



European  
Commission



# Prospects for EU Crop Markets 2015-2025

**EU Agricultural Outlook  
Conference**

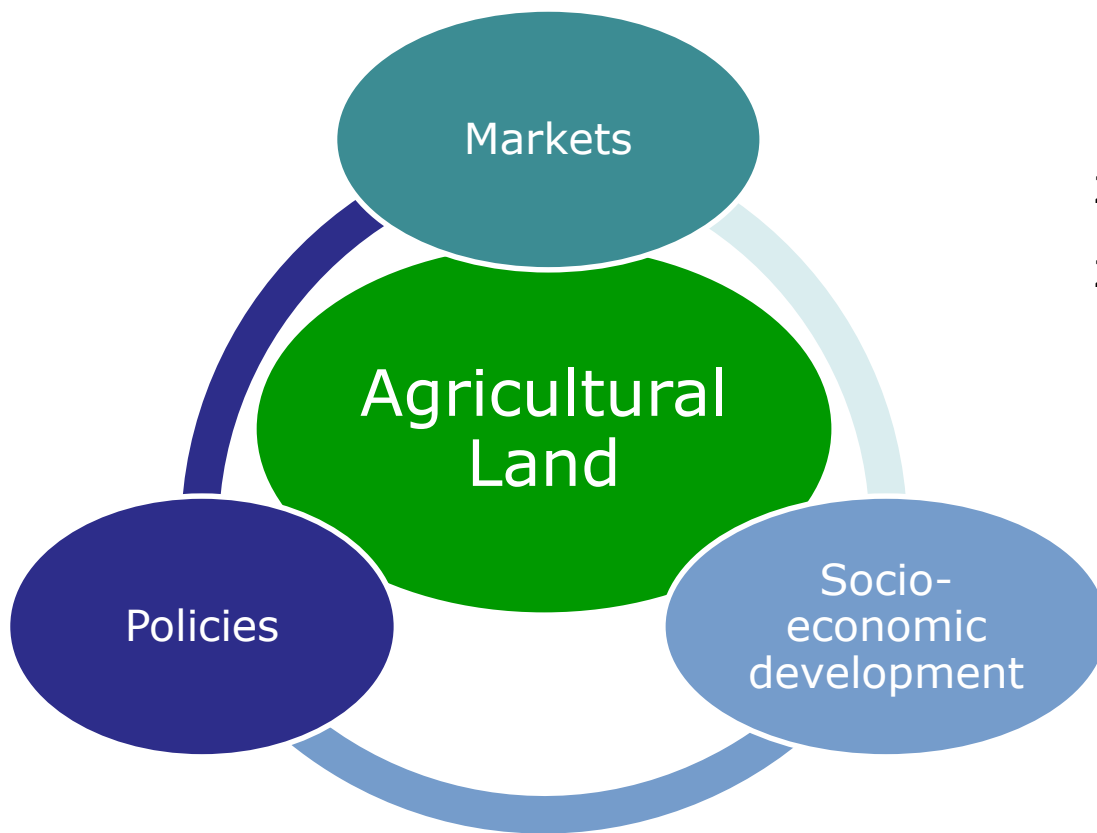
**1-2 December 2015**

***Koen Dillen & Koen Mondelaers***

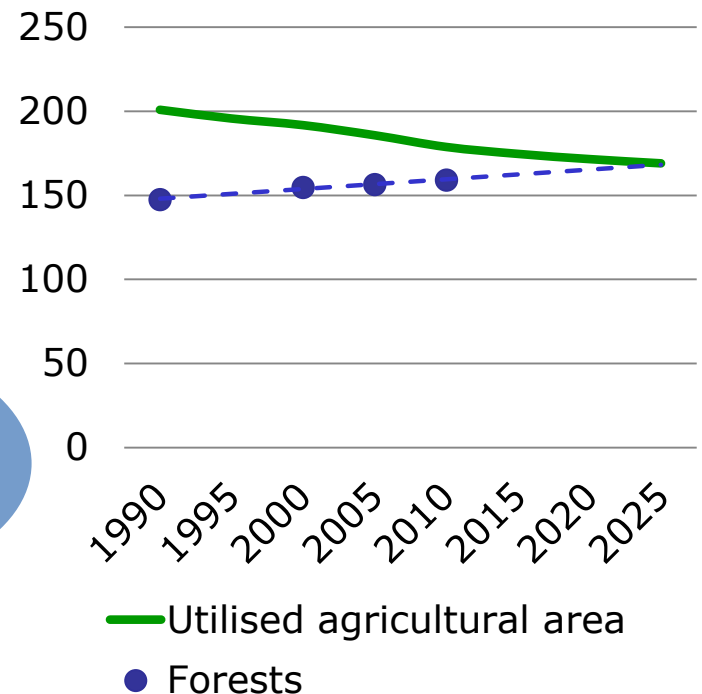
*DG Agriculture and Rural Development  
European Commission*

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

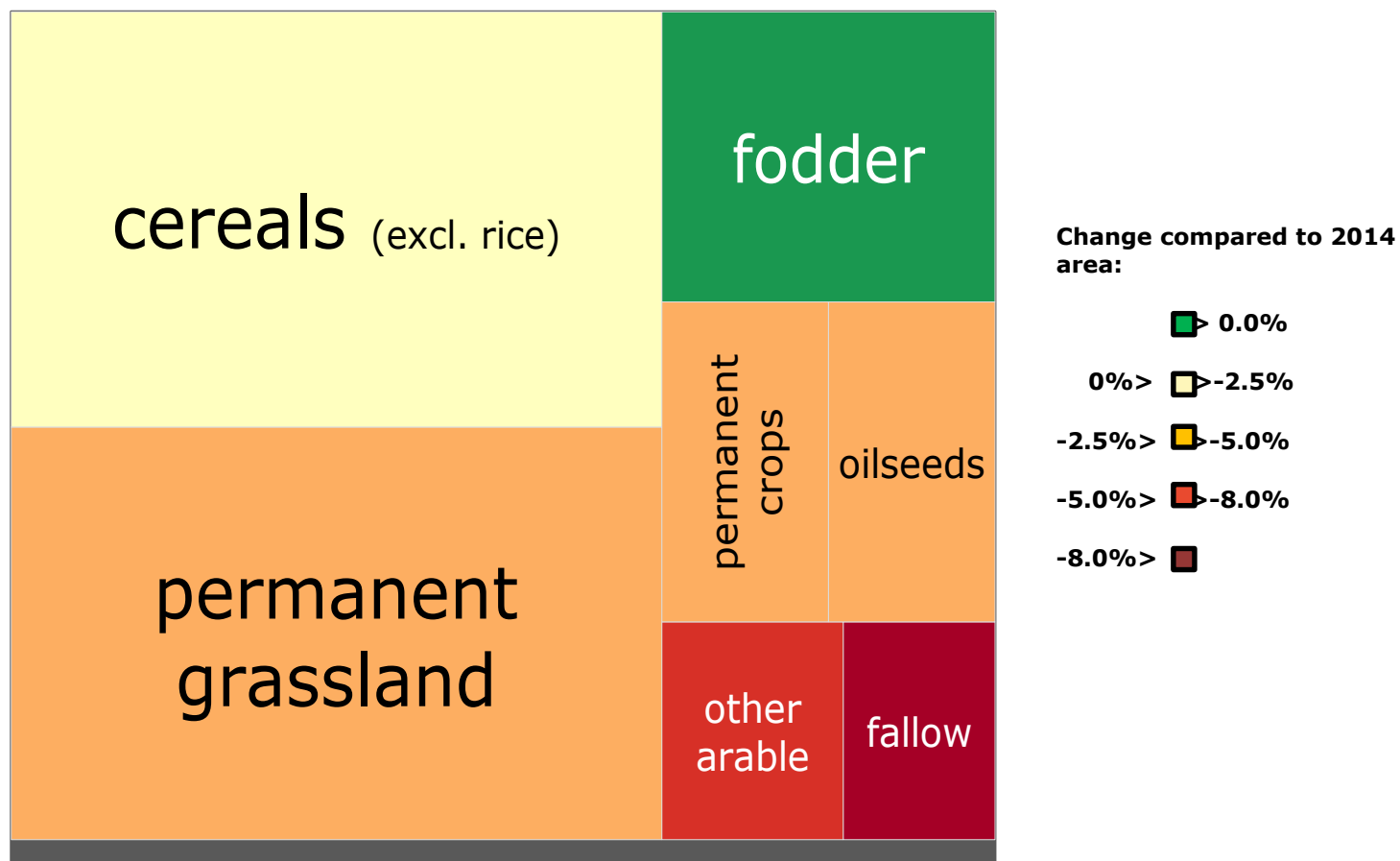
### Feed

- Increased milk yields
- Increases in poultry and pig production

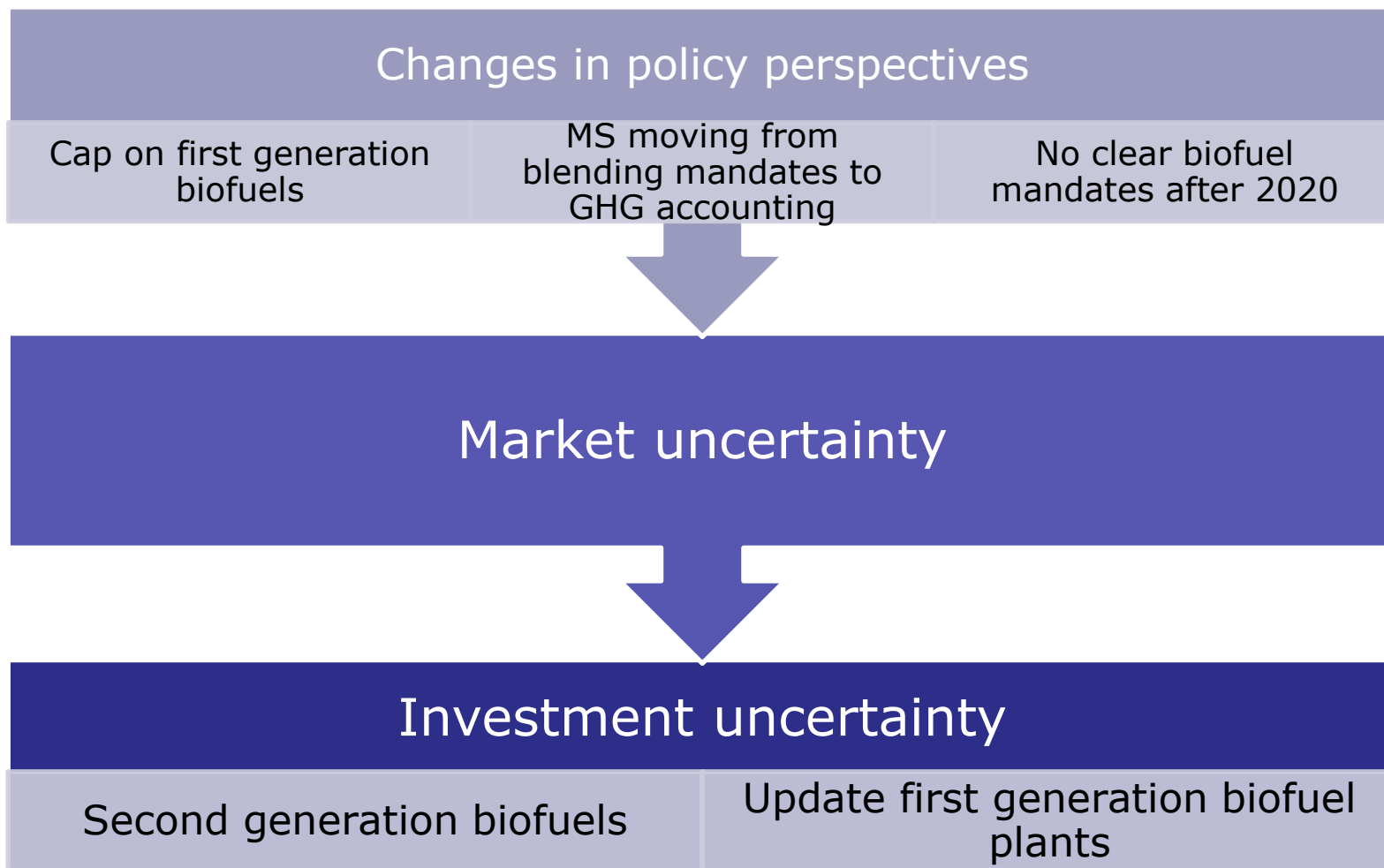
### Exports

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

## Changes in arable land



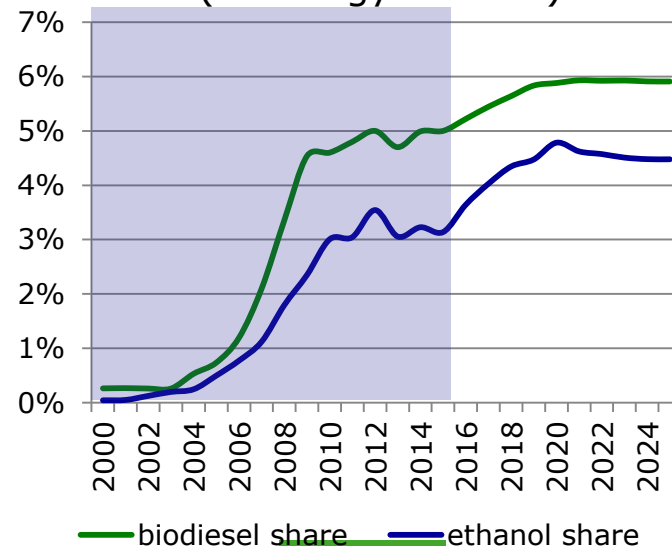
## Biofuel market less dynamic in recent years



## 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

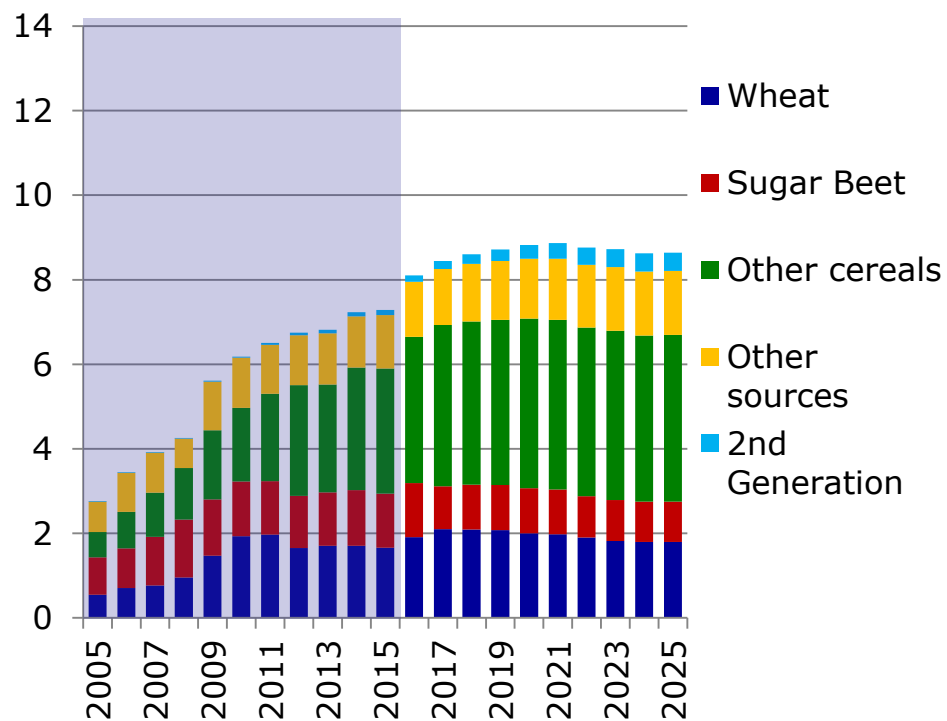
Biofuel share in total petrol and diesel use in the EU (in energy content)



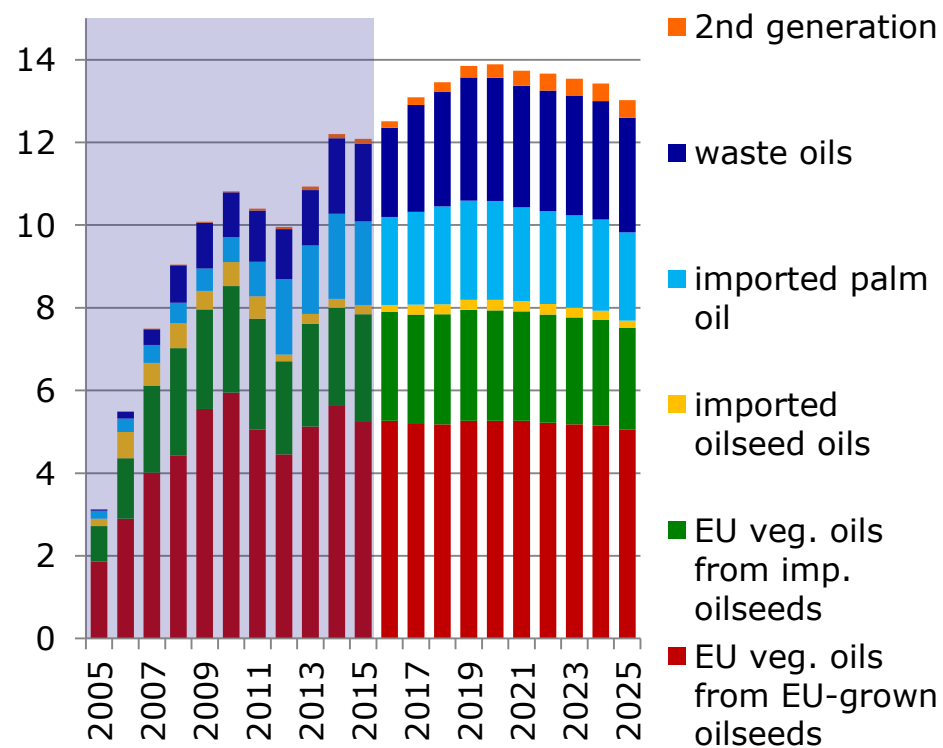
\*RED accounted

# Biofuel production; limited effect on the crop outlook

EU ethanol feedstock (million litre)



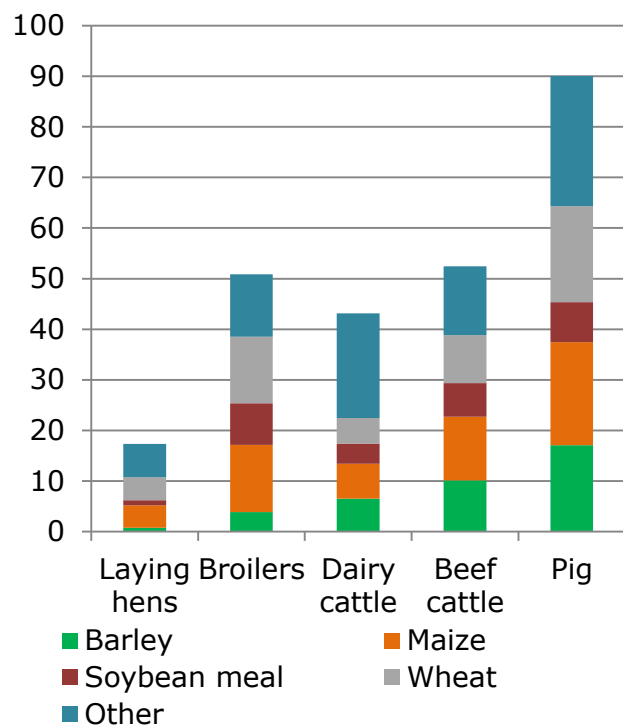
EU biodiesel feedstock (million litre)



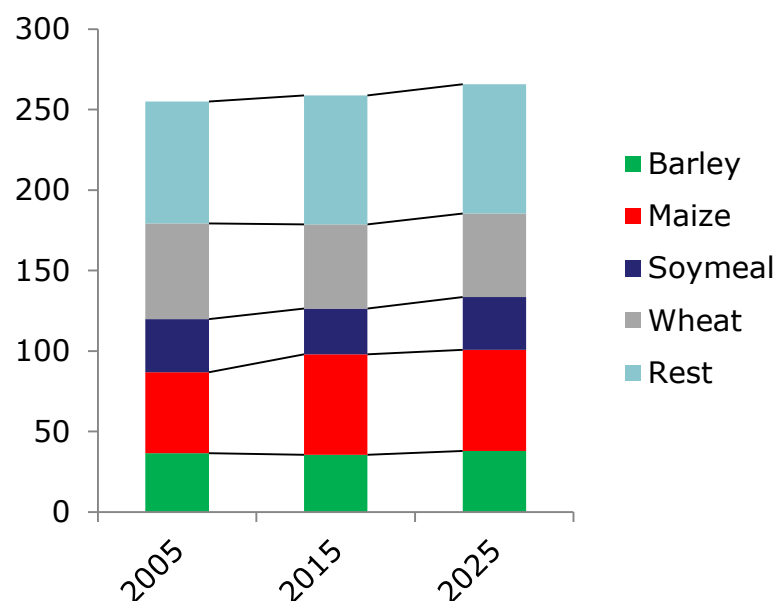


# Small feed use increase due to efficiency gains

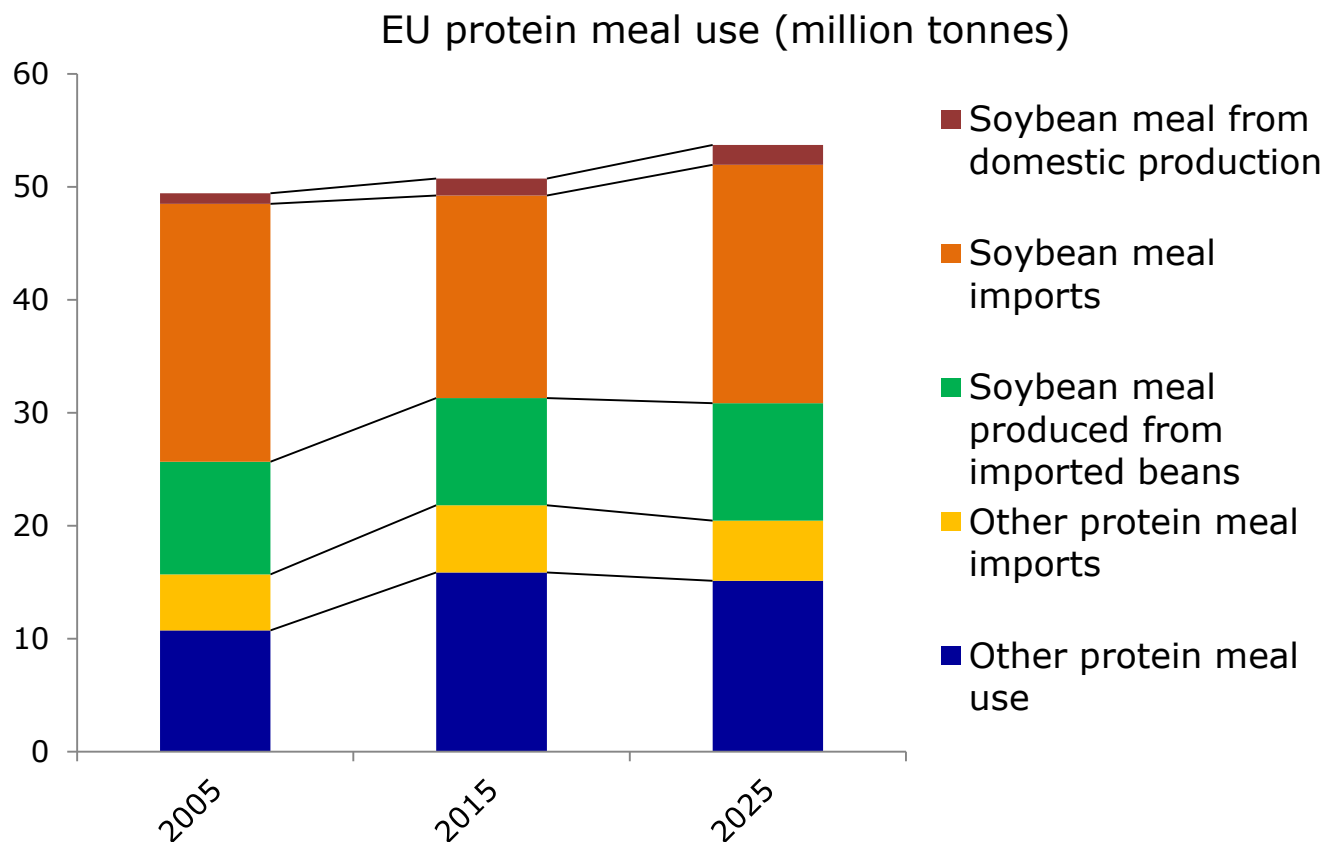
EU feed use per animal type in 2014/2015 (million tonnes)



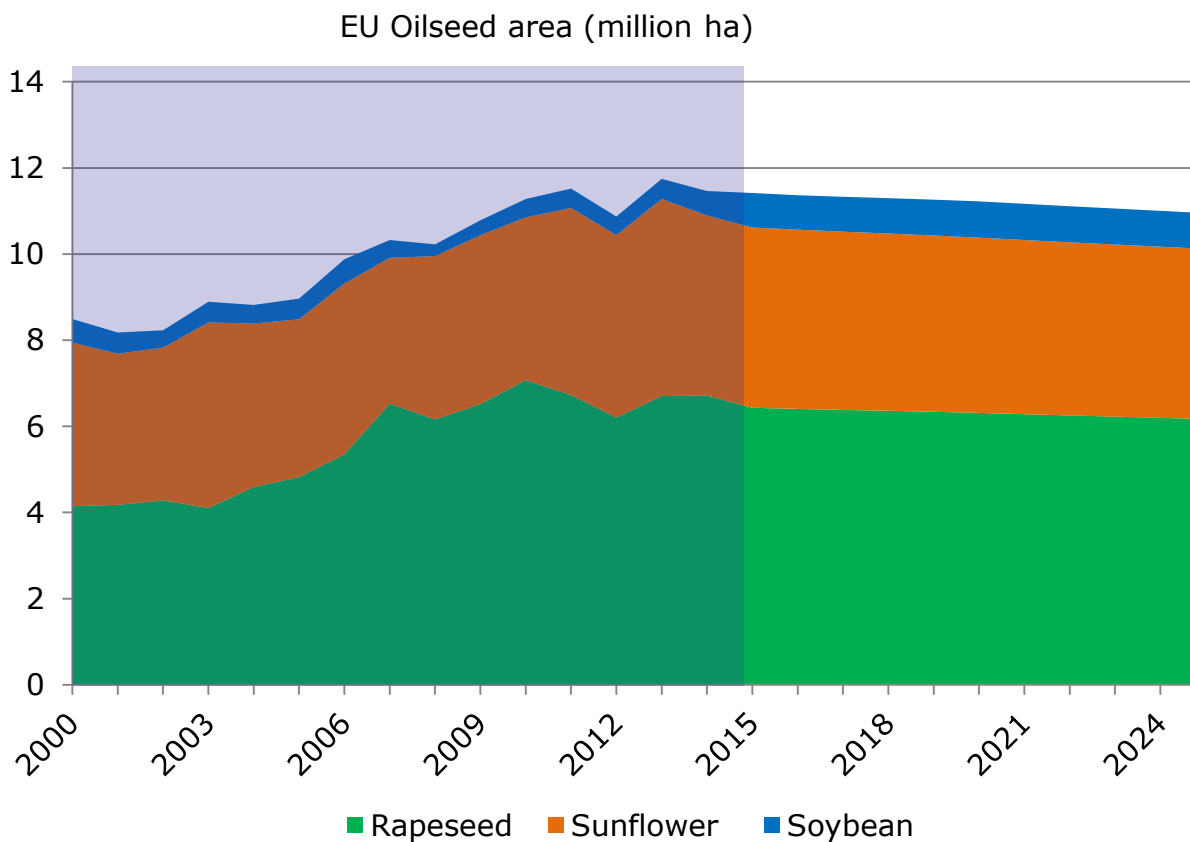
EU compound feed use per type of feedstock (million tonnes)



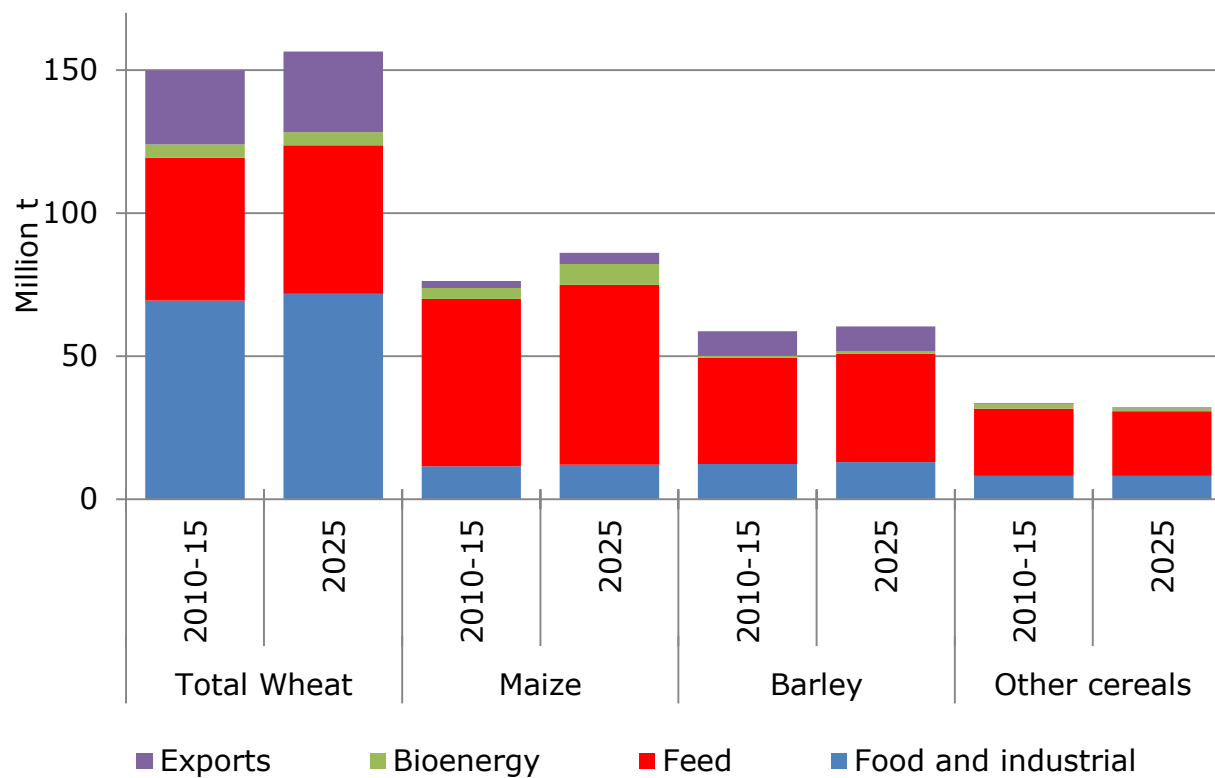
# EU oilseed complex changing as biodiesel demand stabilizes



# EU soybean production increases but remains small

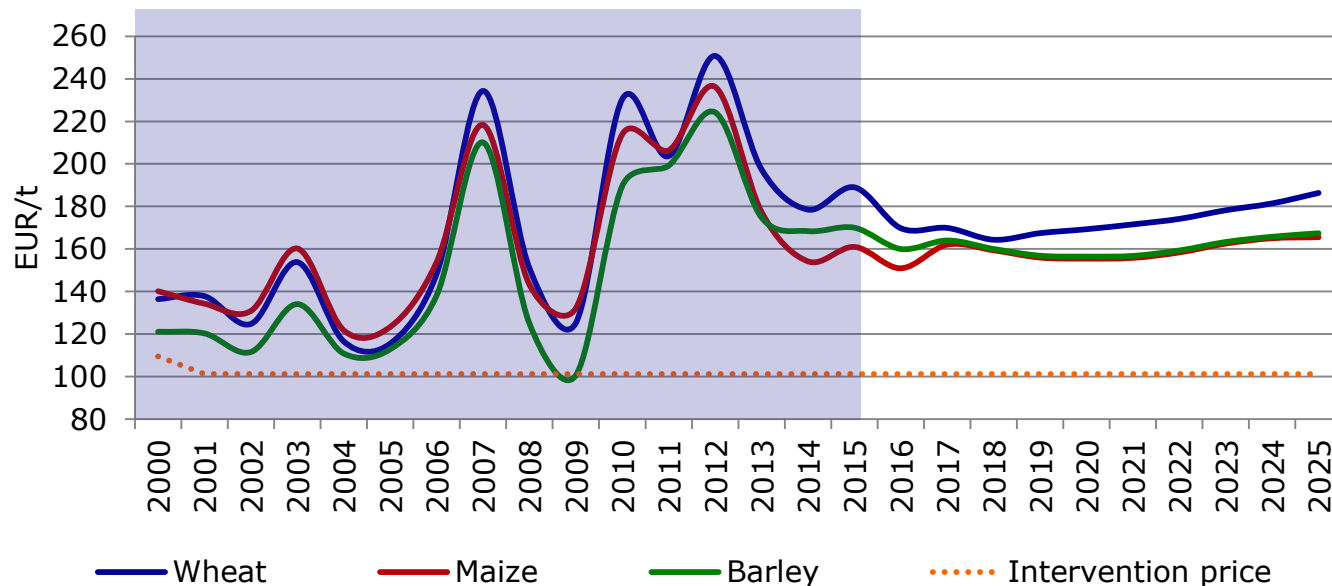


# EU cereals in demand for feed and export



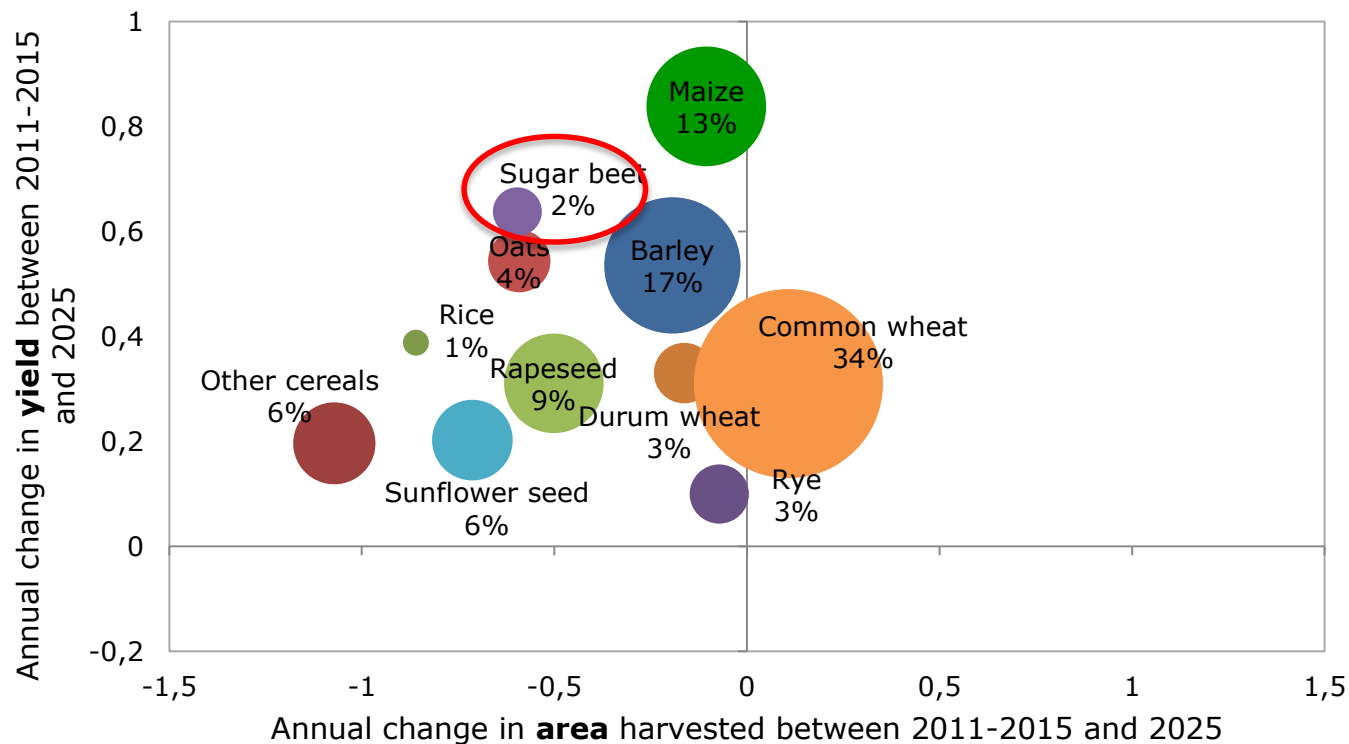
## Good market prospects for cereals with recovering prices

- 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 (%)

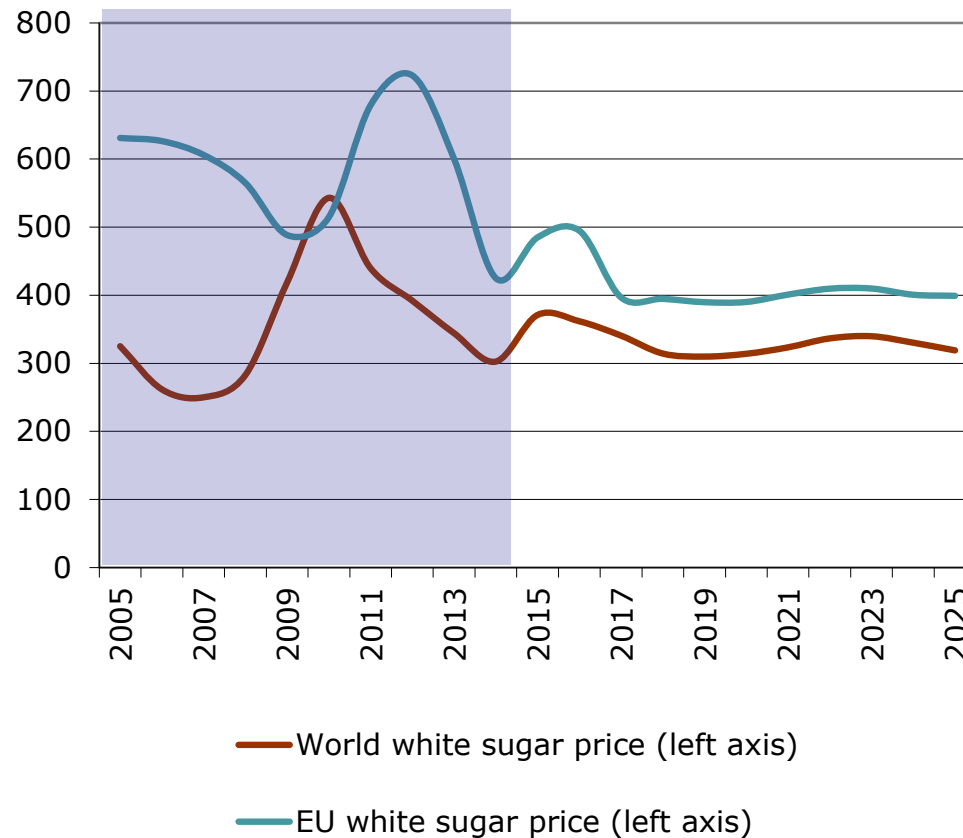


Note: the size of the bubble refers to the share in area harvest on average in the years 2011-15

