month. This is a fraction of what they would normally load through their ports. Improved growing and harvest conditions in South America also provided a small reprieve in prices but values in Chicago Board of Trade have been steadily moving higher over the last 2 weeks as drought in the plains is impacting US wheat crops. Rain across the corn belt has removed any hope of early planting and is starting to cause delays. The early onset of the dry season in Brazil is also contributing to weather risk premiums in markets.

Long term concerns

These military operations will also have implications in the long term. The Ukraine and Russia are vital suppliers of agricultural products including seed and fertiliser. This crisis will therefore impact on the ability of EU and Irish farmers to access important arable inputs both for the spring and autumn plantings. The United Nations' International Maritime Organization (IMO) has called for blue corridors to allow the ships to leave the Black Sea without the risk of attack or hitting a mine. The reality that the world may have to survive without black sea grain for a much longer period than originally thought is also now being factored into business planning.

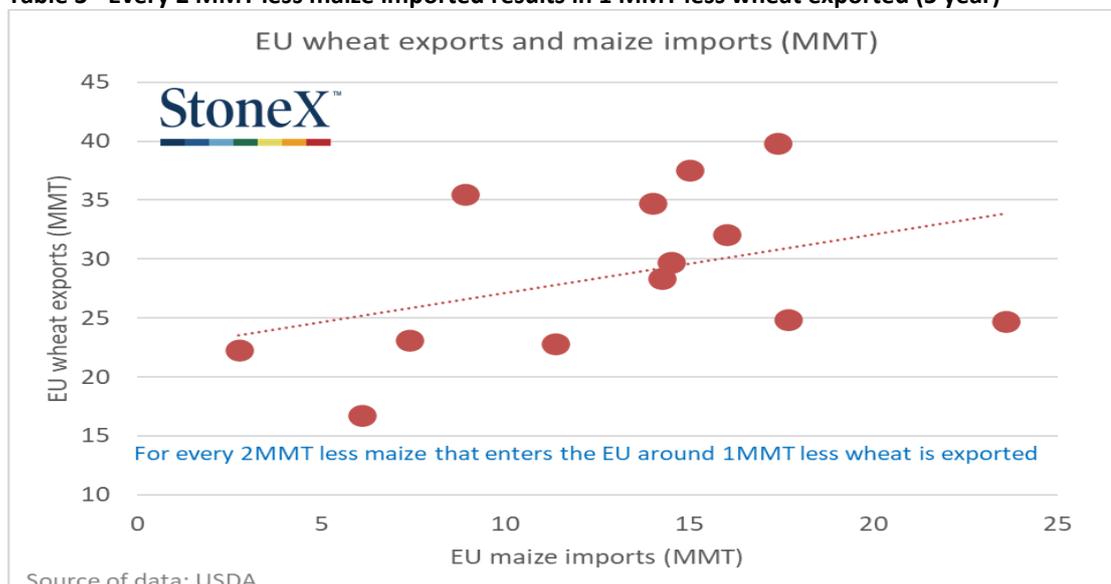
The damage sustained by storage facilities throughout Ukraine as well as export terminals and ports means that there will likely be no exports by sea from Ukraine for the 2022/23 season. The Irish industry along with the rest of Europe is being forced to purchase these supplies from other regions.

Spring planting season in the Ukraine normally starts around the middle of March and given the extent of damage we see in the media, it is unlikely that a normal planting season can happen this spring. The estimates coming from agronomy companies in the region indicate that with fertiliser shortages (winter wheat needs dressing now), damage to infrastructure and the loss of labour to the defence of Ukraine, we can expect no more than 60% of the ground will be drilled with spring wheat, corn or rapeseed.

Ukraine accounts for 11% of the world wheat exports, 16% of barley, 15% of maize, 16% of rapeseed and 50% sunflower seed oil. Russia accounts for 20% wheat, 16% barley, 2% maize, 3% rapeseed and 20% sunflower cake. All these supplies are now in question for the 2022/23 season either through disruption due to the conflict or sanctions on Russian imports. The resultant demand from the EU for replacement corn supplies out of the US has driven maize prices up in recent weeks such that now only Argentinean corn is competitive for April/May and Brazilian corn for June/December. Feed and food security are likely to remain uncertain and very volatile during the next 24 months. It is expected that the EU will be short between 6 and 7 mmt of wheat that would normally come from Black Sea

Meanwhile, in recent weeks Egypt and other North African countries, traditionally dependent on the Ukraine for wheat (for flat bread), withdrew from the markets due to the cost of securing supplies. It is expected that this region will be forced eventually to pay freight costs from India or possibly Australia to secure supplies from their populations. The pressure on supplies and loss of maize from the Baltic region is likely to lead to EU livestock farmers increasing their use of exportable quality wheat to feed livestock. This will have further consequences for the most vulnerable countries.

Table 3 - Every 2 MMT less maize imported results in 1 MMT less wheat exported (5 year)



What does the Irish Feed Industry need?

- DAFM should facilitate the unloading of Ukrainian/Russian cargoes that arrive on our shores from the region over the next few months. These cargoes are already paid for and are the property of European and Irish businesses. This may involve flexibility on paperwork and SPS certificates.
- In order to secure maize supplies to feed livestock, IGFA and the EU feed industry have requested an easement in MRL and GMO legislation in order to permit them access North and South American supplies.
 - This is a short term and temporary measure available under the emergency clause Article 18 (4) of 396/2005. Member states may set temporary MRLs by country and commodity (maize).
 - Member states are best placed to perform risk assessments on these MRLs based on the diets and conditions prevailing in their region.
 - The maize would be clearly labelled and channelled to feed only, and pre-notified to the member states in advance of arrival.
 - Third country officials would work with the EU authorities to certify cargoes at load to ensure these products are in compliance.
 - A review would be undertaken each 6 months using official controls data and company data to ensure the system was robust.
- DAFM should provide flexibility on GM events not yet authorised in the EU but may have a credible risk assessment available either by EFSA or another major trading region.
- DAFM should explore with the Commission all policy measures under CAP and the green deal to increase feed grain production within the EU.
- DAFM should investigate the effect a temporary moratorium on the use of feed grains for biofuel would have on the market.
- The industry has requested a standstill period on any proposed changes under Directive 2002/32 on undesirable substances in animal feed. This is especially important for mycotoxins where primary producers are facing the twin challenges of reducing pesticides while dealing with increased pressure due to climate change.
- All measures should be investigated to ensure access to fertilisers over the coming period. The availability of fertilisers will be critical to ensure an adequate supply of grass and silage.

The industry is, as always, willing to cooperate with DAFM in order to deal with the present challenges and will support their efforts in data collection, verification and cooperation with feed safety requirements as the situation evolves.

Finally, the association would like to express its concern for what is happening on a humanitarian front in the Ukraine. We also understand the move by certain EU member states to impose export bans on valuable grains for food consumption. It is important to acknowledge that the importers of these grains are some of the poorest countries and food security is important for stability and peace in these areas. In light of this we therefore ask DAFM not to support these export bans/restrictions.