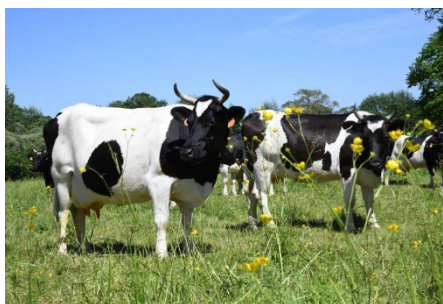




SHORT-TERM OUTLOOK

for EU agricultural markets
in 2023



SUMMER 2023

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While all efforts are made to provide sound market and income projections, uncertainties remain.

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CONTENT

HIGHLIGHTS	3
HIGHLIGHTS PER SECTOR	4
MARKET FUNDAMENTALS	6
Macroeconomic outlook	7
Supply	9
Demand	12
ARABLE AND SPECIALISED CROPS	14
Cereals and Oilseeds	15
Sugar and Biofuels	16
Olive Oil and Wine	17
Peaches & Nectarines	18
Tomatoes	19
ANIMAL PRODUCTS	20
Milk	21
Dairy products	22
Beef/Veal and Pigu meat	23
Poultry and Sheep/goat meat	24
METHODOLOGY	25



HIGHLIGHTS

This short-term market outlook shows that EU farmers' resilience continues to be challenged, with lower commodity prices and input costs remaining above the long-term average. In addition, EU countries experienced contrasting and difficult weather events in spring, from droughts, rain deficit to excessive rainfall, resulting in delayed flowering, late sowings, increased risk of pest or reduced availability of water up to complete crop destruction in the case of the most severe events. This is due to have negative impacts on the total EU crop production, especially through reduced yields and quality for several agricultural commodities. Besides crops, these developments could also reduce regional availability and quality of forage.

However, there have been some early signs of positive market prospects, as growth of some input costs has slowed down or even declined. Energy inflation is contained while natural gas prices have dropped to pre-2022 levels, albeit remaining above pre-COVID levels. This contributes to reduced pressure on the EU fertiliser market, although uncertainties remain.

EU food inflation showed first signs of stabilisation since January 2021 but remains high and above the general inflation level. In some EU countries, food prices started to decline on a monthly basis. Nevertheless, a possible decrease of retail food prices to levels comparable to the beginning of 2021 has not yet come. Other costs of living stay high as well, so household budgets remain constrained and impact consumer choices on food purchase.

The EU macroeconomic forecast remains substantially unchanged compared to the previous, Spring 2023 outlook, with a marginal downward revision of GDP growth due to the tightening of financial conditions to reduce inflation in the Euro area. The EUR to USD exchange rate stays at parity level and forecasts do not point to major fluctuations. Stability is expected to support EU exports whose competitiveness is gradually recovering although prices of EU commodities remain generally high. In some cases (e.g. sugar, meats), EU producer prices continued growing which is weighing on EU competitiveness and making imports more attractive.

Measures facilitating trade with Ukraine continued, but temporary safeguards were adopted to alleviate pressure observed in frontline EU countries. Traded volumes of grains showed a decline consistent with the usual pattern at this time of the marketing year, while such trend has not been observed in the case of animal products and sugar. In 2023 and beyond, Ukraine's crop production remains uncertain, but likely leading to lower export potential, due to reported issues with land and labour availability, war damages of physical assets and availability and affordability of fertiliser and other inputs.

HIGHLIGHTS PER SECTOR

CEREALS and OILSEEDS

CEREALS PRODUCTION

Compared to the Spring 2023 outlook, yield projections have been reduced following contrasting spring weather events. Nevertheless, yields in 2023/24 should be higher than in the last marketing year, with the exception of barley. Overall, 2023/24 EU cereal production could increase by 5% year-on-year.

OILSEEDS PRODUCTION

2023/24 EU oilseed production could also grow, mainly driven by possible increases of summer crops (soya beans and sunflower). This is thanks to higher yields and increasing areas.

CEREALS/OILSEEDS TRADE

2023/24 trade flows are early to predict with confidence. However, considering the expected increase in domestic production of both cereals and oilseeds, and in-progress improvement of logistics facilitating transit of Ukrainian grains to its traditional markets outside the EU, EU imports are likely to decline.

At the same time, EU exports of cereals could further grow, and remain stable in the case of oilseeds.

SUGAR and BIOFUELS

SUGAR

Production estimate for 2022/23 season has been slightly revised downward compared to the Spring 2023 outlook due to reported declines in one producing country. This, combined with high EU prices (which stabilised in Q1) is contributing to higher than expected EU imports.

Total EU consumption remains unchanged, and so resilient to high prices, also supported by strong sugar exports in processed products.

First production projection for 2023/24 indicates an increase in production, despite delayed start of the beet sowing campaign.

BIOFUELS

Demand for both biodiesel and bioethanol are forecast to remain little changed, as blending rates are expected to be relatively stable.

More residues and waste are expected to be shifted to biofuel production (in line with increasing demand for advanced biofuels), as well as more rapeseed to biodiesel thanks to a higher availability.

OLIVE OIL and WINE

OLIVE OIL

EU olive oil production estimate for 2022/23 season has been revised slightly further down (almost -40% year-on-year). The reduced availability keeps prices high. This is in particular impacting negatively consumption in main EU producing countries which was further revised down.

In addition, EU exports could be slightly higher than originally anticipated, as some operators might be able to replace a share of EU consumption by exports to high-value markets.

The prospects of future harvest remain uncertain at this stage but the drought in the Iberian peninsula is likely to hamper production.

WINE

Earlier estimates of 2022/23 EU vinified production have been slightly revised upwards and is expected to increase to 159 million hl (+6 million hl year-on-year). At the same time, accumulation of stocks accelerated for certain types of wines. Demand remains challenged as inflationary pressure eroded the purchasing power of consumers. As a result, wine sales are decreasing both on the domestic market and key export markets.

To address imbalances affecting certain wines, extraordinary measures (crisis distillation and wider flexibilities for green harvest) have been adopted, the impacts of which are to be fully seen next marketing year.

FRUIT and VEGETABLES

TOMATOES

2023 total EU production of tomatoes is expected to increase mainly thanks to an increase of tomatoes for processing while EU production for fresh consumption should remain stable.

Higher producer prices can partially offset higher production costs, while retail prices could stay high. These changes could lead to higher domestic use of processed tomatoes while EU consumption of fresh tomatoes could remain stable.

PEACHES AND NECTARINES

2023 EU production of peaches and nectarines is suffering from adverse weather conditions. Overall, EU production of peaches and nectarines is expected to decline by 9%.

Higher retail prices, and lower availability of fresh peaches and nectarines are likely to lead to lower consumption while higher price could also lead to lower consumption of processed peaches and nectarines, despite stable availability.

APPLES AND ORANGES

In both cases, spring production estimates were updated with the latest Eurostat figures, while trade estimates took into account latest known figures.

MILK and DAIRY

MILK PRODUCTION

2023 EU milk production estimate (-0.2%) has not been revised despite positive developments over the spring (+0.8% in Jan-Apr). The expectations are that slaughterings which were expected to accelerate over last winter and spring will only be delayed, leading to a 1% decline in dairy herd in 2023. Also, yield growth estimate was sustained at this stage, with possible revision following weather developments over the summer.

DAIRY PRODUCTS

EU use and consumption of dairy products is constrained by processing costs (especially for milk powders) while other dairy products (e.g. butter, cheese, FDP) continue suffering from consumers opting for cheaper alternatives. This could lead to a limited growth for cheese and butter, and 0.7% decline for FDP. EU exports have been revised up for butter and SMP (both +2pp,) while lower recovery rates are expected for cheese, whey (both -1pp), and fresh dairy products (-5pp). This is in line with their slightly lower production as more milk could be channelled to butter and SMP, while a reduction of WMP production could be slightly stronger.

5

MEAT PRODUCTS

BEEF/VEAL

2023 gross indigenous production estimate has been revised down (-0.2pp to -1.8%), while live exports increase due to opening of the Turkish market. Nevertheless, net EU beef meat production was reduced further down compared to the Spring 2023 outlook (-0.4pp to -2%).

The EU has been facing more competition in high-value markets which leads to a decline in EU exports. As a result of changing exports, EU consumption has been slightly revised up but still shows a strong decrease in 2023.

PIGMEAT

So far, low numbers of slaughtered pigs on the EU market continue supporting high pig prices and decline in production while EU demand stays high. EU exports to China are expected go further down and the EU continues losing market share to the US, and Brazil (among others) due to high prices. Overall, EU exports have been revised downwards to 12% (-3% estimated previously).

Despite a revised production (-0.4pp to -5.5%), and because of lower exports, EU domestic use drop could be slightly higher than expected.

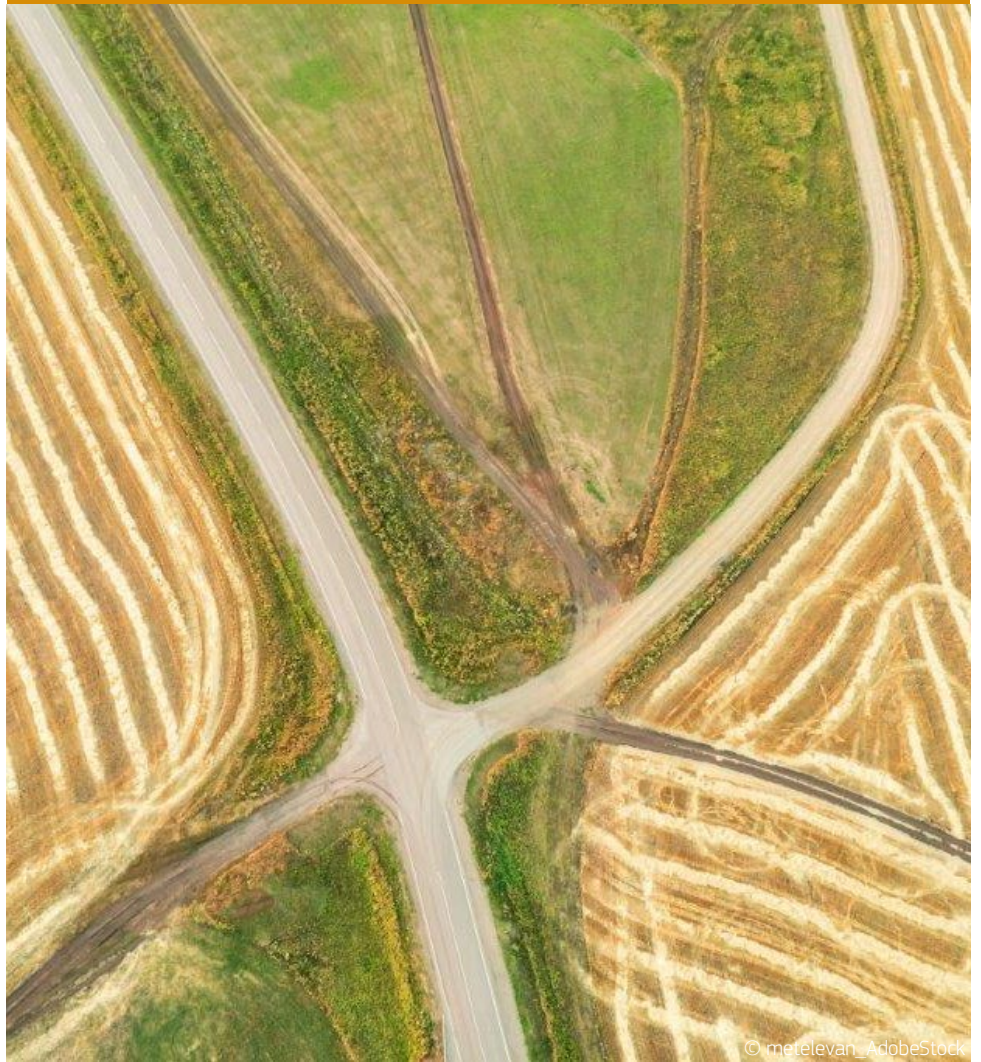
POULTRY

Thanks to a quicker recovery of the EU poultry sector, and a lower prevalence of HPAI, EU poultry meat production estimate has been revised up (+1.3pp to +2.4%).

The drop in EU exports could be slightly lower than expected while imports continue increasing. As a result, 2023 EU poultry consumption could be even higher than estimated earlier this year.

SHEEP & GOAT MEAT

The balance sheet has been almost unchanged compared to the Spring 2023 outlook. The only difference are slightly higher exports of live animals, and higher meat imports (mainly from New Zealand and the UK). As a result, EU consumption was marginally revised up.



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KEY MESSAGES

+0.9%

expected Euro area real GDP growth in 2023 in the ECB baseline

+5.3%

expected Euro area inflation in 2023 in the ECB baseline

+15.1%

EU consumer prices for food in May 2023 (year-on-year)

MARKET FUNDAMENTALS

HIGHLIGHTS

Compared to spring 2023 macroeconomic forecast, no major changes have been introduced in the summer edition. Energy inflation continued declining despite efforts of OPEC+ countries to limit supply. In addition, natural gas prices dropped in line with a seasonal trend but remain volatile as seen in the course of June 2023 when EU prices peaked up again. Nevertheless, the overall declining of natural gas prices compared to summer 2022 allowed EU to gradually increase the production of nitrogen fertilisers. This should continue to help easing some pressure on input costs in 2023.

