Prospects for EU Agricultural Markets 2014-2024

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Agricultural markets – current situation and outlook: state of play
Outline

- Macroeconomic and policy assumptions
- Market outlook
  - Arable crops
  - Biofuels
  - Meat
  - Dairy
- Income developments
Macroeconomic assumptions

The euro in the long-term

USD/EUR exchange rate

The economic growth path

Annual GDP growth (%)

1 € = ...USD

EU-15  EU-N13  World
Oil price, a very uncertain assumption

* Average of Brent, WTI and Dubai oil price
Policy assumptions

- **CAP 2013 as far as possible**
  - Voluntary coupled support
- **Greening:**
  - Permanent pasture kept constant,
  - Limited effect of ecological focus area (EFA) & crop diversification at EU aggregated level
- **Trade agreements only if ratified:**
  - Concessions to UKRAINE included
  - FTA with CANADA not included
- **Russian import ban assumed to remain 1 year**
Prospects for cereals, oilseeds, sugar and biofuels

• **Cereals and oilseeds**
  - *Solid world demand leading to large EU exports of cereals*
  - *EU demand driven by feed use and biofuel use*
  - *Prices below 2012 record prices but above historical averages*

• **Sugar and isoglucose**
  - *Abolition of the quotas end of 2017 leading to EU sugar prices at world level,*
  - *more sugar produced domestically and lower imports,*
  - *a higher share of isoglucose use in Europe.*

• **Biofuels**
  - *Lower growth of first generation biofuels than previously expected*
  - *Biofuels to contribute for 7% toward meeting the 10% target of renewables in transport fuel*
EU cereal market developments

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Wheat</th>
<th>Maize</th>
<th>Barley</th>
<th>Other cereals</th>
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<tbody>
<tr>
<td>2010-14</td>
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<td></td>
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<td>2024</td>
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- **Food and industrial use**
- **Feed use**
- **Bioenergy use**
- **Exports**
Annual changes in area and yields
2024 vs. 2010-14

Note: the bubble size refers to the average share in area in the years 2009-13
EU cereal producer prices above historical averages over the medium term

Uncertainties surrounding EU maize price developments

Note: Uncertainty analysis prepared by JRC-IPTS, based on partial stochastic analysis
Biofuel use to expand in the EU but less dynamically than expected

- **Assumptions:**
  - Renewable Energy Directive (RED) target of 10% of renewables in energy share by 2020
  - Biofuels to contribute to 7% of liquid transport fuels by 2020
  - Share of double counted 2nd-generation biofuels (including from waste oils) to grow

- A lower biofuel use expected because:
  - Decreasing trend in transport fuel use
  - In recent years, only slow increase in biofuel uptake
  - Lack of strong policy incentives to invest

- **Stable biodiesel production from domestic oilseeds**
- **Early increase in maize-based ethanol**
A changing sweeteners EU market environment

- EU sugar price getting closer to world prices at around 400 EUR/t
- An increase in sugar beet production
  - Channelled in sugar production
  - Ethanol production from sugar beet to decrease
- Less sugar imports
- Isoglucose use to increase significantly to about 12% of sweetener use
Prospects for meat

• **Good exports prospects**
  - for pig meat and poultry,
  - driven by a steady growing world consumption,
  - supporting firm or even increasing world and EU prices.

• **An increase in EU meat production**
  - driven by a sustained increase in poultry meat production and lower feed costs,
  - while, after a recovery in the short-run, beef production should decline at a slow pace
  - and pig meat production should stabilise.

• **An EU per capita meat consumption on a declining trend**
  - after a recovery in the short-run,
  - back to declining consumption
  - except for poultry benefitting from a lower price and a good image close to consumers
A slowly declining EU meat consumption
Change in EU meat production and consumption 2024 compared to 2014

- Beef: Production and Consumption
- Pig meat: Production
- Poultry meat: Production and Consumption
- Sheep meat: Production

1000 t

Production
Consumption
EU pig meat export developments
Prospects for milk and dairy products

• Milk remains the white gold for the next decade
  • despite the difficult current market situation,
  • because world demand is steadily growing,
  • prices to stay firm around 350 EUR/t.

• EU deliveries to increase by 12 Mt in 10 years
  • Further concentration of milk production in regions with lower production costs
  • EU production expansion limited by increasing competition on the world market and by the small potential for higher EU consumption
  • Environmental constraints to play a major role.

• More milk channelled into cheese and powders
  • Cheese domestic use to continue growing and more exports
  • More SMP for the export market thanks to additional drying capacities
  • Whey powder exports getting always higher
Steady growth in world consumption

- +2.1% per year in world imports
- A slightly lower increase in traded volumes compared to the last decade
- But most of the extra demand to be supplied by the EU
  - NZ production and exports limited by natural constraints
  - US dom. consumption to grow faster
- China to contribute less to the extra demand
  - Africa and other Asian countries to absorb more dairy products

Cumulative change in world trade of dairy products
million tonnes of milk equivalent
Higher milk collection in the EU
Concentration of milk production in the Northern part of the EU

Increase in MS where lower prod.
costs and investments
DE, FR, PL, NL, UK, IE, DK

Stable or low quantity increase elsewhere

A decrease where there is a lack of competitiveness
ES, IT, PT, EL, SE, FI, CZ, HU, SK
Most of the extra milk channelled into cheese
A slight increase in real income/AWU

- Value of production: -10%
- Total costs: -6%
- Subsidies: -21%
- Real factor income: -23%

Total labour: -27%

Income / AWU: +6%
Summary

• **Arable crops and biofuels**
  - Cereal prices below 2012 record prices but above historical averages
  - Less biofuel demand than previously anticipated
  - Abolition of the sugar quotas leading to EU sugar prices at world level

• **Meat**
  - Good export prospects for pig meat and poultry, driven by world demand
  - A small increase in meat production thanks to poultry
  - Meat consumption oriented downwards, except for poultry

• **Dairy**
  - The dairy sector remains the 'white gold' despite the current market difficulties
  - An increase in the EU milk production driven by the steady increasing world demand and further increases in domestic use
  - Most of the additional milk to be channelled in cheese, whey powder and SMP
Report and data available at: