

# COFACE MARKET INSIGHTS

## Agriculture sector – follow up



In March 2024 we started publishing articles that include market insights with the aim of informing companies about the significant aspects of certain sectors that we analyze at Coface, bearing in mind that sector analysis is one of the categories included in our debtor risk assessments. The first article that has been published was related to the agriculture sector. **[\(Coface insights: march 2024.\)](#)**

In March it was mentioned that the impact of inflation is one of the biggest problems highlighted by agro companies as well as the impact of the war in Ukraine which influenced an increase in energy prices and then it was reflected in a significant increase in operating costs. According to Statista, Ukraine is a major producer of crops such as wheat, corn, and barley, and the ongoing conflict has disrupted agricultural production and exports. It seems that the supply routes in Serbia suffered less damage due to this conflict than the competition. Nevertheless, the situation has put pressure on companies which were trying to find a way to overcome difficulties arising from the increase of operating costs because of rising input prices. Geopolitical tensions continued to disrupt agricultural supply chains, both in terms of foodstuffs and chemical inputs. Some companies managed to maintain good financial indicators through an increase in sales volume. Plus, the weather was particularly unpredictable in the first half of the year, largely due to the El Niño phenomenon. **[\(Coface insights: business-risk dashboard\)](#)**

There was a decrease in profit margins and lower demand in salt industry as winters were mild which has resulted in a significant drop in road salt sales. Significant market price fluctuations were observed in cereals and oil seeds sector as well which negatively affected net results. There was also decrease in prices of artificial fertilizers and the prices of mercantile goods. **[\(Coface insights from companies\)](#)**

Given that swine fever has appeared on a larger scale, the drop in income in some companies within the meat industry has occurred because exports have been limited due to the ban on product imports in neighboring countries. **[\(Coface insights from companies\)](#)**

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According to Statista, technological advancements are expected to increase productivity and efficiency in the sector, while sustainability concerns will also become increasingly important in the near future.

However, the agriculture sector also faces challenges such as climate change, water scarcity, and extreme weather events, which will probably increase the volatility of agricultural commodity prices and reduce the availability of arable land.

The cereals market is expected to remain the largest market of the agriculture market, with significant growth potential in emerging economies. [source: Statista].

Payment delays were particularly prevalent among companies involved in processing and preserving of fruit and vegetables.

In Coface we expect a two-speed development in agriculture sector in next period: some commodities, such as sugar, rice and cocoa, are approaching record prices on international markets, while others, such as cereals, are stabilising at levels well below their 2022 peak following Russia's intervention in Ukraine.

Author: Tijana Katić

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