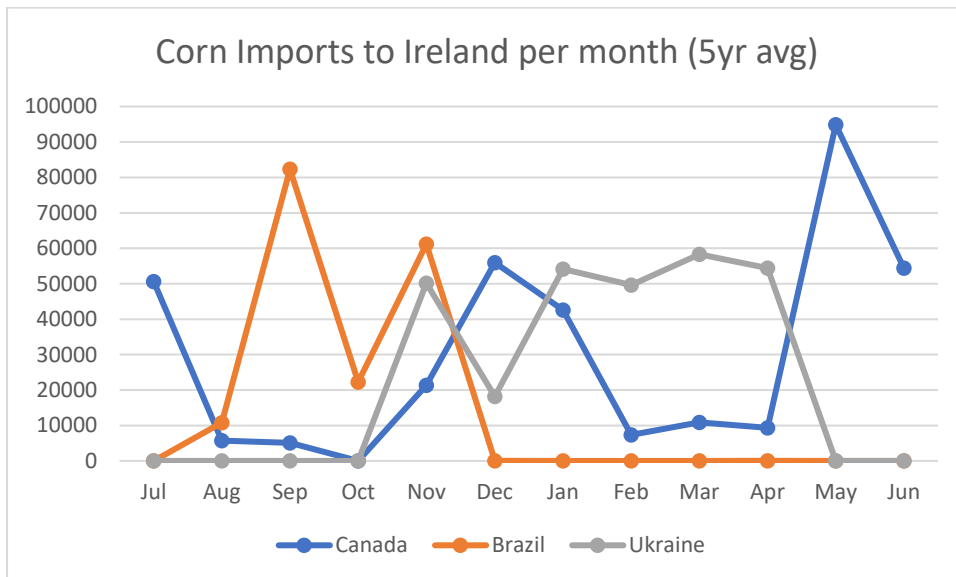


Impact of Russia’s invasion of Ukraine on Irish feed production Market Situation May 2022

Imports

Ireland imported 4.8mmt of feed materials in 2021 - 1.185mmt was corn and 2.966mmt of co products. The Ukraine alone supplies 9.2 million tonnes of maize to the EU (57% of total imports). In Ireland, we imported a total tonnage of 119,269MT of maize in March 2021 and 86,460T (73%) came from The Ukraine. Over the last 5 years, 24% of Irelands corn imports have come from Ukraine. In the case of beet pulp, we imported 34,783T and 31,500 (90%) originated in Russia.



Corn supplies are seasonal depending on harvest periods. In Canada, shipments are closed from the great lakes from the end of December to mid-March. During this period, shipments from the black sea have been the main source of corn to Ireland. Following the invasion of Ukraine and closure of Black Sea ports, alternative supplies had to be sourced from the US.

Feed exports from Ukraine average approximately 5mmt per month. With the closure of the ports, efforts are ongoing to resume exports by rail into the EU but these have been limited to approx. 0.5- 1.0mmt/month. Goods are also being transported to ports in Romania for export. This is putting extra strain on the export capacity in Romania and we anticipate that trade through this route will remain difficult.

The war has also impacted planting progress in the Ukraine with 6.2Mha of spring crops planted as of 5th May in comparison to 8.0Mha by this time last year. Corn plantings are currently at 2.0Mha in comparison to 2.4Mha last year and a final area of 5.5Mha last year.

Other products have also been impacted by the strain on supplies. In 2021 Ireland imported 103,000t of sugar beet pulp from Russia and 8,000t of sunflower meal. While the effects on sunflower meal will not have a major impact in Ireland, lack of supplies will increase demand for alternative products such as rapeseed meal and prices for rapeseed meal have been prohibitively costly for the past number of months. The effect of lack of supplies of sugar beet pulp in Ireland will likely create shortages in total fibre supplies. The US has been another main supplier of sugar beet pulp to Ireland but supplies from the US will not be sufficient to meet demand.

Feed Prices

The grain markets spiked sharply 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. Improved growing and harvest conditions in South America also provided a small reprieve in prices but values in Chicago Board of Trade rebounded as drought in the plains is now 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. Prices are likely to remain volatile over the coming months as weather impacts growing conditions. Other feedstuffs have also increased in price as grain costs, as well as processing costs, have escalated.

Sanctions

While nobody disputes the sanctions against Russia, these restrictions have placed increasing difficulties on feed supplies and logistics. The risk of further sanctions makes sourcing future supplies difficult but it also raises concerns over contracts already in place. The immediate implementation of sanctions can have a detrimental impact on feed supplies and can result in animal welfare issues if feed supplies cannot be delivered. IGFA appreciates the work done by government in granting derogations for shipments of animal feed to arrive and has asked government to ensure continued engagement with stakeholders in relation to the implications of further sanctions or trade disputes.

Long Term Concerns

It is impossible to determine the long-term effects of the war on feed markets, but it is clear that continued trade disruption from the Black Sea region will have a massive impact on the availability and price of supplies. World stocks of grain outside Ukraine will likely continue to decline and markets will remain extremely volatile. The window in the first quarter of 2023 where grain supplies traditionally came from the Black Sea will continue to be difficult for sourcing feed supplies. Feed prices on farms have increased by >€100 per tonne over the last number of months with increases of potentially €100 more necessary in order to source supplies. As concerns build over feed supplies, traders also have to contend with export bans as countries struggle to maintain sufficient food supplies to feed their own populations. In mid-May, India introduced an export ban on wheat. India was expected to export 8mmt of wheat and this has driven prices even higher.