



Press Release

Rising grain prices: a supply issue

Brussels, 30 August 2012

The 2012 harvest is suffering from a combination of unfavourable weather conditions across the traditional growing regions from the beginning to the end of the crop cycles. Serious drought and extremely hot conditions during spring and summer are compromising maize and soya production in the USA; wheat crops are affected and prospects are decreasing in the Black Sea area. The EU production forecasts have been swinging as well and it is now foreseen slightly below average levels. *“The current situation is unusual and several elements confirm that we are facing a physical supply imbalance caused mainly by extreme weather conditions and we will likely face shrinking stock levels”* says Marcel Combot, President of COCERAL.

Mr Combot adds: *“These circumstances remind us that we need to sustainably maximise the potentials of our farmland as well as the capabilities of freely moving grains from areas of surplus production to areas of deficit. Free trade flows remains one of the critical conditions for ensuring the world’s food supply and any protectionist trade measures would only jeopardise the overall world food security.”* On the demand side the improvement of the world’s population diets requires an increased use of oilseeds and protein meals. When their supply is disrupted by unforeseeable conditions such as the 2012/2013 harvest and there are concerns over the capacity to meet the demands of the main grain consuming sectors, the world grain prices are pushed upwards.

The right trade and market frameworks can support the grain merchants to deliver their essential contribution towards ensuring food security. COCERAL’s President highlights that *“Harmonisation and synchronisation of regional legislations in all fields – phytosanitary and environmental above all - are critical for dismantling non-tariff trade barriers which threaten food supply. Managing the risks related to the unpredictability of physical grain trade is another core element. Only well-*

functioning and transparent markets can help balance the supply and the demand for agricultural commodities: they provide the instruments for managing price volatility effectively, hedging risks (weather, transport freight, currency exchange rate) and protecting the overall grain movement operations. All this is necessary to avoid price shocks descending to the consumers' level and is even more valid now that the global financial crunch is adding complexities to the typical grain business risks."

Mr Combot continues: *"There is a need for promoting sustainable food security in accordance with local agro-climatic conditions: the reform of the Common Agricultural Policy in the EU should not miss this opportunity and should support producers in unlocking the potentials and the competitiveness of EU agriculture."*

END.

COCERAL is the European association of cereals, rice, feedstuffs oilseeds, olive oil, oils and fats and agrosupply trade. It represents the interest of the European collectors, traders, importers, exporters and port silo storekeepers of the above mentioned agricultural products. COCERAL's full members are **31 national associations** in **19 countries** [Austria, Belgium, Bulgaria, Cyprus, Denmark, Finland, France, Germany, Greece, Hungary, Italy, Poland, Romania, Slovenia, Spain, Sweden, the Netherlands and the UK]. With about **2700 companies** as part of COCERAL national members, the sector trades agricultural raw materials destined to the supply of the food and feed chains, as well as for technical and energy uses.

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