Weather developments continue challenging the future production prospects. In spring, they contributed to reduced growth of yields, an impact of which is still to be fully seen when the new season unfolds.

EU food inflation has stabilised since April 2023 but remains still high and above general inflation level. Monthly food inflation is still positive (+0.4% in May). Therefore, consumer decisions continue to be strongly driven by price considerations, which supports a switch to retailer brands or a substitution with relatively cheaper products within the same category (e.g. meats and oils) or between categories (e.g. less fresh fruit and vegetables).

Some EU exports have shown a recovery, in particular dairy products, while in other cases, for example meats, exports continue being challenged due to low EU price competitiveness and a lower demand resulting from high inflation globally.

MACROECONOMIC OUTLOOK

WEAKER GROWTH AND CONTINUING INFLATION IN 2023

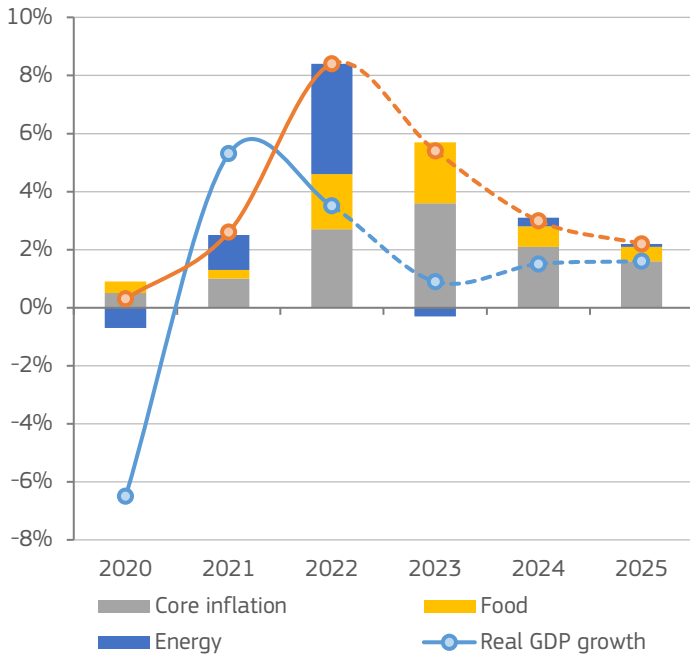
More than 480 days after Russia's unprovoked invasion of Ukraine, the EU macroeconomic situation is almost unchanged compared to the Spring 2023 outlook, with the EU still facing imbalances and uncertainties linked to the international environment.

According to the latest ECB forecast, annual real GDP growth is expected at 0.9% in 2023 and 1.5% in 2024, both revised by 0.1pp due to the tightening of financial conditions to reduce inflation in the Euro area, which seems more persistent than expected despite falling energy prices.

Inflation in the Euro area is expected to reach 5.4% in 2023, with food inflation accounting for 39% of price increases at consumer level. Food prices are not expected to drive significantly general inflation after 2023, being mainly driven instead by "core" inflation (goods and services other than energy and food) and reaching 3% in 2024.

¹ ECB projections based on information up to 23 May 2023.

Euro area real GDP growth and inflation forecasts

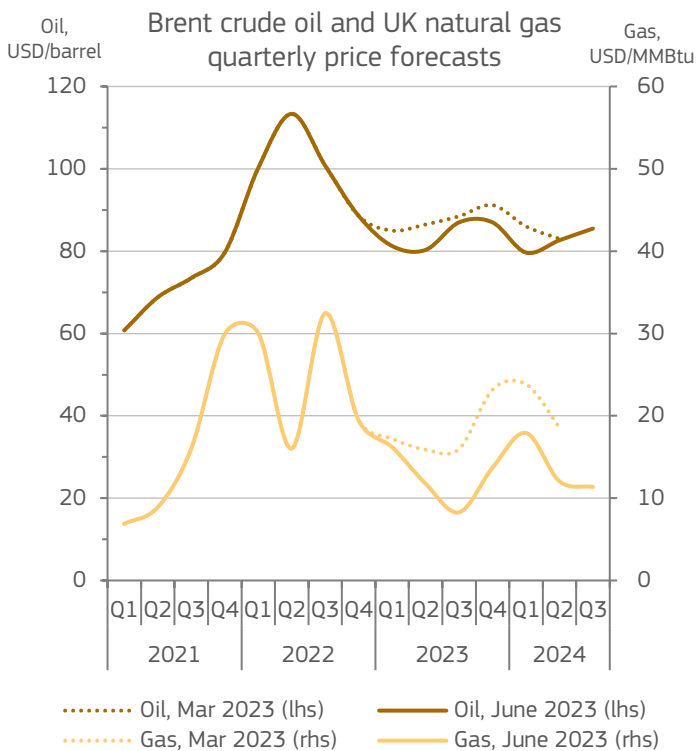


Note: Baseline includes slightly tighter financing conditions than in March 2023, lower oil prices, significantly lower wholesale gas and electricity prices and an appreciation of the euro. "Core inflation" refers to HICP inflation except food and energy. Source: European Central Bank.

NATURAL GAS PRICES BELOW 2022 LEVELS, BUT MIGHT INCREASE IN WINTER

S&P Global slightly revised downwards its projections for Brent crude oil prices to around USD 80/bbl after the peak of USD 113/bbl in Q2 2022, reaching USD 87/bbl in Q4 2023. Despite the attempts of OPEC+ countries to reduce production and increase oil prices, according to the June 2023 OECD Economic Outlook, global GDP growth in 2023 is projected only to be 2.7%, one of the lowest rates observed since the global financial crisis, therefore global demand is also expected to be sluggish.

Regarding natural gas, S&P Global June projections expected prices to return to pre-2022 levels reaching USD 8.3/MMBtu (around 26 EUR/mWh) in Q3 2023 before rising again from Q4 2023 due to the increased winter demand. While on one hand the EU is well on track with the natural gas storage target of 90% in November, with a level of 74% observed in mid-June, the potential closure of the Groningen gas fields in the Netherlands could represent a loss of a supply of natural gas for the EU. This, as well as price volatility illustrated by an unexpected surge of gas prices in June (nearly EUR 40/mWh) could generate possible market risks. Also, the difference and the transmission between wholesale and retail energy prices remain relevant, as retail prices can be up to three times the prices observed at wholesale level.



Note: 1 MMBtu is 1 million British thermal units, approximately 293.1 kilowatt hours. Source: S&P Global.



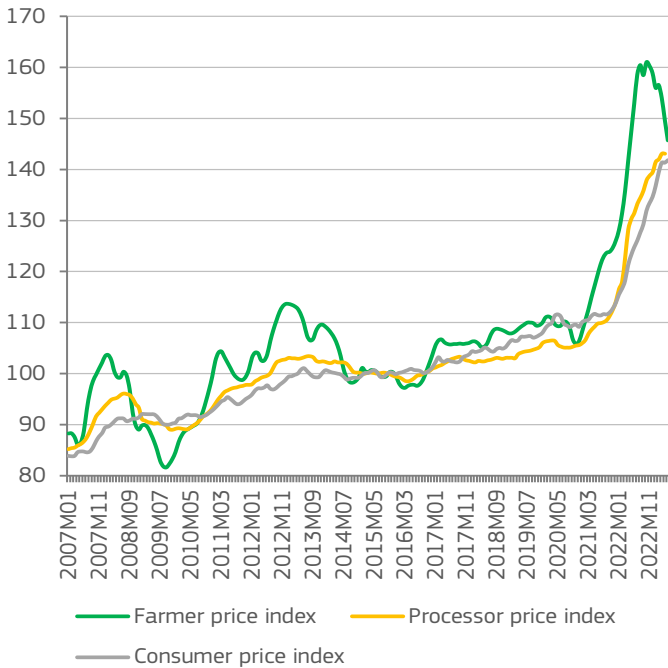
MACROECONOMIC OUTLOOK

EU FARMER PRICE INDEX CONTINUES DECLINING

The declining trend of EU farmer's price index observed since October 2022 has been sustained. In May, it was almost 15 points below the peak. These developments are supported mainly by further reduction of arable crops prices. Since January, the price drops range from -19% in case of maize to -22% for wheat. At the same time, also raw milk price dropped by 16%, following its longer-term declining trend. On the other hand, prices of meats (in particular pork) continued to grow, as well as sugar (+5%).

While farmer price index continued declining, processor and consumer price indices still increased. Likely reduction of arable crops prices due to higher availability could translate to lower feed costs in coming months, but this has not materialised yet, and subsequently to lower costs of production for animal products. However, the final impact will also depend on other inputs as well as overall market situation, notably the strength of both domestic and external (trade) demand. Nevertheless, the continuation of farmer price index decline in 2023 is likely to bring some downward pressure for food prices along the chain as well.

Price transmission along the food chain
(2015=100)



Source: DG Agriculture and Rural Development, based on Eurostat and MS notifications.



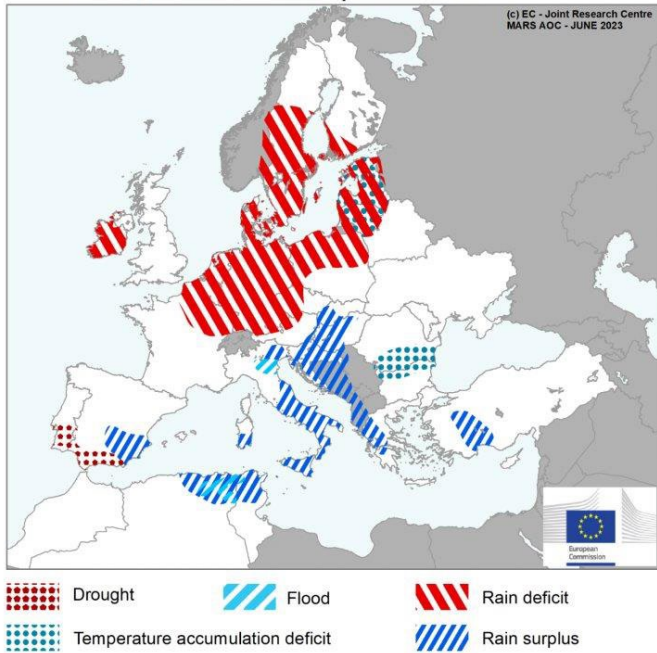
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SUPPLY

AREAS OF CONCERN - EXTREME WEATHER EVENTS

Based on weather data from 1 May 2023 until 12 June 2023



Source : JRC MARS Bulletin Vol. 31 No 6.

SPRING WEATHER CONTRASTS IMPACT CROPS NEGATIVELY

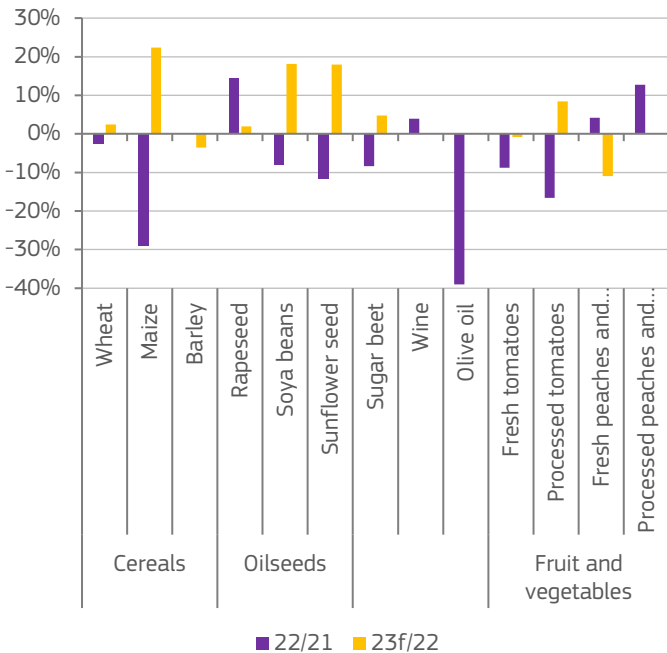
The spring weather was characterised by contrasting developments in EU regions, with overall negative impacts on crop expectations. While the periods of dry weather conditions in most part of the Iberian Peninsula were followed by some rainfall since May, there was only little or no benefit as it came too late for spring crops, and also summer crops continue under low irrigation quota.

The rainfall deficit has recently been reported in Northern Europe, including regions in FR, PL and Scandinavia, the whole territories of BE, NL, DK, DE, and Baltic countries. In SE and DK, the rainfall need becomes urgent both for winter crops (flowering) and spring crops (heading). In other EU regions and territories, the deficit led to delayed sowings and affected some summer crops. Despite the deficit, the situation in FR seems not be a concern for crop development.

On the other hand, rainfall surplus of above twice long-term average was observed in many Italian regions, notably in Emilia-Romagna region where extreme and devastating floods occurred. Rainfall surplus was also recorded in SK, HU, most of HR and SI. In the Danube River valley, cold temperatures caused delays to sowing, and an emergence and early developments of summer crops.

LOWER GROWTH OF 2023/24 EU CEREAL PRODUCTION THAN EXPECTED

Annual* EU production change of selected arable and specialised crops



*Marketing years are used.

Source : DG Agriculture and Rural Development, based on Eurostat and MS notifications.

Due to wet conditions in many areas, pest pressure is likely to increase. This, combined with dry conditions in other regions, could cumulatively translate into a lower yields growth in the EU than would have been expected in the spring. While durum wheat and spring barley yields are expected to be below 5-year average (-3% and -11% respectively), soft wheat and maize yields could be 2% higher, with some improvements expected also in oilseeds. As a result, 2023/24 EU oilseed production would be comparable to earlier estimates while cereals production could be 10 million t below the previous estimate, a half of which could be attributed to a lower barley production. Nevertheless, EU cereals production could still grow by 5% compared to 2022 conditional on good summer weather.

In addition to reduced yields due to weather events, the quality of grains, fruit, and vegetables could be of a concern, as already observed last year. Lower yields of olives and reduced oil content led to low 2022/23 olive oil production (almost -40% compared to last marketing year). Similarly, reduced yields and sugar content (on top of declining area) were behind 12% decline in white sugar production in 2022/23. With an expected increase of yields, it could be 6% higher in 2023/24. Adversely affected production of peaches and nectarines in 2023 is likely to translate into a slightly lower availability for fresh consumption, with lower quality fruit being channelled to processing which could instead increase.



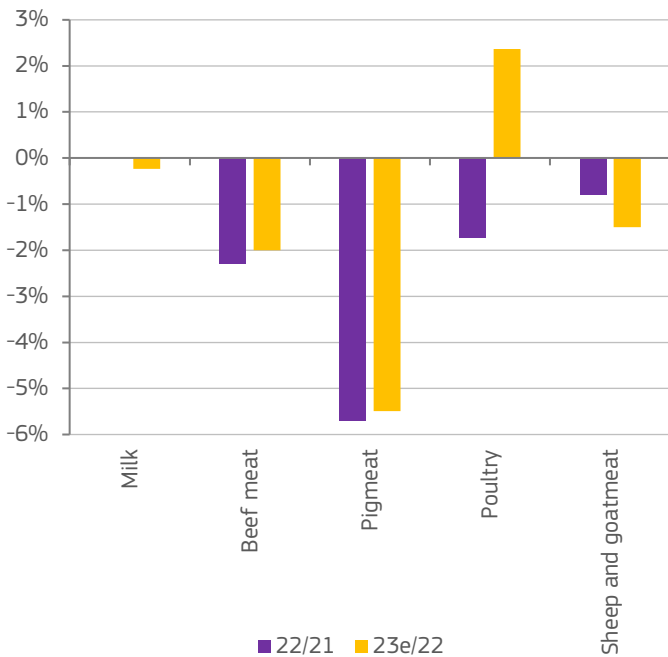
SUPPLY

POULTRY PRODUCTION TO RECOVER

Besides mixed weather impacts on feeding crops, grasslands have also experienced opposing growing conditions over past months. While central and northern EU regions suffered from low levels of precipitation since mid-May, heavy rainfall and flooding negatively affected grasslands in several southern EU regions. Generally, more rainfall is needed to secure feed and fodder availability in upcoming months and further ease up feed costs.

Nevertheless, EU milk production continued growing in Q1, supporting a downward pressure on milk prices. In coming months, dairy farmers are likely to reflect on these changes, and so this could lead to accelerated slaughterings. The milk yield growth could be at a comparable level of last year (0.7%). As a result, EU milk production is likely to be reduced by 0.2%. In the case of meat production, an additional layer of concern relates to animal diseases. However, due to a lower prevalence of HPAI in EU poultry production, and its quick recovery potential (+3.2% in Q1), the production was revised further up (+2.4% year-on-year). This contrasts with developments in other meat types which continue suffering from declining reproductive herds, still high producing costs (mainly feed) and lower domestic demand as well as exports due to high EU prices.

Annual* EU production change of animal products



Source: DG Agriculture and Rural Development, based on Eurostat and MS notifications.

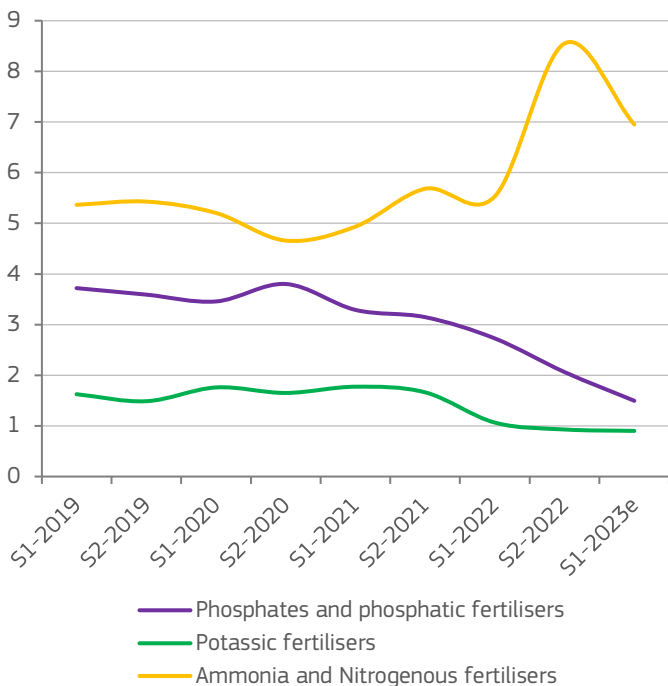
FERTILISER PRICES DECREASED FOLLOWING HIGH IMPORTS

A very high level of imports of nitrogen fertilisers in the second semester of 2022 and the first months of 2023 compensated for a closure of a significant part of the EU ammonia production capacity in 2022. This was also favoured by the suspension of most-favoured-nation duties on ammonia and urea between December 2022 and June 2023. Further declining of natural gas prices (see also Macroeconomic outlook) allows EU domestic ammonia plants to gradually restart. While imports are decreasing, this should result in large availability of nitrogen products on the EU markets.

Although some fertilisers' purchases of farmers for the 2023 harvest were made at a high price, the gradual improvement of prices for nitrogen fertilisers since autumn 2022 should not result in generalised nitrogen under-fertilisation rates. For the purchases starting from this summer in view of the 2024 harvest, the large stocks reported and the still moderate natural gas price levels in recent weeks should allow purchases at a lower price than in summer 2022.

For P and K fertilisation however, the slow pace of imports and the lower decrease of prices than for nitrogen fertilisers, indicate that farmers have privileged N fertilisation to P and K one for the second year in a row, thus representing a point of attention for the next harvest.

EU imports of selected fertilisers by semester (million t)



Note: Only Jan-Apr data are available in 2023

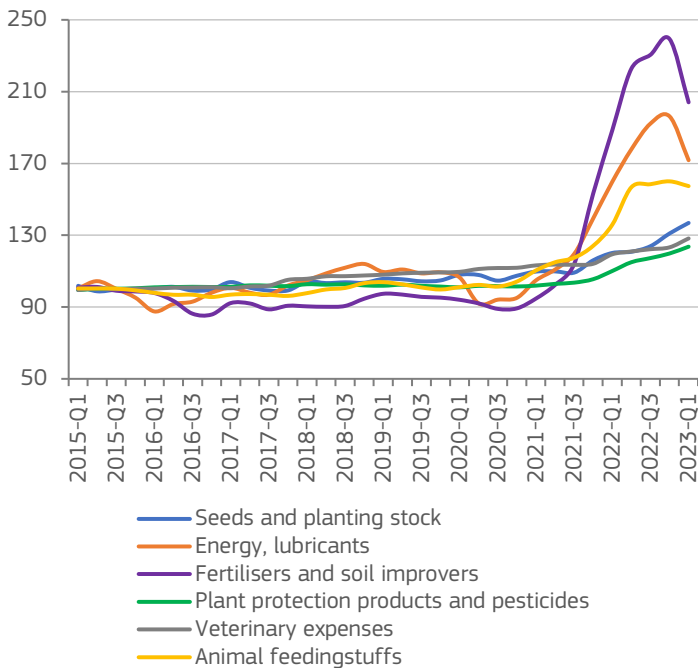
Source: DG Agriculture and Rural Development, based on Eurostat.



SUPPLY

SLOWDOWN OF INPUT COST GROWTH

Quarterly indices of agricultural inputs prices (2015=100)



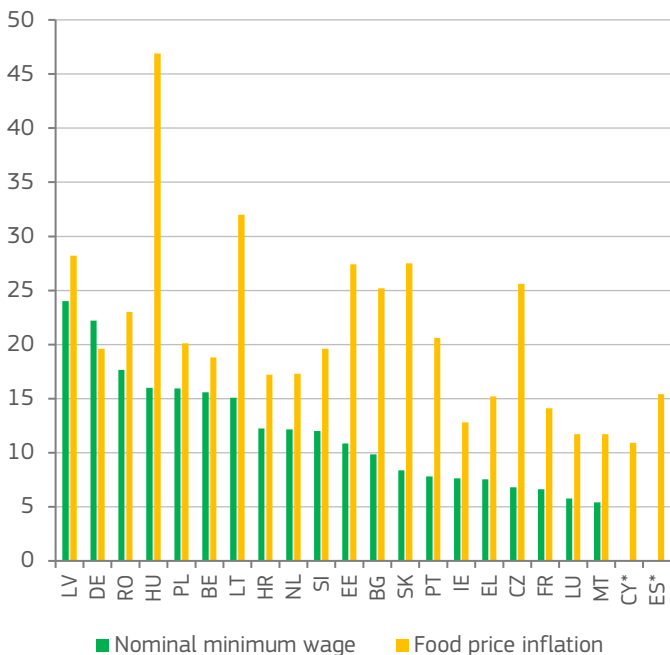
Source: DG Agriculture and Rural Development, based on Eurostat

The moves observed of inputs costs have led to a slowdown of growth of price indices of agricultural inputs since Q4 last year. While between Q2 and Q3 in 2022 energy and lubricants price index grew by almost 15 points, it lowered to 4 between Q3 and Q4 and declined by almost 24 in Q1 of 2023. In other cases (plant protection products, veterinary services), the growth was sustained, while the indices of fertilisers and animal feed declined in Q1 compared to last Q of 2022 (-35 and -2.6 respectively).

As fertilisers represent on average around 12% of input costs of field crop farms, this could bring some relief. However, this could be partially offset by increasing costs for seeds and planting stocks which still showed an increase last year. They correspond to 9% of costs, similar to crop protection products. In case of the livestock production, feed costs represent traditionally the largest share, ranging from 33%-39% in case of grazing livestock farms to 56% for granivores. Therefore, if the reduction of cereal prices continues, this could help to stabilise and even improve feed demand to some extent. However, despite the growth reduction of input price indices, and decline in EU cereal prices, they still remain well-above an average. Therefore, depending on their balance with producer prices, EU farming sectors might still face challenges in coming months.

HIGHER NOMINAL WAGES BUT LOWER REAL IMPACT IN 2023

Change in nominal minimum wages and food price inflation (Jan 2023/Jan 2022, %)



Source: DG Agriculture and Rural Development, based on <https://www.eurofound.europa.eu/publications/article/2023/minimum-wage-hikes-struggle-to-offset-inflation>

Besides primary producers, high input costs continue affecting all actors in the supply chain, leading to diversion of uses. For example, the energy cost to store certain food products (e.g. fruit) to processing. In other cases, the full impact of the energy peak recorded last year might have been offset by contractual arrangements. In the case of tomato growers, around 70% of energy is secured through long-term contracts and only 30% is bought on spot markets which are more exposed to market volatility. This, combined with delayed winter plantings due to higher than average temperatures (normally Aug-Oct, now Nov-Dec) have likely contributed to a lower impact on production. At the same time, it created an opportunity to growers to sell the available energy and incentivised their transition towards more sustainable methods of energy production (e.g. electric boilers, LED lamps).

Among other factors, labour cost (expressed through wages) also increased. On the demand side, this aimed at reducing inflation pressures, and so at supporting spendings. To protect the earnings of the lowest-paid employees, most governments have boosted minimum wages in 2023 to a much larger extent than last year. However, despite increasing in nominal terms, the likely persistence of inflation is to reduce its real terms value. In case of employers, this inevitably has added an additional layer to other high costs.



DEMAND

FOOD INFLATION SHOWED SOME STABILISATION

Following the increase of commodity prices, the EU food inflation index continued increasing until March 2023, and for the first time since January 2021 remained stable in April 2023. During these 26 months, it recorded an overall increase of around 30 points. Despite a stable level in April 2023, it remained above general inflation and above average, which continues adding to high levels of other living costs, and so the pressure on household spending. Despite above average food inflation, consumer prices of food monitored on a monthly bases dropped already in few EU countries in April (e.g. DE, HU, PT, SE) and continued declining in May as well.

Observed retail trends show that price considerations are driving consumer decisions to look for money saving options, buy in promotions, buy less expensive food or retailer brands. This translates into lower volumes of products sold fresh (e.g. meat, fruit and vegetables) and premium products (e.g. organic). Temporary shifts to retailer brands are likely to bring some longer-term impacts as these products are gaining consumer recognition and appreciation. Certain imperfection of price transmission along the chain is observed, especially in relation to different price levels of products, with basic products being more resistant to price increases as they already have low margins.

Net intent of consumers towards grocery shopping in 2022 and 2023

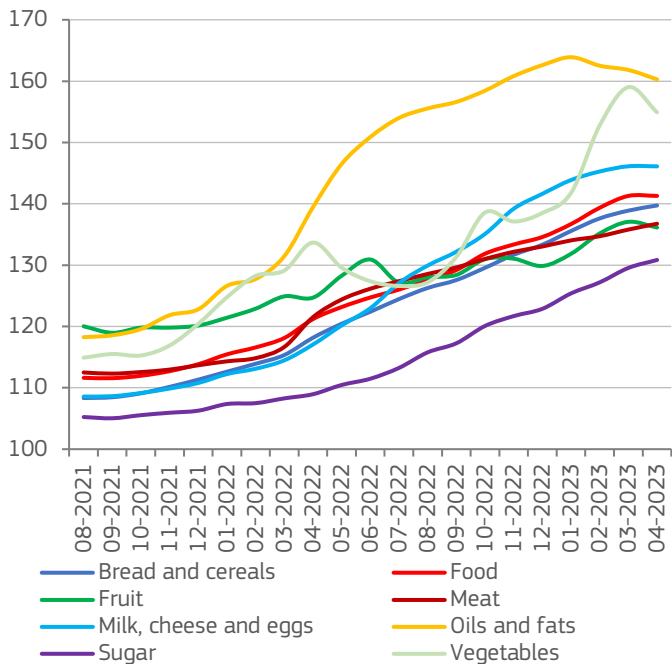


Note: Net intent – share of consumers who want to do more of activity minus share of consumers who want to do less of activity; * not investigated on in 2022.

Source : Eurocommerce and McKinsey report .:

https://www.eurocommerce.eu/app/uploads/2023/05/State-of-grocery-2023_Low-res.pdf.

EU consumer price inflation of selected food products (2015=100)



Source: DG Agriculture and Rural Development, based on Eurostat.

EU CONSUMPTION PATTERNS SUSTAINED

The stabilisation of food inflation is mainly due to reduction of prices of oils and fats, fruit and vegetables and stable prices of milk and dairy products. On the other hand, inflation indices of other food categories (e.g. bread and cereals, sugar, meat) keep increasing.

These developments underpin expectations of reduced EU consumption or domestic use of several products and support certain demand shifts. For example, cheaper poultry meat could partially replace more expensive cuts of beef and pigmeat. However, this is not likely to prevent EU per capita meat consumption from declining below 66 kg (-1% year-on-year). The consumption reduction due to high prices is also expected for olive oil, especially in main producing countries that are more price-sensitive (-16%). Due to the decline in prices of vegetable oils, this could also incentivise some demand shifts away from olive oil.

Dairy products, especially milk powders used in processing, could continue suffering both from high processing costs and lower demand (e.g. nutritional products); as well as some traditional consumer products (e.g. yoghurts), as households might reduce their purchases, to limit possible food waste or favour other cheaper food products. In case of sugar, higher prices are not significantly reducing human consumption.



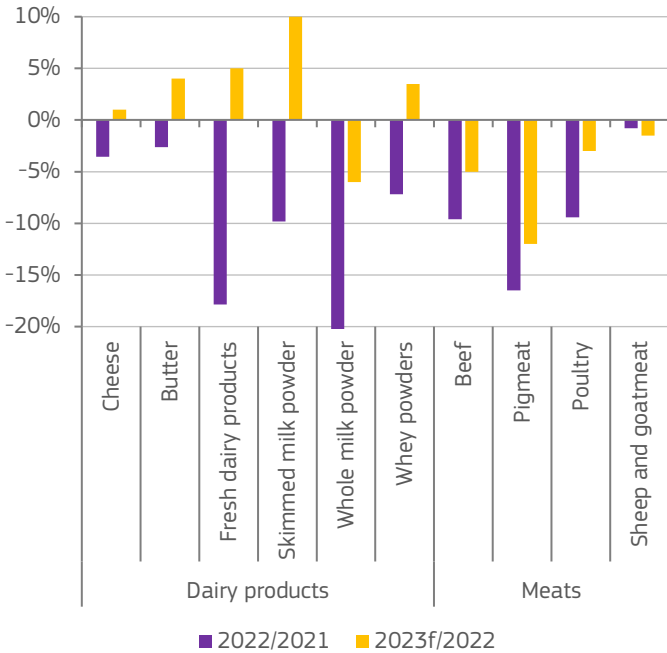
DEMAND

INCREASING DAIRY EXPORTS WHILE MEAT AND SUGAR EXPORTS ARE DOWN

EU exports continued being impacted by global food price inflation. Based on data between January and April 2023, inflation higher than 5% was observed in 65% of low-income countries, 84% of lower-middle-income countries, and 89% of upper-middle-income countries, with many experiencing double-digit values. In addition, also 82% of high-income countries are experiencing high food price inflation.

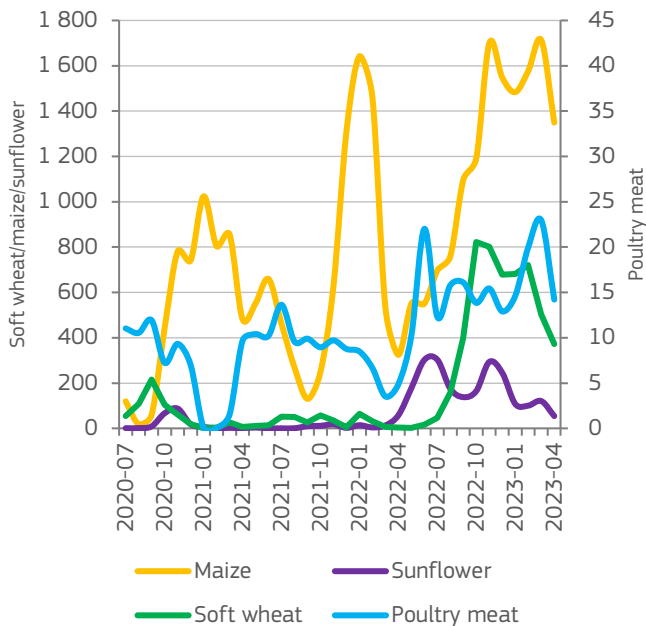
However, lower EU prices of some agricultural commodities (see Macroeconomic outlook) help EU exports to grow. For example, exports of skimmed milk powder, whey powder as well as butter grew. In case of traditional dairy products (cheese, fresh dairy products), these are impacted more strongly by inflation, and so export volumes gains are likely to be lower. On the other hand, high EU meat prices prevent exports from growing. The highest exports' reduction is expected in pigmeat (-12%), which is likely suffering from both lower demand in high-value markets, and a higher price competition for lower-value ones, on top of the continuing reduction of exports to China. At the same time, exports of remaining types of meat could decline (up to 5%), in case of poultry also due to some HPAI bans in place, in particular in case of non-recognition of EU regionalisation. At the moment, also high sugar prices are leading to lower EU sugar exports.

Annual EU export change of selected dairy products and meat types



Source: DG Agriculture and Rural Development, based on Eurostat.

EU monthly imports from Ukraine (1000 t and 1000 t of carcass weight equivalent)



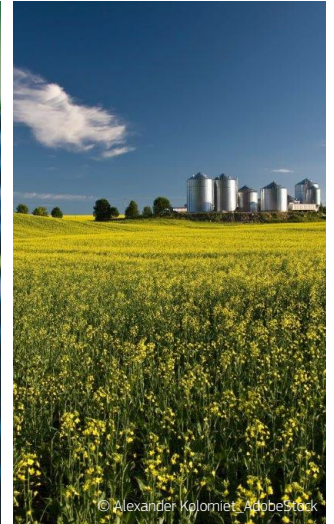
Source: DG Agriculture and Rural Development, based on Eurostat.

IMPORTS FROM UKRAINE SLOW DOWN

Regarding exports of EU specialised crops, these continued being constrained by lower availability (e.g. olive oil, sugar), as well lower demand for premium products especially in consumer groups other than high-income ones (e.g. wine).

The facilitation of trade of Ukrainian agricultural products continued thanks to both Autonomous Trade Measures and Black Sea Grain Initiative (BSGI). In case of the former, new preventive measures were taken to reduce the pressure on domestic markets in the 5 frontline EU countries. These measures cover the most sensitive products: wheat, maize, rapeseed and sunflower seed. As a result, the transit of these products is still ensured under the preventive measure. Nevertheless, given the end of the ongoing marketing year, traded volumes of grains from Ukraine have been reduced. No similar trend was observed in other products (especially some animal products). In the coming marketing year, the capacity of Ukraine to produce remains uncertain. There are some indications that it might be constrained by reduced availability of land for different reasons (e.g. mined fields), lower availability of labour force as well as lower affordability of fertilisers and plant protection products. Concerning BSGI, the current agreement is in place until 17 July 2023. As the decision on its prolongation is not certain, future consequences are hard to assess at this stage.





KEY MESSAGES

Cereals: +5%

2023/24 production increase despite reduced yields growth

Sugar: + 0.9 million t

Sugar imports in 2022/23

Biofuels: -5%

2023 bioethanol production

Tomatoes: +8.4%

production for processing in 2023

ARABLE AND SPECIALISED CROPS

EU cereal and oilseed production could increase in 2023/24, by 5% and 8% respectively. Considering this, and an in-progress improvement of logistics facilitating transit of Ukrainian grains to its traditional markets outside the EU, EU imports are likely to decline. At the same time, EU exports of cereals could further grow. EU sugar beet production is likely to be higher in 2023/24, despite delayed start to the beet sowing campaign. This could translate into lower imports, and a slight increase in exports. Biofuel use continues benefitting from increasing blending rates, which, together with transport fuel demand support stability in 2023. More residues and waste could be shifted to biofuel production, as well as more rapeseed to biodiesel thank to a higher availability.

2023/24 EU olive oil consumption and exports remain weak, driven by lower availability (almost -40%) which leads to higher prices. In the case of wine, ending stocks of 2022/23 are higher, and even increasing for red and rosé wines which causes a concern for some producing regions.

EU production of peaches and nectarines in 2023 suffers from adverse weather conditions, with lower production for fresh consumption while larger quantities could be channelled into processing. In the case of tomatoes, production for processing is recovering while production for fresh consumption remains stable. High retail prices continue constraining fresh products more than the processed ones.

CEREALS and OILSEEDS

SLOWER RECOVERY OF EU CEREAL PRODUCTION

Despite the expected drop in EU cereal area in 2023/24 (-1%), and reduced yield growth due to weather developments in spring, EU cereal production is due to be 5% higher.

While cereal yield growth could be lower than anticipated, yields could still be 6% above 2022/23 levels and 2% above the 5-year average. Owing to higher domestic production, and an in-progress improvement of logistics facilitating transit of Ukrainian grains to its traditional markets outside the EU, EU imports could decline by 35% from a historically high level observed in 2022/23. In particular, lower imports are expected for soft wheat (-57%), maize (-33%) and barley (-25%), while imports of durum wheat could increase (+30%). EU cereals exports could grow by about 6%, slightly above the 5-year average, while exports of durum wheat could be lower (-22%, given a tight expected availability).

With stable feed use reflecting a stagnating EU animal production, total domestic use of cereals is not expected to change substantially in 2023/24, with the exception of a 2% increase in the use of cereals for industrial purposes (e.g. biofuels) recovering from last season's lows. Despite higher carry-over stocks than in the previous year, the expected production recovery for most cereals, lower imports, higher exports and slightly increasing domestic use could lead to marginally lower ending stocks in 2023/24 (-1%).

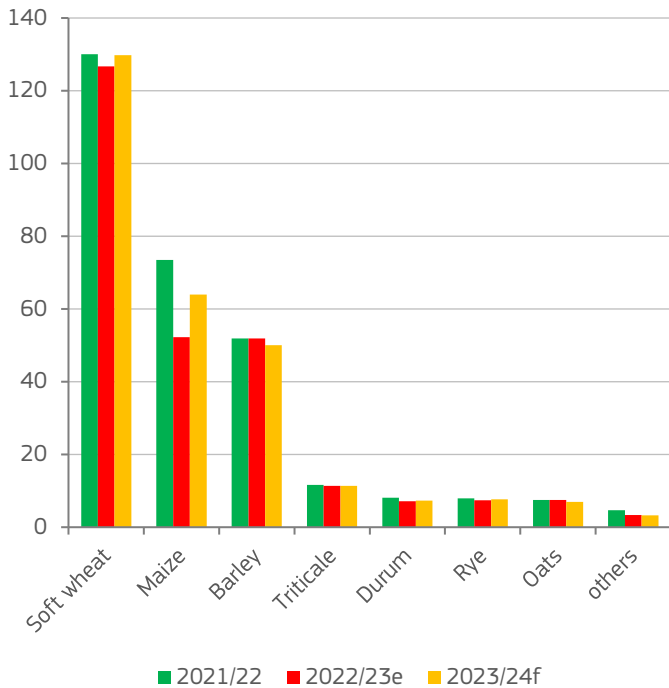
EXPECTED RECOVERY OF EU SUNFLOWER AND SOYA BEAN PRODUCTION IN 2023/24

In 2023/24, EU oilseed production is expected to further increase by 8% (compared to the previous year) to 33.6 million t, in particular driven by higher soya bean and sunflower production (around 18% both, mainly owing to higher area). Compared to historically high levels of imports in 2022/23, rapeseed and sunflower imports are expected to almost return to pre-2022 levels in 2023/24, and even increase for soya beans. At the same time, EU exports could remain relatively stable. As a result, domestic use is expected to increase only marginally in 2023/24 (2%), in particular driven by increasing use of soya bean and sunflower (9% and 8% respectively).

The EU production of oilseed meals is expected to increase with respect 2022/23 by 2.2%, limited by a decline in rapeseed meals (-5%). Exports might improve (9%), especially of soya meals (34%), whereas imports of oilseed meals are expected to decrease slightly, mainly due to reduced rapeseed meals (-33%).

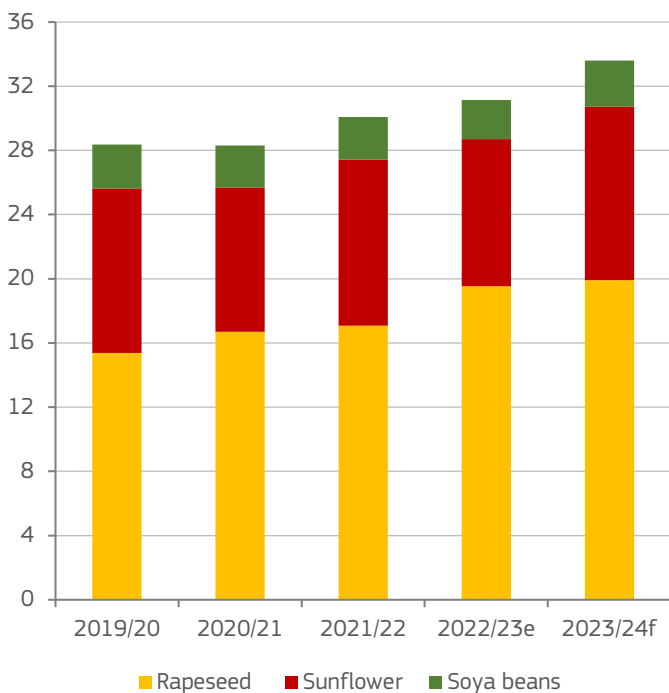
Regarding vegetable oils, EU production and consumption are not expected to change significantly in 2023/24, except for a further reduction in the palm oil use (-9%). On the contrary, both EU exports and imports are expected to decline in 2023/24, (-8% and -3% respectively). Lower imports are driven by further palm oil imports reduction (-9%), while lower exports are driven by rapeseed and sunflower (-28% and -12% respectively).

EU cereals production (million t)



Source: DG Agriculture and Rural Development, based on Eurostat, MS notifications and JRC MARS data.

EU oilseeds production (million t)

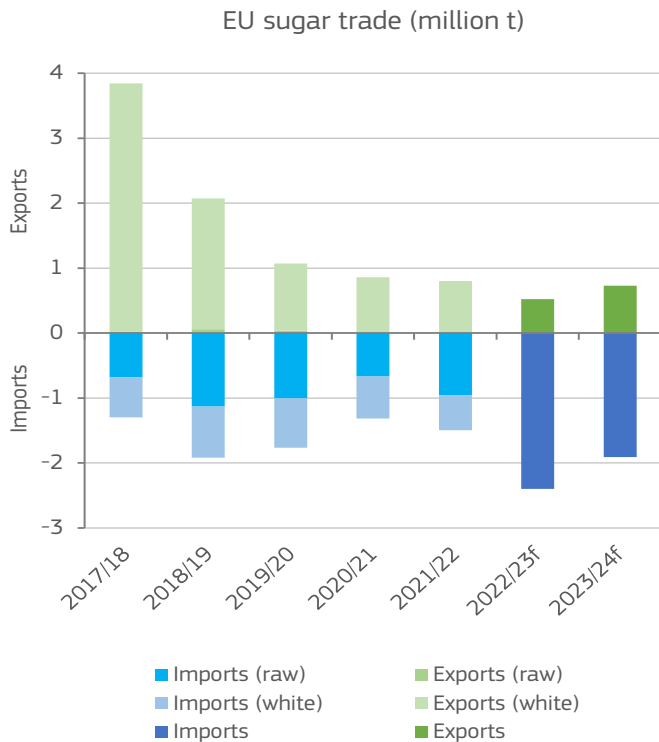


Source: DG Agriculture and Rural Development, based on Eurostat and MS notifications.



SUGAR

SUGAR IMPORTS SHARPLY UP in 2022/23 DUE TO LOWER PRODUCTION AND RECORD PRICES



Source: DG Agriculture and Rural Development, based on Eurostat.

2022/23 white sugar production estimate has been revised downwards to 14.6 million t (-12.1% compared to 2021/22) due to reported declines in main producing countries. As a result of this, and high EU prices (which stabilised in Q1 of 2023), EU imports are sharply up and are expected to reach 2.4 million t (+60% compared to 2021/22).

Total EU consumption of sugar remains resilient to high prices. It has also been supported by strong sugar exports in processed products. On the other hand, industrial use, including use for biofuels production, and sugar exports are affected and are expected to decline.

Despite delayed start to the beet sowing campaign due to wet weather conditions over spring, the first production forecast for 2023/24 marketing year indicates an increase in sugar production to 15.5 million t. Due to increase in domestic supply, imports are expected to decline to below 2.0 million t, while exports are expected to rebound from record lows.

Ending stocks of sugar, which are expected to decline to 1.3 million t in 2022/23 (-14% year-on-year), could recover to 1.4 million t at the end of the next season.

BIOFUELS

DEMAND FOR BIOFUELS FLAT IN 2023

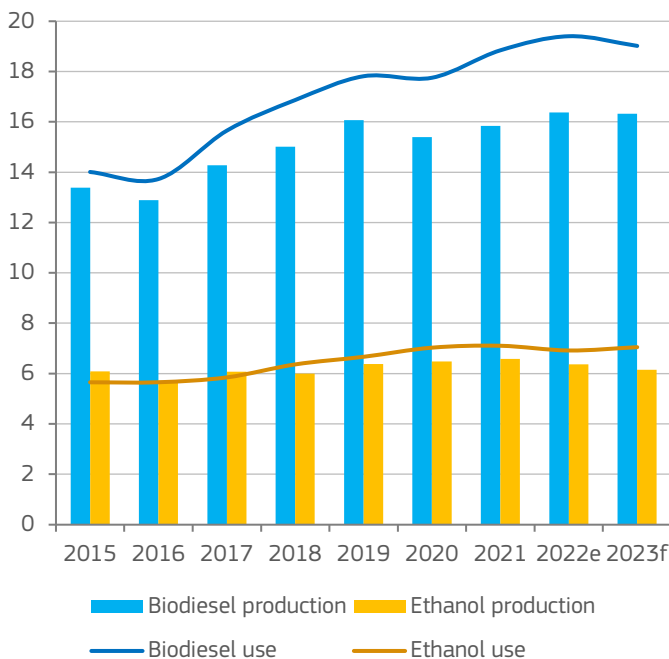
Road fuel demand in 2023 is expected to be little changed compared to 2022 due to lower economic activity, fuel efficiency gains and ongoing electrification of the transport fleet. Demand for both biofuels diesel and bioethanol are also forecast to remain little changed, as blending rates are expected to be relatively stable.

The feedstock for production of EU biodiesel is expected to shift to residues and waste because of increasing demand for advanced biofuels and to rapeseed due to good availability. Due to sustainability concerns, soya bean oil and especially palm oil uses will continue declining, while used cooking oil is not expected to grow as in previous years.

The EU bioethanol production in 2023 is expected to slightly decrease. Use of coarse grains and sugar beet is expected to decline, while more ethanol is expected to be produced from waste and residues.

Imports of ethanol in 2023 are expected to decline due to lower cereal prices and abundant stocks of wheat and maize, while imports of biodiesel, despite the increase in the beginning of the year, are expected to remain stable.

EU production and use of biofuels (billion l)



Source: DG Agriculture and Rural Development, based on Eurostat (biodiesel) and MS notifications (ethanol).



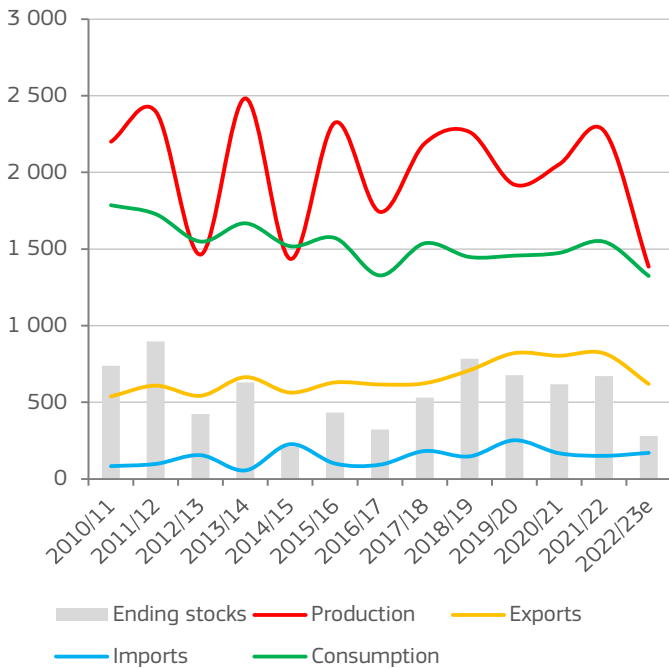
OLIVE OIL

TIGHT EU OLIVE OIL SUPPLY KEEPS PRICES UP

EU olive oil production estimate for 2022/23 season has been revised slightly down, to account for around 40% decline year-on-year. This reduced availability keeps producer prices high and even further supports their upward trends. In mid-July, producer prices of extra virgin olive oil ranged from EUR 600/100 kg in EL to EUR 720/100 kg in IT. Compared to 5-year average, the price increase is the strongest in ES (+133%/+365 EUR to around EUR 640/100 kg). These price developments negatively impact the EU consumption, especially in the main EU producing countries. Therefore, it is likely that the consumption there will be even lower than expected in the Spring 2023 outlook (-16% year-on-year).

Despite expectations driven by a good harvest in Türkiye, and the attractiveness of the EU market due to high prices, EU imports are not expanding at a much faster rate compared to the last marketing year. Therefore, they're likely to reach around 170 000 t (-30 000 t less than previously estimated). On the other hand, EU exports could be slightly higher than originally anticipated (+20 000 t), as some operators might be able to replace certain portion of EU consumption by exports at a higher price. These developments should lead to relatively low ending stocks. With an uncertainty of the future harvest at this stage, it is not possible yet to forecast any future price or demand developments.

EU olive oil production, consumption, trade and ending stocks (1000 t)



Source: DG Agriculture and Rural Development, based on Eurostat and MS notifications.

WINE

INCREASING STOCKS OF RED AND ROSÉ WINES

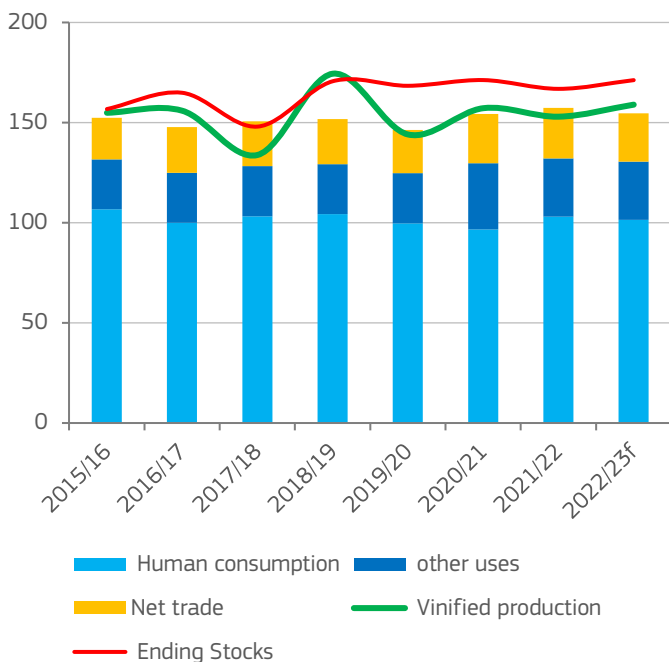
Earlier estimates of 2022/23 EU vinified production have been slightly revised up and is expected to increase to 159 million hl (+6 million hl year-on-year).

The demand for wine (both domestic and international) continues showing signs of weakness. In the case of EU consumption, there is a further acceleration of the long-term downward trend (annual reduction around 1% on average) due to the erosion of purchasing power of consumers by inflation. This is especially affecting red and rosé wines. The lowered global purchasing power is impacting EU wine exports, which are likely to be 5% below a record level of the last season.

As a result of above-mentioned factors, 2022/23 ending stocks stay high and, for red and rosé wines, are even expected to increase if not addressed by the crisis distillation measures. This is a source of concern in many EU wine producing regions.

The developments of the next season will then depend on the result of the crisis distillation ongoing in most affected regions in difficulty, the next harvest, and the demand.

EU wine production, consumption, net trade and ending stocks (million hl)



Source: DG Agriculture and Rural Development, based on Eurostat and MS notifications.

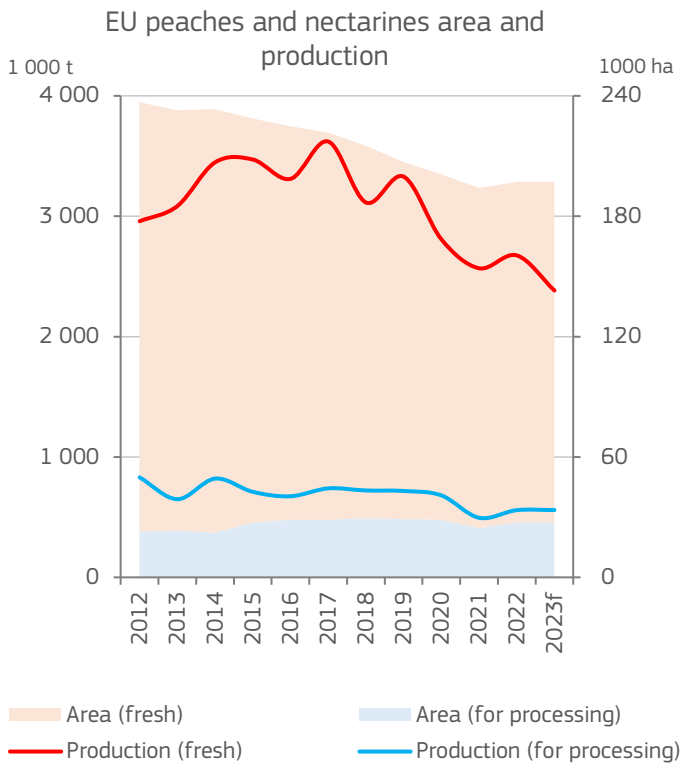


PEACHES and NECTARINES

PRODUCTION IMPACTED NEGATIVELY BY WEATHER

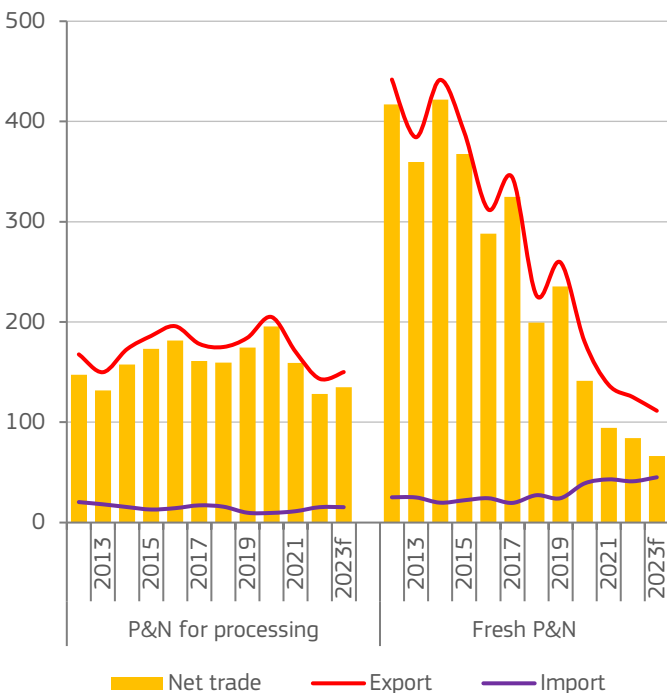
After a low production in 2021 and a recovery in 2022, EU production of peaches and nectarines in 2023 is suffering from adverse weather conditions. Different producing regions are impacted either by drought (e.g. Northern ES, FR), excessive rain and floods (e.g. Emilia-Romagna), or spring frost (e.g. EL, IT, Southern ES). While in some regions drought conditions remain, in others spring rainfall has slightly improved the trees conditions. However, risks of drought, occurrence of hails and storms remain, as well as an unknown recovery pattern of trees currently flooded. Overall, EU production of peaches and nectarines is expected to decline by 9% to 2.9 million t in 2023 (16% below 5-year average).

Despite this, the production of peaches and nectarines for processing could remain stable, mainly due to an expected recovery in ES. In addition, smaller and lower quality fruit normally destined to fresh market could also end up in processing. On the contrary, production of fresh peaches and nectarines is expected to decline (-11%, close to 2.4 million t) as a part of production is destroyed due to the weather and some fruit will have too low quality for the fresh consumption market. Only Spanish production is likely to recover (+30% year-on-year) which is not expected to compensate for losses in IT (-26%), EL (-10%) and FR (-4%).



Source: DG Agriculture and Rural Development, based on Eurostat.

EU trade of peaches and nectarines (1000 t)



Source: DG Agriculture and Rural Development, based on Eurostat.

PRICES PUSHING CONSUMPTION DOWN

Due to lower production and higher consumer prices limiting purchases of fresh products, EU consumption of fresh peaches and nectarines could decline by the same rate as production (-11%), and so remain below 5-year average. There is also a risk that fruit quality does not meet consumer expectations, and this could lead to further consumption decrease. In the case of processed (canned and dried) peaches and nectarines, higher costs associated with processing and distribution are adding to producer prices, resulting in increasing retail prices. As a result, per capita consumption of processed peaches and nectarines could slightly decline and remain below 1 kg in 2023.

In the overall balance, imports look marginal. They represent around 2% of the EU consumption of fresh peaches and nectarines and up to 4% of the processed ones. Imports could remain stable for processed peaches and nectarines while they could increase by 4 000 t in case of fresh peaches and nectarines, which is in line with the long-term trend. The production drop of fresh peaches and nectarines could likely lead to a drop in EU exports as well (-11%). However, exports of processed peaches and nectarines could slightly grow, assuming that part of these exports will be covered by stocks accumulated in the previous year, accounted in an increase of domestic consumption in 2022.



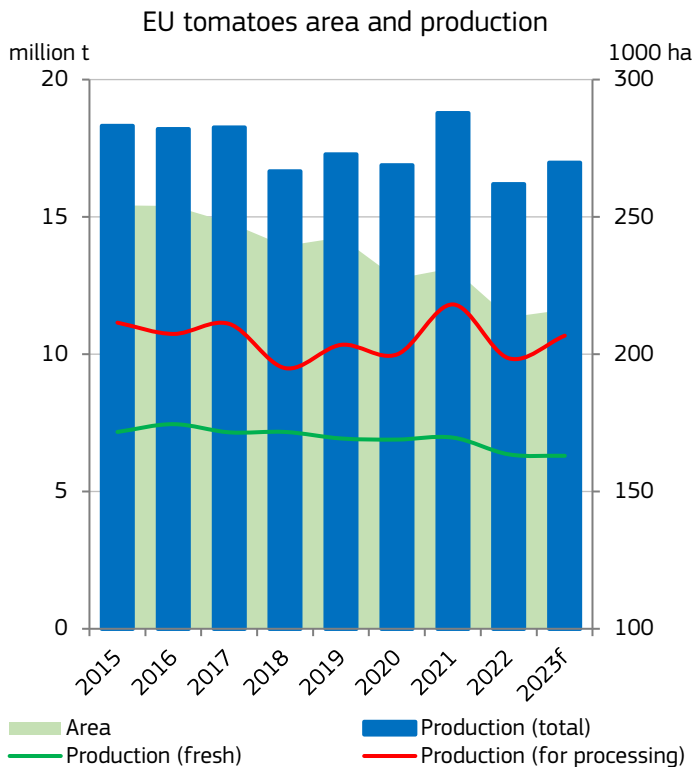
TOMATOES

EU PRODUCTION FOR PROCESSING ON THE RISE

In 2023, the EU total production of tomatoes is expected to increase by 5% to 17 million t (relatively stable comparing to 5-year average). The annual production of tomatoes for processing (around 63% of total production) is expected to increase by 8% to 10.7 million t (6% above 5-year average). EU production for fresh consumption should remain stable at around 6.3 million t (9% below 5-year average). Higher producer prices can partially offset higher production costs, with later planting in North and East European countries allowing for some energy cost savings. This, however, might lead to some overlapping and increasing supply on the market in the summer months.

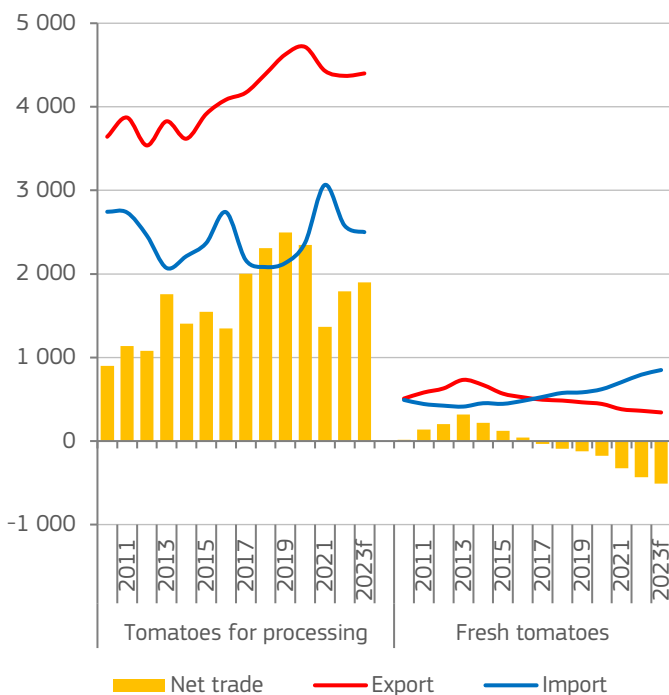
Higher supply of processed tomatoes is due to increase per capita apparent consumption to 19.5 kg (+8% year-on-year, and 11% above 5-year average) including stocks, which are currently very low.

EU fresh tomatoes consumption per capita is expected to be stable compared to last year (15 kg, 5% below 5-year average). However, consumers remain very sensitive to retail price levels, also in the category of small tomatoes (cocktail/cherry) that are generally on increase.



Source: DG Agriculture and Rural Development, based on Eurostat.

EU trade of tomatoes (1000 t)



Source: DG Agriculture and Rural Development, based on Eurostat.

EU IMPORTS OF FRESH TOMATOES CONTINUE THEIR UPWARD TREND

EU imports of fresh tomatoes are expected to increase by 7% to 850 000 t (34% above 5-year average), although less than in the past. Morocco and Türkiye remain their main sources (in 2022 70% of EU fresh tomatoes imports were from Morocco, and 25% from Türkiye).

EU exports of fresh tomatoes continue their long-term downward trend (-6% year-on-year, and 20% below 5-year average). This is partially also due to an increasing presence of third countries' imports in the UK (the largest EU export market), and the uncertainty related to access for EU exporters to this market with regards to border controls and checks. High transport costs and SPS barriers are for the moment hindering the expansion to other countries (e.g. in Asia, US, Canada).

EU imports of processed tomatoes (2.5 million t) could decline (-3% year-on-year) but remain 6% above 5-year average. Production in Ukraine is still low (and hence lower exports), but it is partially recovering which is having an impact on tomato paste exported to the EU. EU exports of processed tomatoes (4.4 million t) are expected to be stable despite higher availability as EU consumption increases, and also due to a competition from other markets.





KEY MESSAGES

Stable

SMP and butter production in 2023

+10%

SMP exports recovery in 2023

-1%

per capita meat consumption 2023

-12%

pigmeat exports in 2023

ANIMAL PRODUCTS

HIGHLIGHTS

Despite growth of EU milk deliveries in spring, this trend is likely to be reverted in the second part of the year, driven mainly by increasing slaughterings. The EU raw milk prices continue decreasing while input costs stay high even if some of them already showed some decline or stabilisation. This could continue putting a downward pressure on milk deliveries. Overall, 2023 EU milk deliveries could be 0.2% lower than last year. Lower EU prices contribute to recovery of exports of some dairy products, in particular butter and SMP for which higher exports are expected in 2023. At the same time, domestic use and consumption remain challenged by lower purchasing power.

EU beef production is expected to decrease further in 2023 by 2%, mainly due to a structural adjustment in the beef and dairy sector, despite high beef prices. A smaller breeding herd as well as African Swine Fever (ASF) push EU pigmeat production further down in 2023, by 5.5%, despite lowering feed prices. As production costs are coming down from very high levels and due to lower occurrence of Highly Pathogenic Avian Influenza (HPAI), EU poultry production could benefit from a quicker recovery of 2.4% in 2023. The historically low EU sheep and goat flock pushes slaughterings down by 1% in 2023, despite high domestic prices. More imports from New Zealand and the UK are expected, due to favourable lambing conditions and high EU prices.

MILK

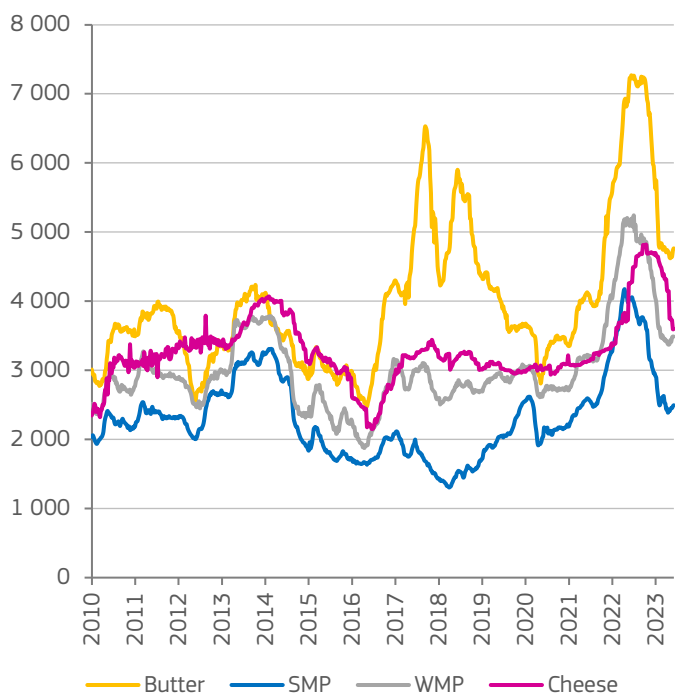
EU RAW MILK PRICE CONTINUE DECLINING

Since the beginning of the year, EU raw milk prices have been declining and in June, the estimated average EU raw milk price was around EUR 45/100 kg (-23% below the peak reached in December 2022). The situation varies per EU countries as the price drops ranged from -2% in CY to around -30% and more in Baltic countries, Benelux, and DK and DE. The highest drop between Dec-June (around 40%), based on June estimates, was recorded in IE and RO.

Some input costs have continued to decline. For example, after having reached a peak in Q4 2022, feed costs did not show any increase anymore in Q1 2023. However, they still remain high compared to the average levels observed in the past. Energy and fertiliser cost indices were reduced more but compared to a higher peak than feed costs.

Underpinned by lower EU raw milk prices, prices of EU dairy commodities dropped as well. In the case of SMP, WMP, and butter, the declining trends observed in the spring showed some stabilisation (even a slight increase for WMP) while EU prices of cheeses and whey declined further. Now, these moves contributed to increasing competitiveness of EU dairy products. In late June, EU butter price is the lowest among the main export competitors, while for other dairy products (SMP, WMP, cheddar), the EU origin is the second cheapest one.

EU weekly dairy prices (EUR/t)



Source: DG Agriculture and Rural Development, based on MS notifications.

Dairy herd and milk yield development 2015-2023



Source: DG Agriculture and Rural Development based on Eurostat.

POSITIVE TREND OF MILK DELIVERIES LIKELY TO REVERT

Despite a decline of EU raw milk prices, EU milk deliveries were 0.8% higher in Jan-April compared to last year. However, their development was very heterogenous across EU countries. Relative to the evolution of raw milk prices at the level of individual EU countries, two main observations could be made. Firstly, lower prices already led to lower production (e.g. IE, LT). Secondly, the continuous increase of milk deliveries had potentially further supported the drop in prices as the demand response was not proportional to this increase (e.g. Benelux, DE, DK, PL).

Until April, cows' slaughterings remained slightly below the level of last year. Considering lower raw milk prices, and input costs that still stay high, the slaughterings which were expected to accelerate over last winter and spring will likely take place over the summer. This could lead to an overall 1% decline in EU dairy herd, which could lead to an overall slowdown of EU milk deliveries growth. The growth of milk yields could be at a comparable level of last year (0.7%), assuming relatively normal weather conditions still at this stage. This could also contribute to a better quality of the milk relative to 2022. Driven by smaller dairy herd, the positive spring trend of milk deliveries is likely to be reverted and so 2023 milk deliveries could remain negative (-0.2%) overall.

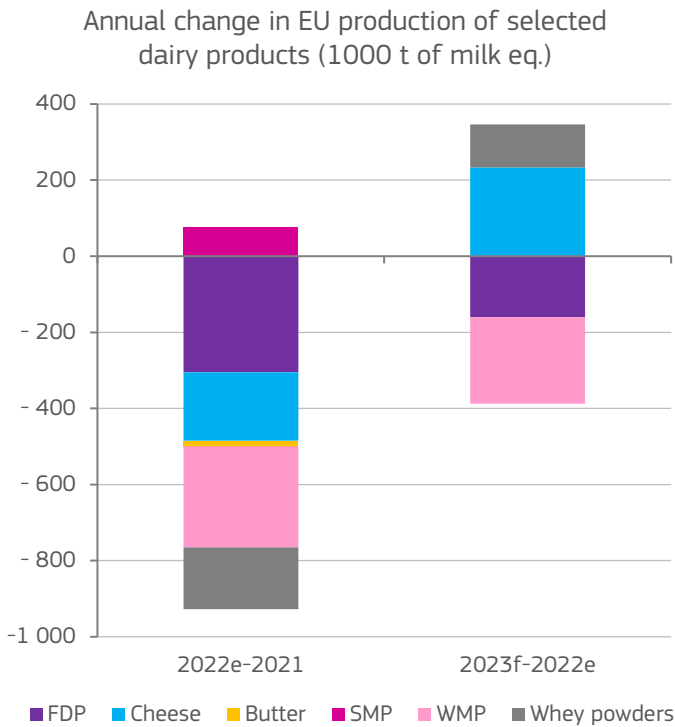


DAIRY PRODUCTS

EU SMP AND BUTTER EXPORTS UP

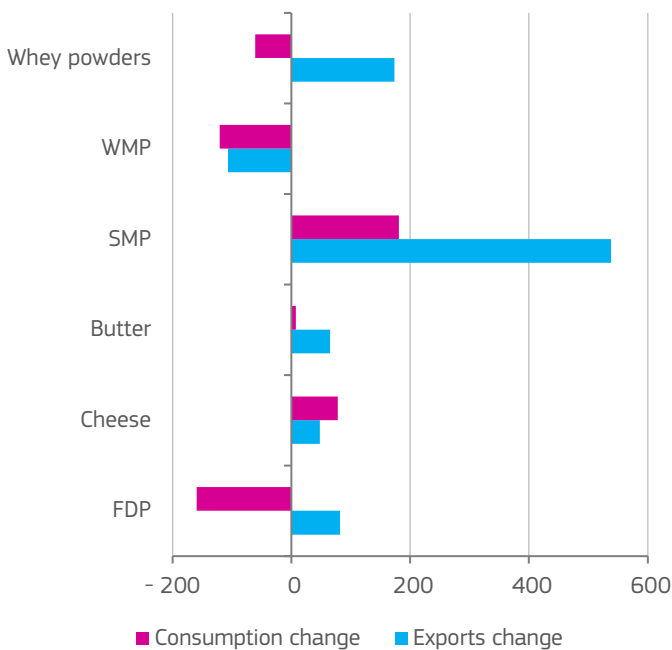
While EU milk deliveries continued growing, the demand was not reacting proportionally. Despite some signs of stabilisation, inflation pressure stays high, and this impacts negatively purchasing power of consumers not only through spending on food but also on other household items (e.g. energy). At the same time, processing and storage costs remain alleviated. Therefore, compared to estimates presented in the Spring 2023 outlook, there has not been any significant revision for EU consumption and domestic use of dairy products.

Dairy demand has been challenged due to rising inflation also in key import markets. Globally, the declines of imports in China and South-East Asia, being traditionally the most dynamic markets for dairy imports, were compensated by increasing flows to MENA, Brazil and Mexico. Thanks to improved EU competitiveness, EU exports grew in Jan-Mar by 33% for SMP, 11% for butter and 5% for whey powders. The particularly positive evolution recorded for SMP and butter could lead to higher EU exports in 2023 (10% and 4% respectively), even more than estimated in the Spring 2023 outlook. On the other hand, EU exports were lower for cheese (-1%) and even more for fresh dairy products (-14%) in Jan-Mar, which is reflected in a lower growth of EU exports in 2023.



Note: SMP and butter production could remain stable in 2023 so they don't appear in the second bar.
Source: DG Agriculture and Rural Development, based on Eurostat.

EU export and consumption changes in 2023f (1000 t of milk eq., year-on-year)



Source: DG Agriculture and Rural Development, based on Eurostat.

IMPROVED GLOBAL DEMAND COULD HELP BALANCE THE MARKET

Contrary to earlier expectations, and thanks to a recovery of EU exports, EU SMP and butter production is likely to remain stable in 2023 to support the exports growth. Stocks of SMP could also be reduced, benefitting from price moves. At the same time, this would help to reduce some storage costs.

Given the same assumption of overall milk deliveries as in the Spring 2023 outlook, and the stability in EU SMP and butter production, estimates of cheese, whey and WMP were slightly revised downwards. Similar reduction was also applied to fresh dairy products which are more directly exposed to changing consumer behaviour in relation to food inflation.

Looking ahead, the improvement of the economic outlook will be a key to support the global dairy demand. This could help balance the global dairy market in the second half of the year, even if global milk production growth could also slow down as a reaction to declining milk prices while costs are reduced at a lower pace. However, the recovery of China's imports is slower, and the market is still assumed to be oversupplied, therefore the uncertainty stays high despite positive results achieved in other destinations so far. For the EU specifically, this could also mean a higher competition



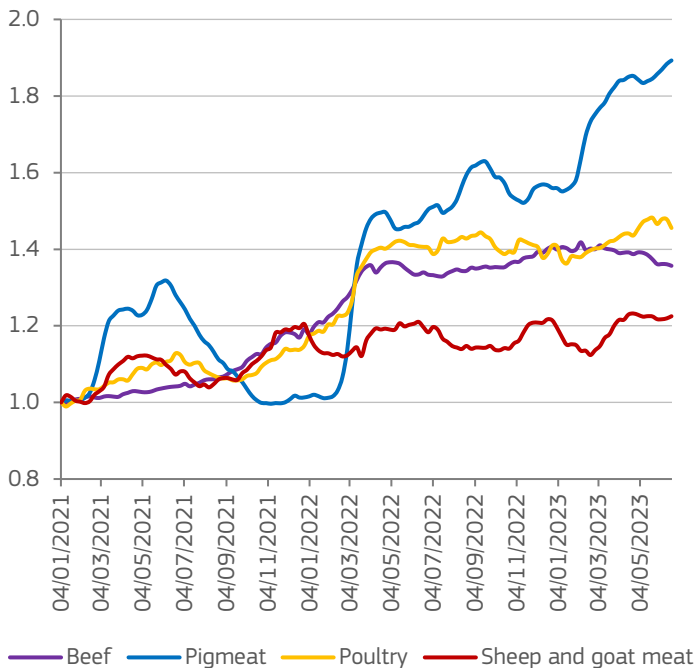
BEEF/VEAL

EU BEEF PRODUCTION DECLINING

EU beef production recorded a 3.7% decline in Q1 2023, mainly due to a significant decrease of slaughterings in IT. Despite an increase of live exports (+5%) which are benefitting in particular from the opening of the Turkish market as well as to some extent from a downward move in feed costs, gross indigenous production is expected to decline by 1.8% in 2023. At this moment, normal weather conditions are still assumed over the summer. The lower beef supply continues supporting EU beef producer prices which were in June 5% below their January peak. This continues negatively impacting EU competitiveness on external markets as well as domestic consumption. Given the high price level, the EU has been facing more competition in high-value markets which leads to a decline in EU exports, and this is likely to stay for the remaining part of the year. Therefore, EU exports could be down 5% in 2023, contrary to an earlier expectation of rather stable exports.

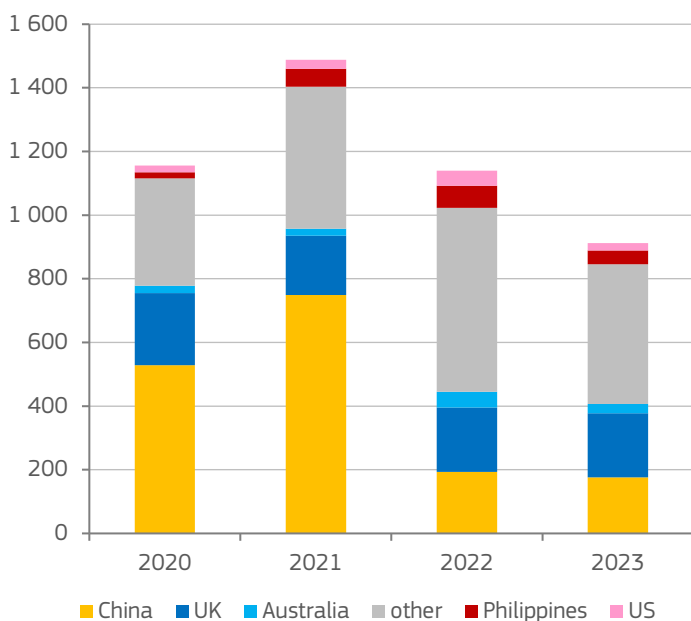
EU consumption drop could be at a similar level as estimated earlier, and so EU per capita beef consumption could be around 10 kg (-1.7% below last year). To some extent, this could be due to reduced consumer purchases caused by inflation, and to some extent due to a switch between retail and foodservice uses for some (less price sensitive) categories of consumers.

EU weekly meat prices indices
(January 2021= 1)



Source: DG Agriculture and Rural Development, based on MS notifications.

Jan-March EU pigmeat exports by main partners
(1 000 t carcass weight)



Source: DG Agriculture and Rural Development, based on Eurostat.

PIGMEAT

HIGH DOMESTIC PRICES REDUCE EU EXPORTS MORE STRONGLY

In Q1 2023, EU pigmeat production went down 7.7%, supporting high pig prices. In June, EU producer prices are at a historical high level (+30% compared to June 2022, +21% since January 2023). At the same time, the EU sow herd is shrinking. Overall, a decline in EU pigmeat production of 5.5% compared to last year is expected.