# Sugar production to adjust to new environment

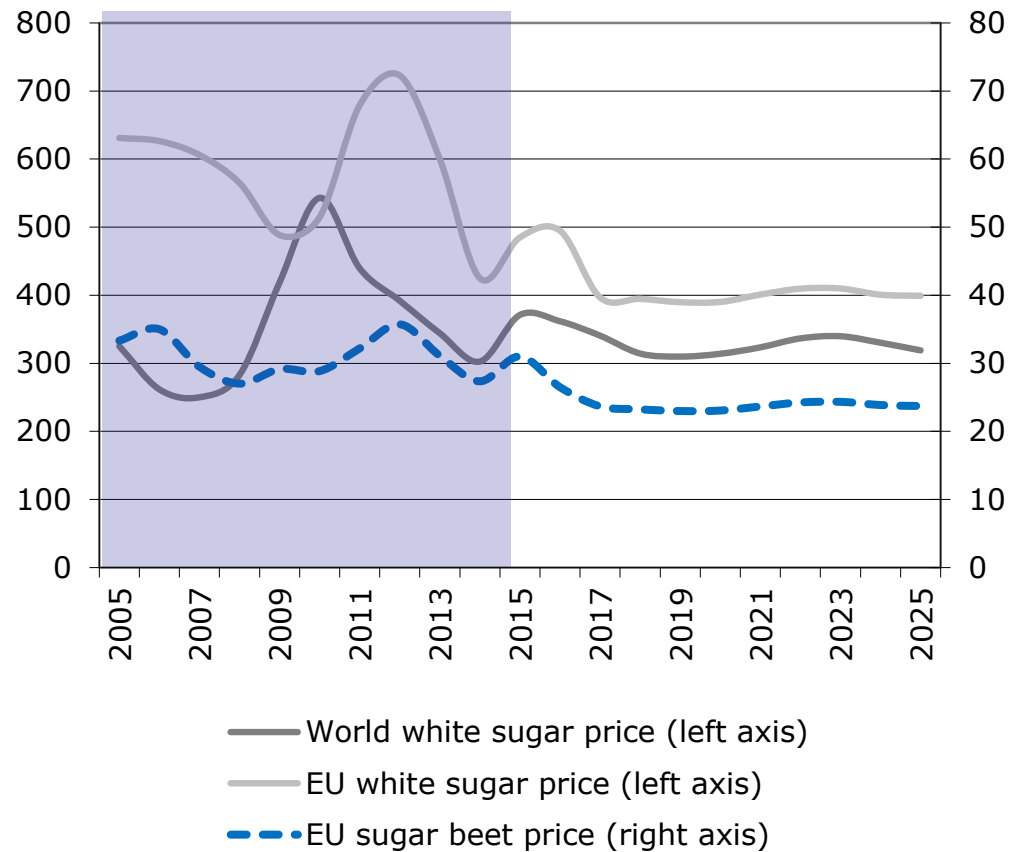
- Currently decline of sugar prices follows high price years
  - Devaluation of the Brazilian Real
  - Consecutive seasons where the world harvest exceeded consumption
  - Record harvest in 2014/15 season in the EU resulting in high carry forward
- Some recovery in EU prices in the near future as supply 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)



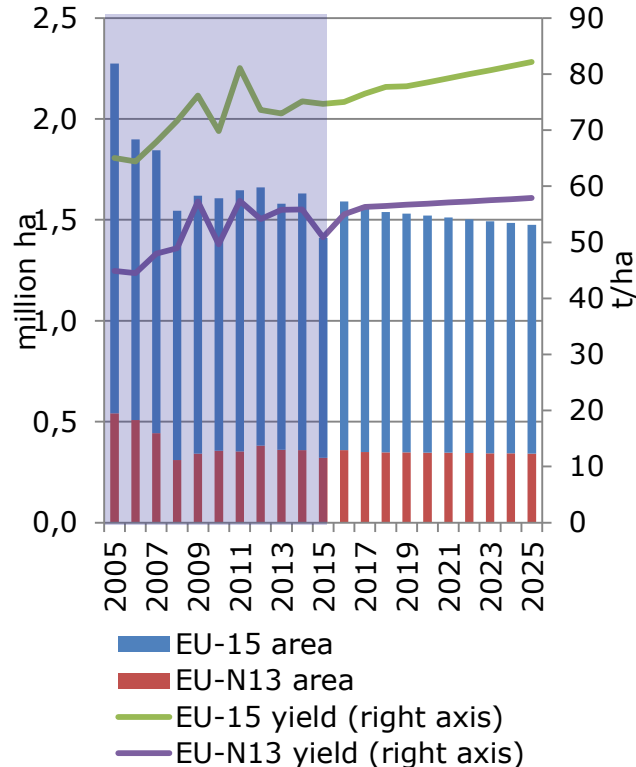


# EU sugar prices to approach world level prices (EUR/t)

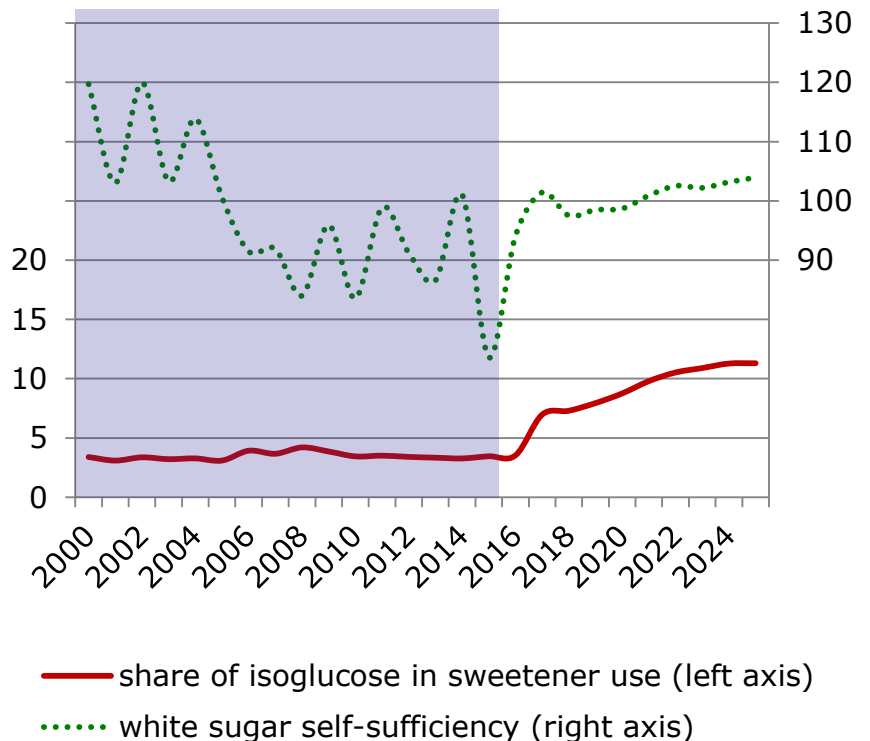


# More efficient sugar beet production competes with isoglucose production

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

Thanks