



European
Commission



Prospects for EU Crop Markets 2015-2025

EU Agricultural Outlook
Conference

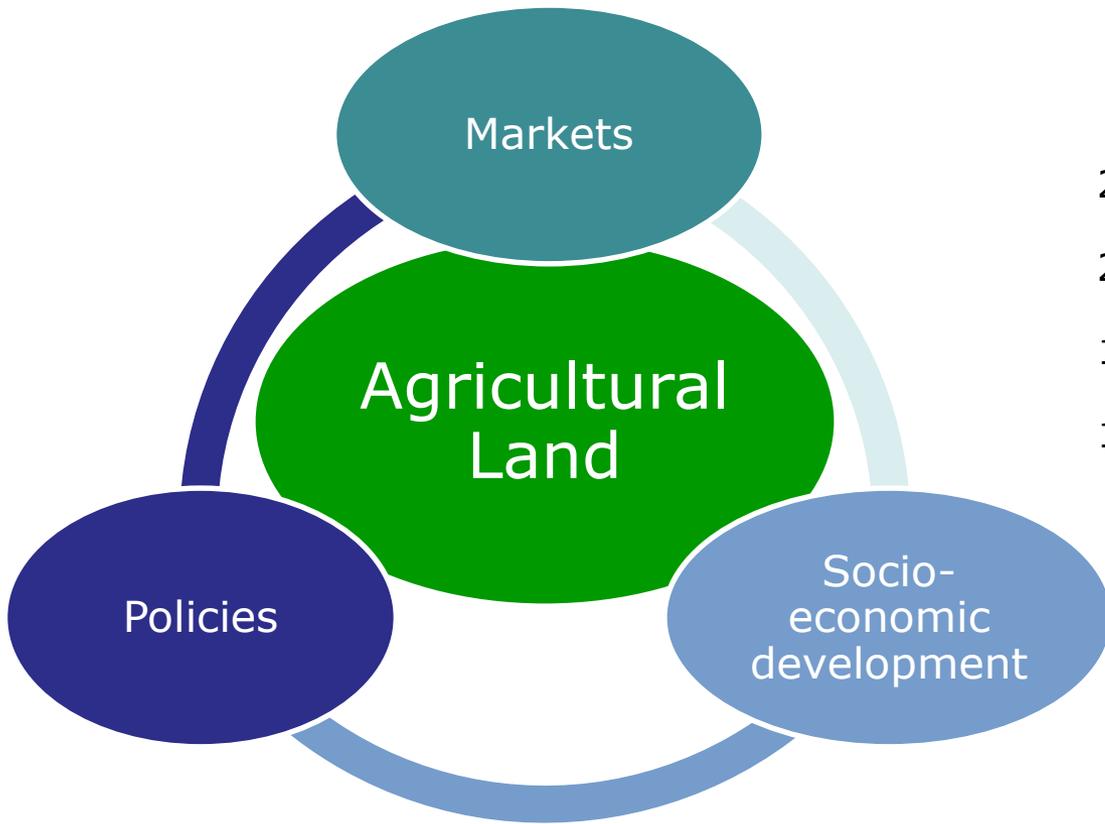
1-2 December 2015

Koen Dillen & Koen Mondelaers

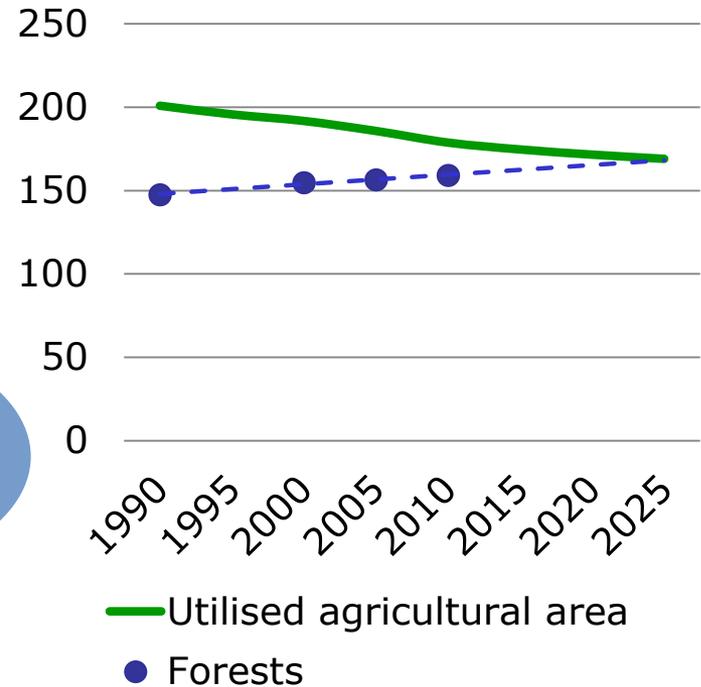
*DG Agriculture and Rural Development
European Commission*

Agriculture
and Rural
Development

Land use developments



Forest and UAA expected development in the EU (million ha)



CAP

Fairer direct payment distribution

- Adjustment of national envelopes towards an average payment/ha
- Towards a uniform area payment within regions/countries

Voluntary coupled support

- Aimed at stabilizing production under threat

Greening:

- Maintenance of permanent grassland: slowdown of pasture loss
- Ecological Focus Area: lower decrease in fallow land + increase in some alternative practices
- Crop diversification: no effect at aggregated level

Market drivers

Biofuels

- Limited growth in domestic oilseeds
- Increased maize use for ethanol

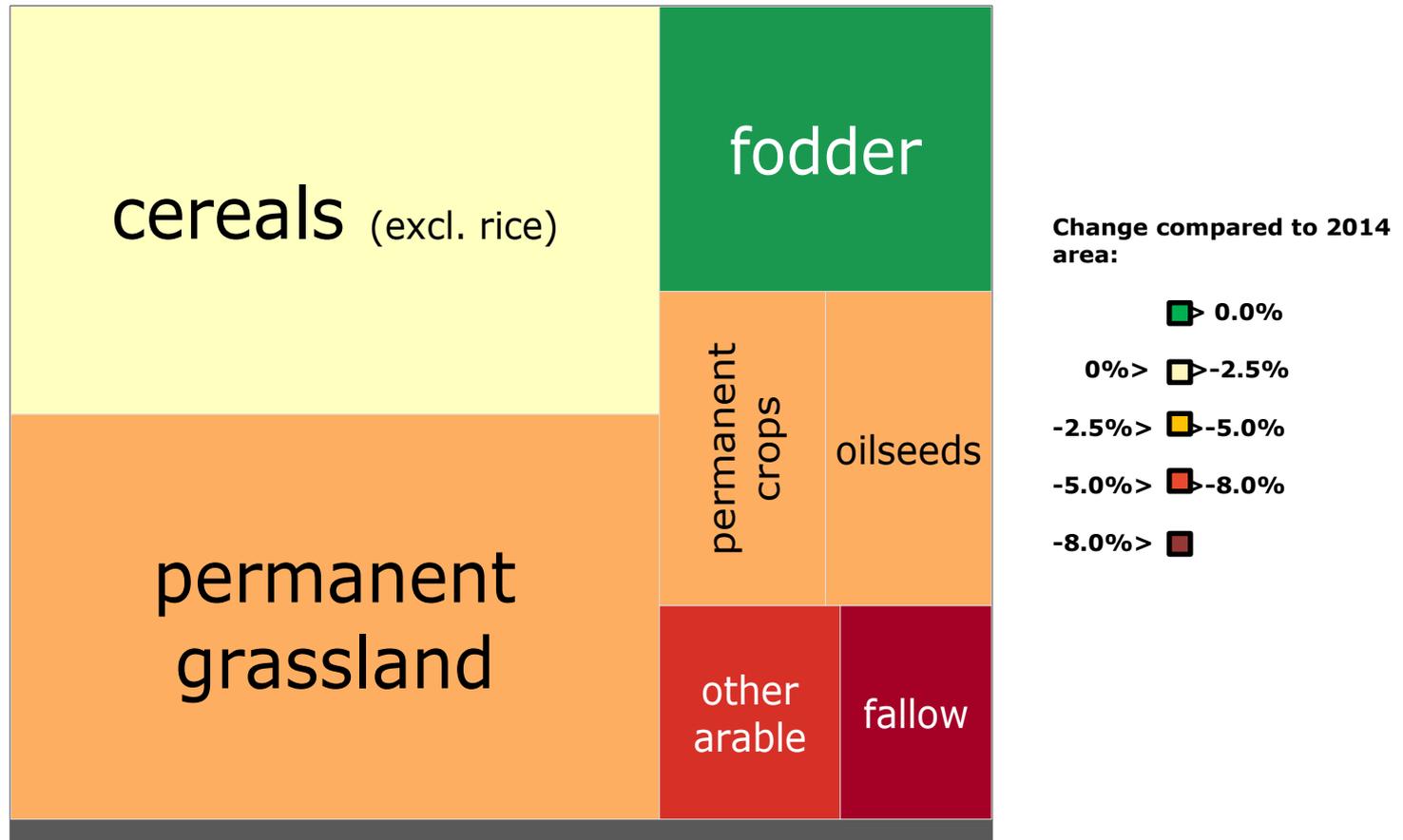
Feed

- Increased milk yields
- Increases in poultry and pig production

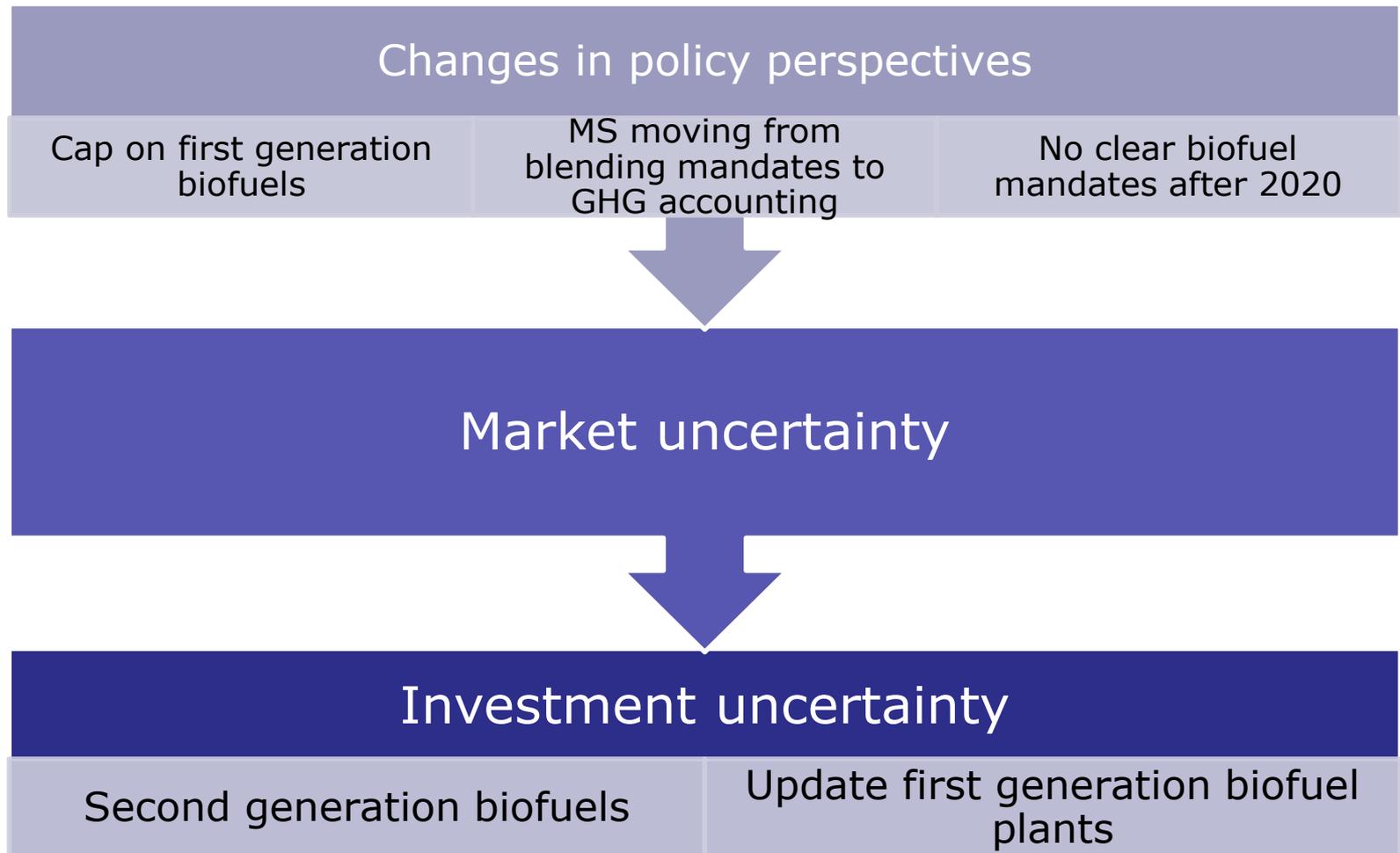
Exports

- strong demand for cereals, in particular EU wheat and barley

Changes in arable land



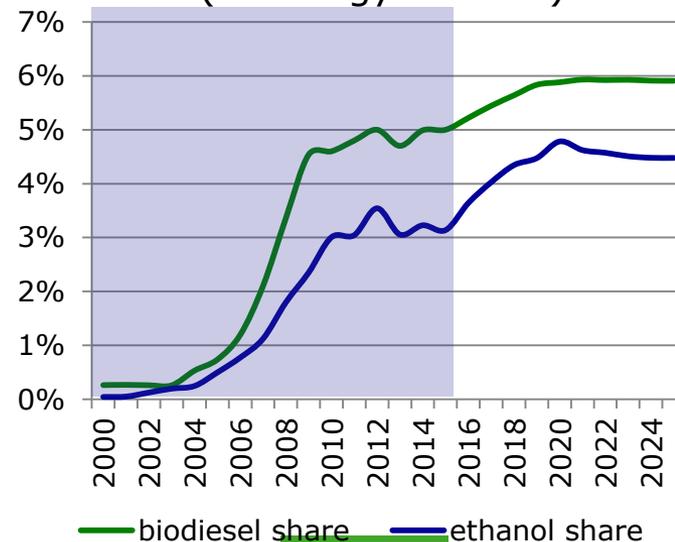
Biofuel market less dynamic in recent years



EU biofuel prospects

- Blending economics less favourable due to low energy price outlook
- Biofuels assumed to reach 6.5%* of total transport energy 2020
- Stable share post 2020 reflects uncertainty

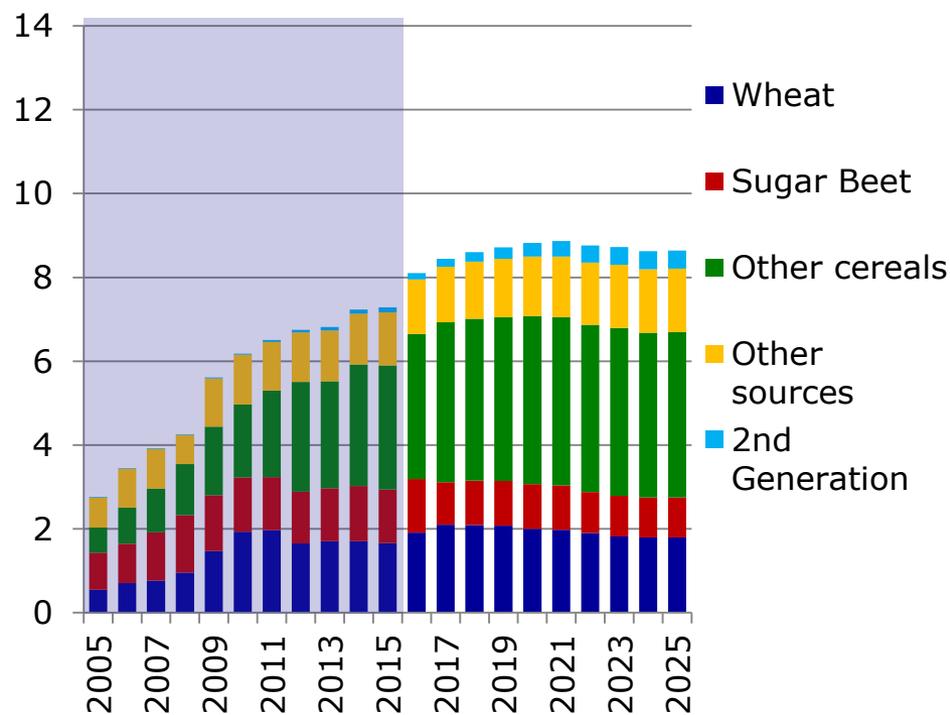
Biofuel share in total petrol and diesel use in the EU (in energy content)



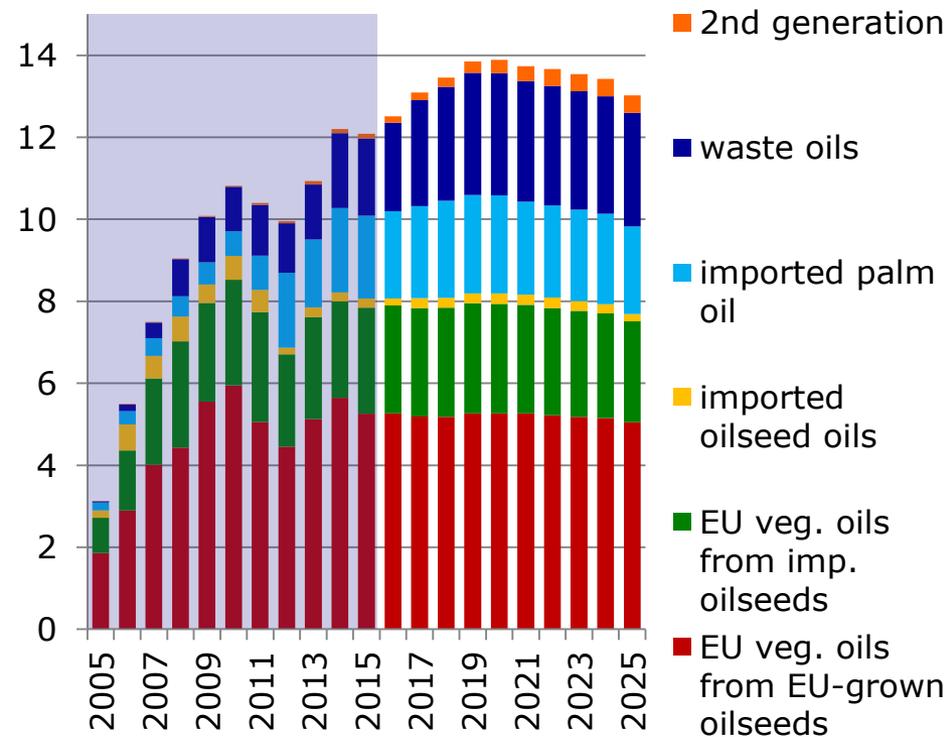
*RED accounted

Biofuel production; limited effect on the crop outlook

EU ethanol feedstock (million litre)

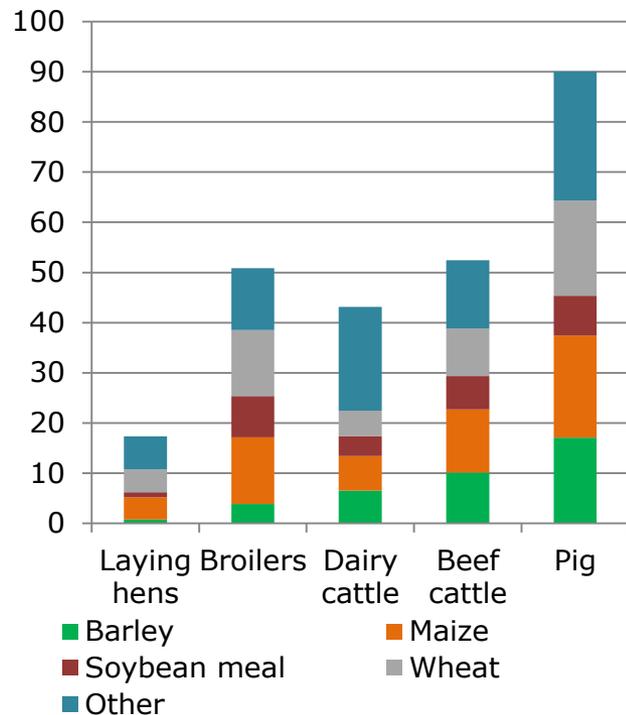


EU biodiesel feedstock (million litre)

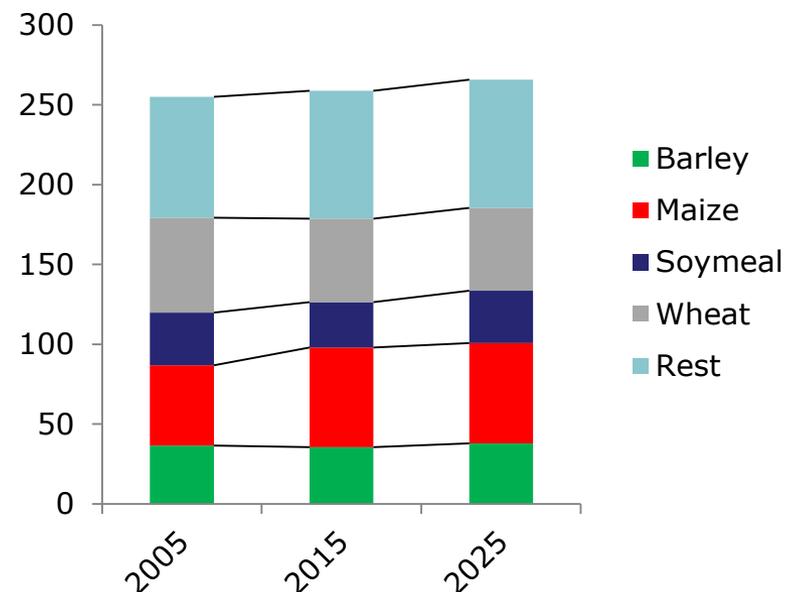


Small feed use increase due to efficiency gains

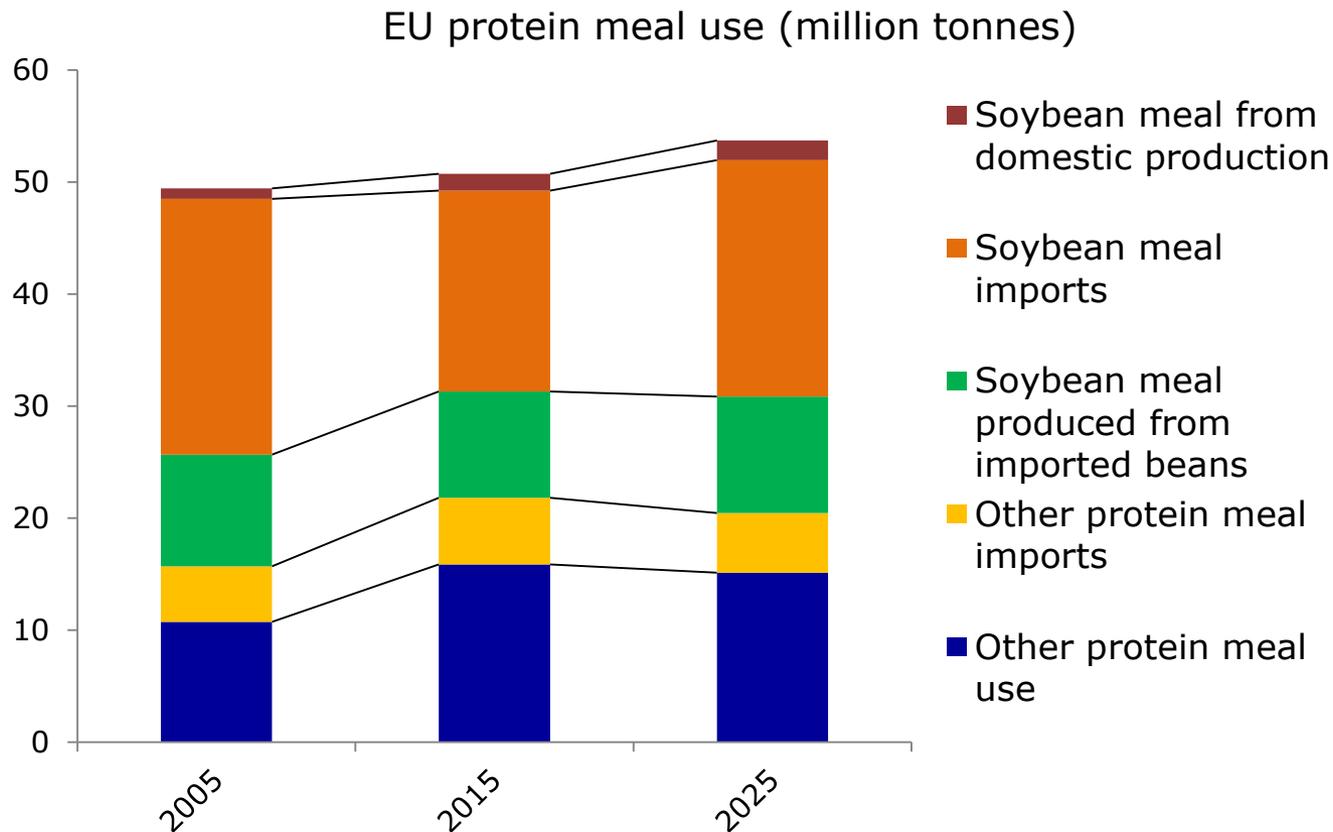
EU feed use per animal type in 2014/2015 (million tonnes)



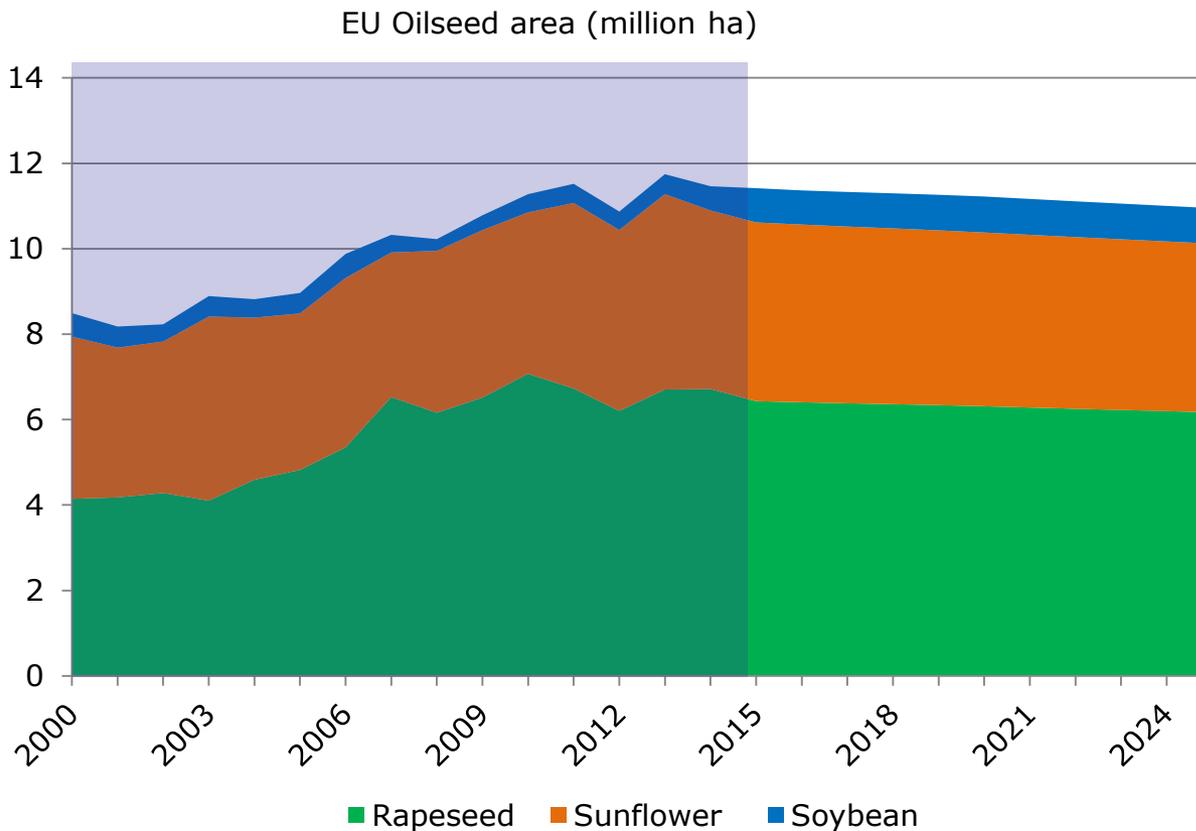
EU compound feed use per type of feedstock (million tonnes)



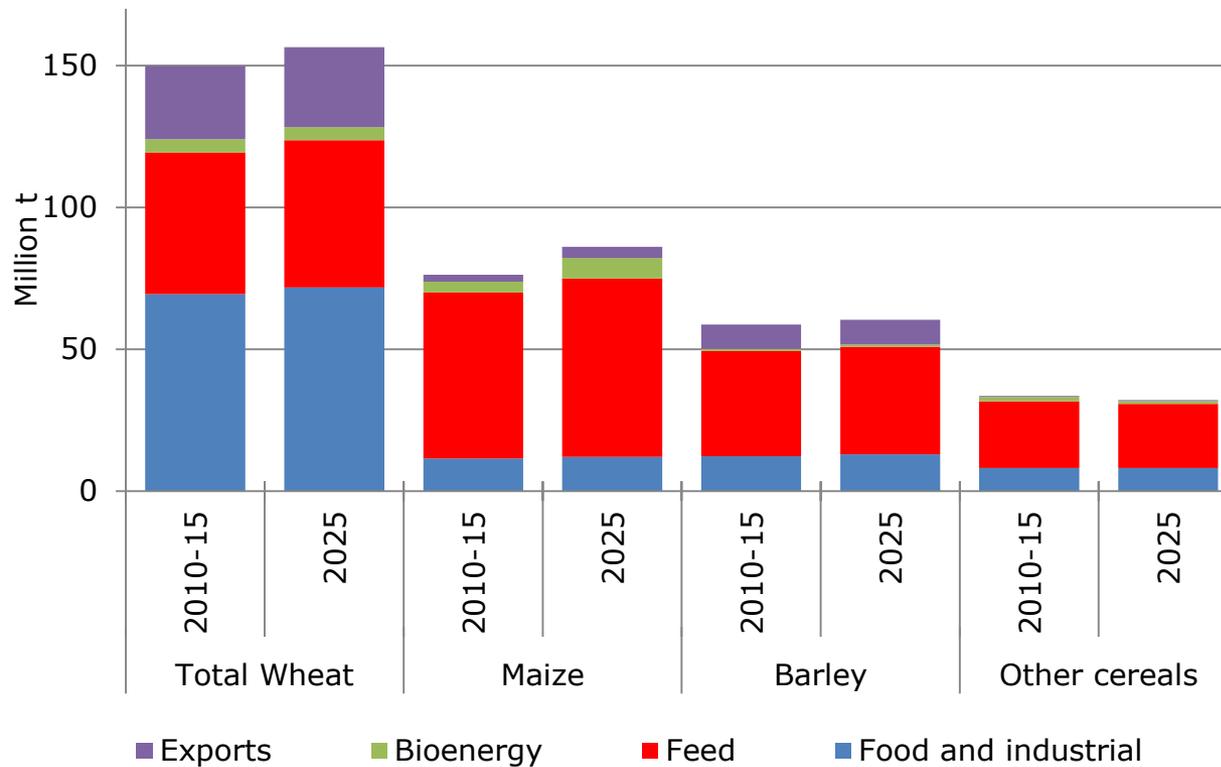
EU oilseed complex changing as biodiesel demand stabilizes



EU soybean production increases but remains small

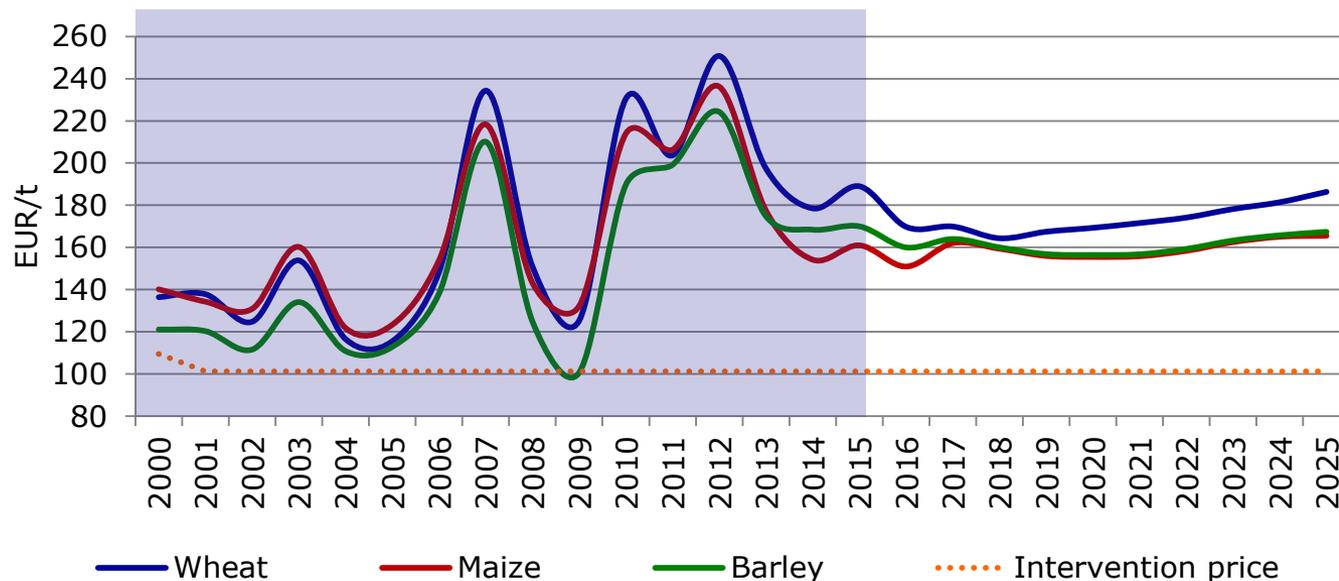


EU cereals in demand for feed and export



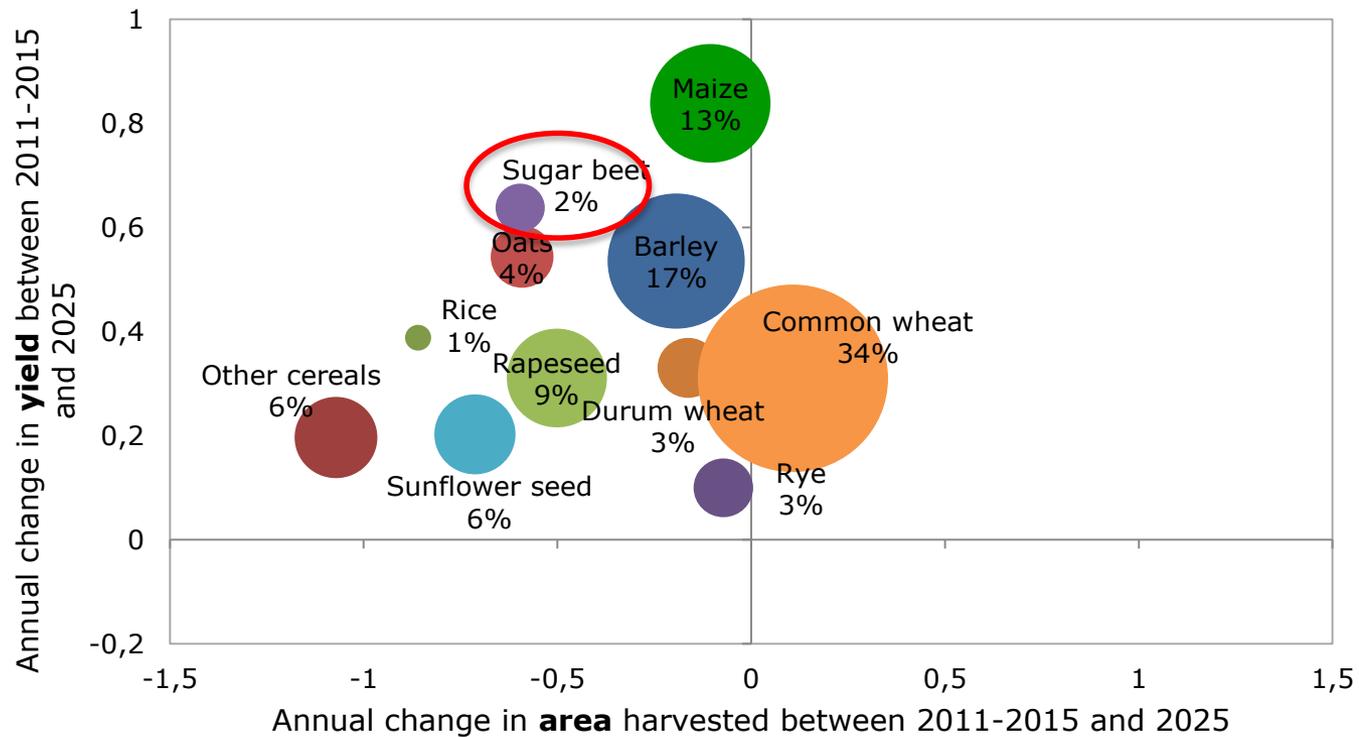
Good market prospects for cereals with recovering prices

- Cereal prices decreased in recent years to a 150-190 EUR/t range.
- Prices to remain at this level with some recovery in the latter years in line with the general economic trends
- Strong barley price driven by Chinese import demand
- Upward price spikes likely when production problems arise in major producing region



Slow yield growth and further concentration of production

Annual changes in area and yields by crops between 2011-2015 and 2025 in the EU (%)

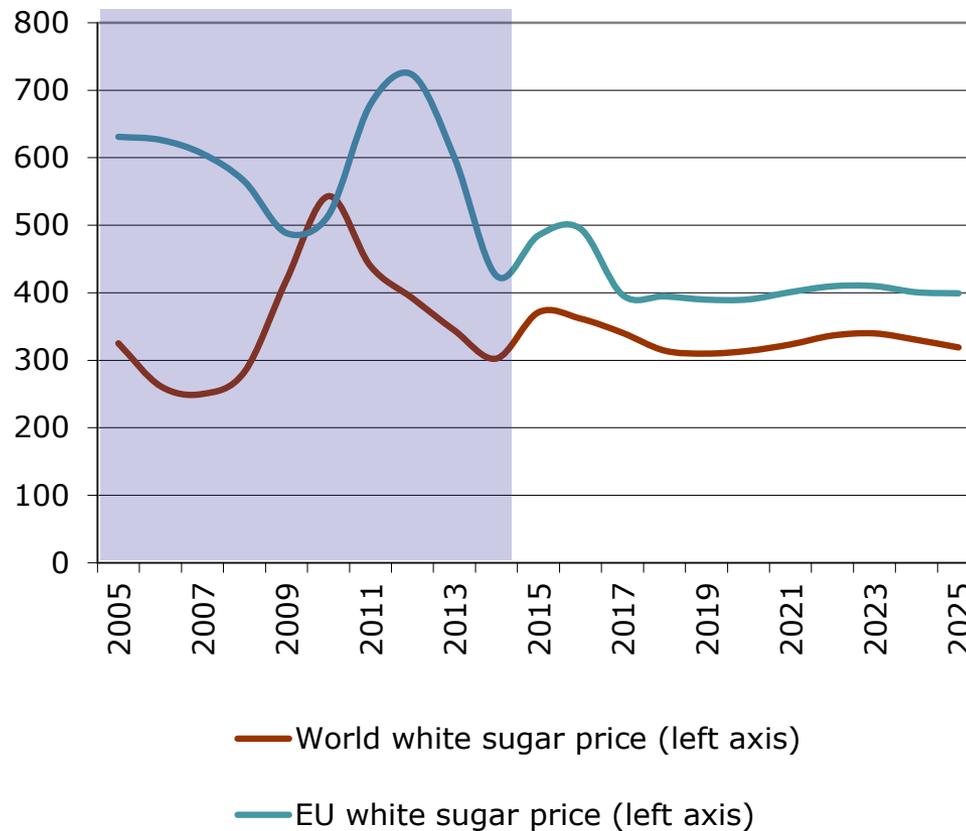


Note: the size of the bubble refers to the share in area harvest on average in the years 2011-15

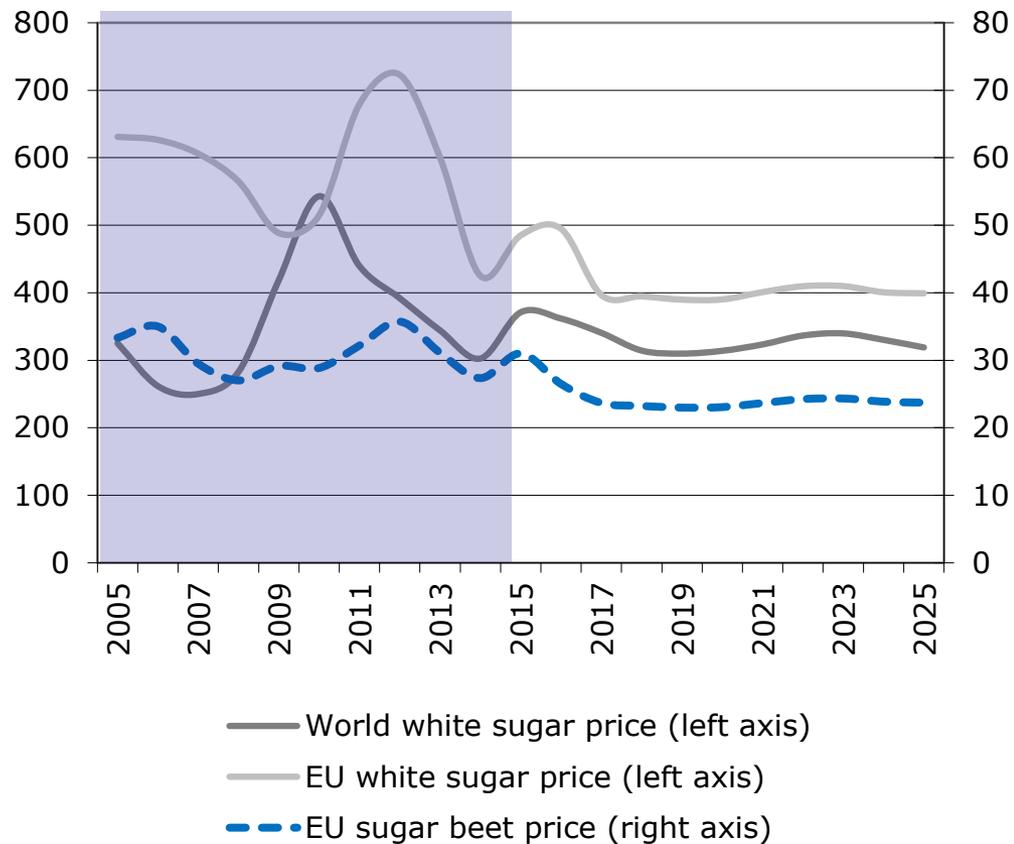
Sugar production to adjust to new environment

- Currently decline of sugar prices follows high price years
 - Devaluation of the Brazilian Real
 - Consecutive seasons where the world harvest exceeded consumption
 - Record harvest in 2014/15 season in the EU resulting in high carry forward
- Some recovery in EU prices in the near future as supply and demand in EU and world are more aligned
- **Quota expiry in 2017**
- Difficult to assess exact market situation one year after reform
 - Exchange rates
 - Company strategies
 - Isoglocuse quota also due to expire in 2017
 - Price of competing crops

EU sugar prices to approach world level prices (EUR/t)

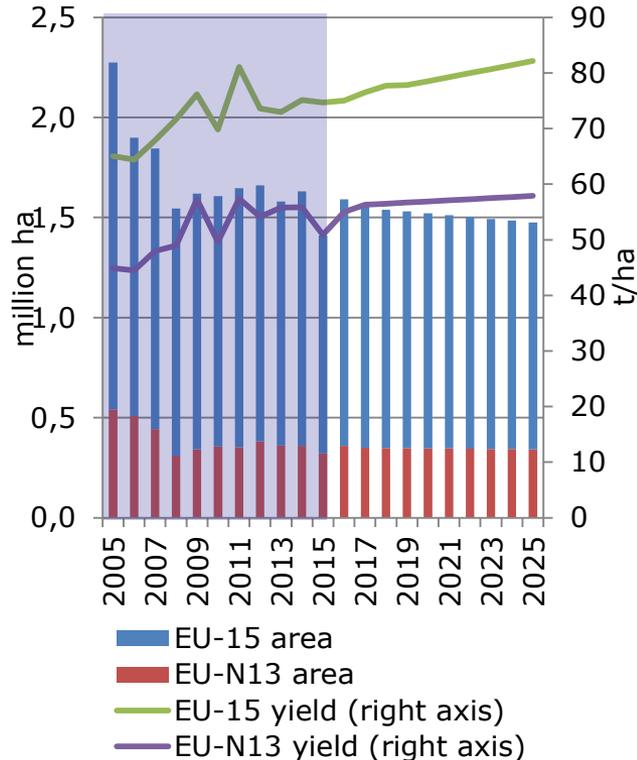


EU sugar prices to approach world level prices (EUR/t)

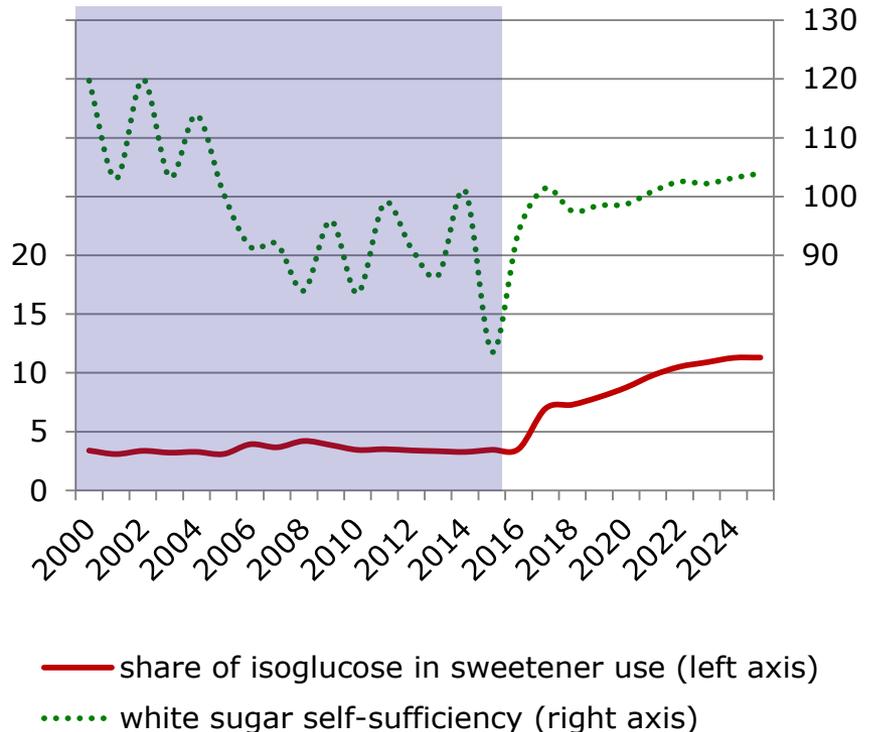


More efficient sugar beet production competes with isoglucose production

Sugar beet yield and area developments



Key EU sugar market indicators (%)



EU arable crops outlook

- Further concentration towards maize and wheat with good export prospects for wheat and barley
- Slowdown in biofuel production based on food and feed leading to stagnating rapeseed oil demand and hence more soybean (meal) imports
- EU sugar production expected to increase slightly after quota expiry in a lower price environment.

EU prospects report and data available in December at:

http://ec.europa.eu/agriculture/markets-and-prices/medium-term-outlook/index_en.htm

OECD-FAO Outlook at:

<http://www.agri-outlook.org/>

Short term outlook at:

http://ec.europa.eu/agriculture/markets-and-prices/short-term-outlook/index_en.htm

Thanks