At the same time, EU demand stays high but given a reduced supply, a drop in EU per capita consumption is expected (-4.5 %, to 30.4 kg), even if lower than anticipated in the Spring 2023 outlook. Besides reduced supply, the consumer considerations about price play an important role, which leads to a potential reduction of the meat consumption or a switch to other types of meat. In particular, pigmeat consumption is usually reduced at the benefit of poultry meat.

EU exports continue declining. Looking forward, EU exports to China are expected go even further down in 2023. At the same time, the EU loses market shares both in high-value markets (e.g. US and Australia) and low-value ones (e.g. Philippines) due to stronger price competition. Overall, EU exports have been revised down in 2023 and could be 12% below last year.



POULTRY

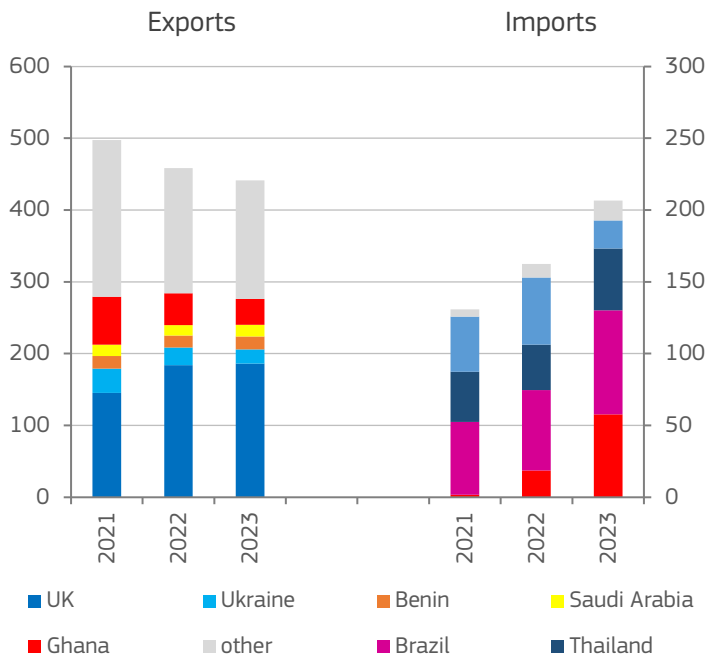
QUICK RECOVERY OF EU POULTRY PRODUCTION

Despite ongoing outbreaks of HPAI (but lower in numbers and in impact compared to 2022), EU poultry production continues proving its potential to recover quickly. Therefore, 2023 production estimate has been revised slightly up (+2.4%), not yet fully factoring in a potential impact of reduced feed and energy costs at this stage. Similarly to other types of meat, EU producer prices increased although at a slower pace than in the case of pigmeat (+6% in June compared to January), and even slightly declined in June.

Due to high prices, the EU is losing some shares in main export markets. There are also some HPAI bans in place, in particular in the case of non-recognition of the EU regionalisation. These two factors are likely to lead to lower EU poultry exports in 2023 (-3%). On the other hand, EU imports are growing, notably from Brazil and Ukraine, but also Thailand. This is likely to lead to higher than expected EU imports in 2023 (+18%).

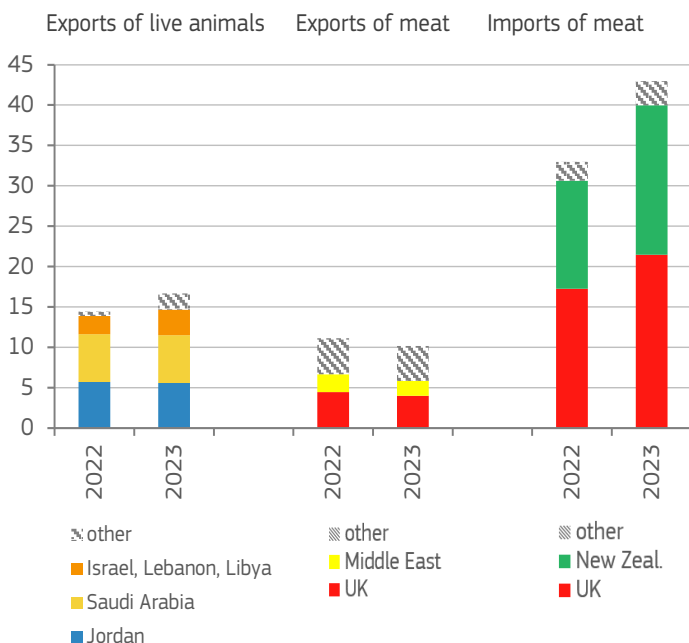
Higher domestic availability, both through EU production and imports, and lower price fluctuations are expected to support EU per capita consumption growth in 2023 of close to 1 kg (around 4% year-on-year).

Jan-March EU poultry trade by main partners
(1 000 t carcass weight)



Source: DG Agriculture and Rural Development, based on Eurostat.

Jan-March EU sheep & goat trade by main partner
(1 000 t of carcass weight)



Source: DG Agriculture and Rural Development, based on Eurostat.

SHEEP/GOAT MEAT

EU SHEEP MEAT IMPORTS GROW AT A STRONGER RATE

Despite positive EU production growth in spring, which was driven by an earlier timing of traditional religious celebrations, EU sheep meat production is expected to decline in 2023 by 1.5%, following the trend of a decreasing herd in the EU. The drought and the continuing outbreak of sheep pox in ES are not factored in due to their uncertain impacts on the production at this stage.

EU shipments of sheep meat are impacted negatively by a strong price competition and lower domestic production, which is likely to lead to a reduction of EU exports in 2023 (-5%), being stronger than the rate estimated in the Spring 2023 outlook.

Regarding EU imports, the price attractiveness of the EU market is likely to lead to their increase (+12%), in particular from the UK and New Zealand, the traditional suppliers.

Despite being the most expensive type of meat, the EU consumption of sheep meat is likely to suffer not so greatly from inflationary pressures as other red meat types, favoured by its specific positioning within consumer baskets (religious, cultural). Nevertheless, the increase of EU per capita consumption could be rather small (+1.4%).



METHODOLOGY

This outlook takes into account the most recent macroeconomic information and the domestic and international market developments and expectations. Data is subject to retrospective review.

The balance sheets refer to six calendar years for meat and dairy and seven marketing years for crops and fruit and vegetables.

SOURCES

- European Central Bank staff macroeconomic projections for the euro area¹
- S&P Global
 - DataInsight database
 - Commodity Price Watch
- World Bank, Commodity Markets²
- Drewry³ world container index, cited by Statista⁴
- Baltic dry index,⁵ cited by Statista⁶
- Eurostat
 - Agricultural production yearly for historical data and monthly data for previous and current year for meat and dairy production
 - Farm livestock survey
 - Gross Indigenous Production (GIP) forecast for meat
 - Early estimates for crop products
- Comext database (extra and intra-EU trade statistics)

Due to some inconsistencies in intra-EU trade reporting, intra-trade is based on export figures only, i.e. imports of France are calculated as extra-EU imports plus exports of EU partners to France. This with the exception of the UK that still remains in the intra-EU trade reporting, even though it is not part anymore of the EU since February 2020 and therefore included in extra-EU trade figures. For trade with the UK, only the declaration of the Member States is considered, both imports and exports.

¹ https://www.ecb.europa.eu/pub/projections/html/ecb.projections202306_eurosy-stemstaff-6625228e9f.en.html#toc6

² <https://www.worldbank.org/en/research/commodity-markets>

³ Drewry World Container Index reports actual spot container freight rates for major East West trade routes. The Index consists of 8 route-specific indices representing individual shipping routes and a composite index. All indices are reported in USD per 40ft Container.. <https://www.drewry.co.uk/>

⁴ <https://www.statista.com/statistics/1250636/global-container-freight-index/>

⁵ The Baltic Dry Index is reported daily by the Baltic Exchange in London. The index provides a benchmark for the price of moving the major raw materials by sea.

<https://balticexchange.com/en/data-services/market-information0/dry-services.html>

⁶ <https://www.statista.com/statistics/1035941/baltic-dry-index/>

- Global Trade Atlas (GTA, global trade statistics, including UK trade).
- Weekly commodity prices communicated to DG Agriculture and Rural Development by the Member States.

Macroeconomic forecast is based on sources provided by the European Central Bank, with additional insights from S&P Global.

Production forecast for current and next year is based, depending on the sector, on Eurostat monthly data, official estimates of ministries, national statistical institutes, national or European organisations, MS notifications to DG Agriculture and Rural Development and on the Crop Monitoring and Yield Forecasting projections (JRC MARS AGRI4CAST⁷) in the case of cereals; on expert forecasts for Gross Indigenous Production (in heads) sent by Member States (MS) to Eurostat in the case of meat; on monthly milk deliveries for dairy. The estimated and forecast external trade figures are derived from the latest monthly data available by applying trends and annual profiles as well as from trade licences and import quotas, when applicable.

As Brexit took place on 31 January 2020, market outlooks reflect the current EU-27 composition for the whole reporting period. This is valid for all markets except sugar for which EU-27 balance sheets are produced only from 2019/2020 not to disclose confidential information on UK sugar stocks.

Trade forecast is based on latest data available until 15th of the month preceding the publication date.

Although the UK is considered a third country partner of the EU since January 2021, EU countries continue reporting trade flows to/from the Northern Ireland in INTRASTAT database while flows to/from Great Britain are reported in the database for extra-EU partners. However, the UK figures are consolidated with a delay to reflect reporting for Northern Ireland (70 days instead of 45).

Because of this delay in EU trade data completeness, the period covered by trade data might differ from the period for which monthly production data is available (usually 45 days after the end of month, depending on the source). However, some individual data for other extra-EU partners might already be available as described above.

Price transmission along the food chain: main data source for individual indices is Eurostat (Food price monitoring tool). However, EU farmer price indices are not available before January 2015. Before this date, the monthly change is estimated based on Member States data weighted by their share in the agricultural output. Latest Eurostat monthly

⁷ <http://mars.jrc.ec.europa.eu/mars/About-us/AGRI4CAST/Crop-Monitoring-and-Yield-Forecasting>

indices for EU farmer prices are available in September 2022. Since this date, the index is estimated based on cereals, sugar, milk, meat, tomatoes and apples monthly prices weighted by annual production (updated by the latest edition of short-term outlook: https://agriculture.ec.europa.eu/data-and-analysis/markets/outlook/short-term_en).

ARABLE CROPS

Figures for the marketing year 2023/24 are based on a forecast that considers the latest developments, and average trends observed in past. These average trends are removing strong year-on-year variations that could have happened due to extreme market and weather events.

Crop areas

For MS in which data is not yet available, a percentage variation is estimated on the basis of those MS which communicated data or area is estimated through the trimmed average of the last five marketing years or assuming no changes compared to the previous year.

Yields

MS estimates or AGRI4CAST projections are used if available. If these data are not available, preferably the yield trend over the 12 last years is retained, otherwise the trimmed average of the last five marketing years is used.

Trade

Cereal trade figures include cereals as such, plus flour and groats (in cereal equivalent). In the former editions of the Short-term Outlook, maize trade included additional processed products. This has been revised backward and the balance is closed via an adjustment of the processing demand.

Balance sheets

They are based on a marketing year starting with the harvest: July/June for cereals and Oct/Sept for sugar. Thus, area, yield and production figures of crops refer to the year of harvest.

Cereals

Human consumption, seed use and other industrial use is based on historic relations regarding population and planted area in the relevant marketing year. Feed use is based on calculations. Forecast is based on information about the ethanol production development. Stocks are closing the balance for cereals⁸. Intervention stocks equal official figures of the Directorate-General for Agriculture and Rural Development for the past and estimates based on past experience for the current marketing year, if applicable.

Oilseeds

The balance sheets include rape, soya beans and sunflower seed meal and oil, plus palm oil. Stock data represent own estimates based on expert judgement and market

information. Thus, the balances close on the domestic use. A coefficient is used to determine the share of oilseeds used in the crushing industry. These crushing coefficients range from 94% to 98% for rapeseed, 89–91% for soya beans and 85–89% for sunflower seed. The balance sheets are interlinked, as oilseeds are crushed into meals and oils on the basis of processing coefficients, used to determine the percentage of meals and oils obtained from oilseeds in the crushing process. These processing coefficients equal 57% for rape meal, 79% for soya bean meal and 55% for sunflower meal and 41% for rape oil, 20% for soya bean oil and 42% for sunflower oil.

Sugar

For sugar beet area, yield and production, the procedure is similar to the other arable crops. It includes sugar beets for sugar production and for ethanol production. The balance sheet includes only sugar beet production processed into sugar⁹ and white sugar. The link with white sugar production is made through the white sugar production as notified under the Common Market Organisation (CMO) for sugar. The presented balances do only consider sugar expressed in white sugar equivalent (e.g. no isoglucose) and take into account sugar beet production outside of the quota (up to 2016/17). Trade of products containing sugar is reported under net exports in processed products under domestic uses of white sugar. These are estimated by applying conversion coefficients to trade volumes of over 400 processed food products. Industrial and biofuel use is based on historical data and projections based on information about ethanol production development. Stocks are taken from Member States notifications when they become available and therefore the balance closes over human consumption. When Member State information on stocks is not yet available for the projections, they are closing the balance. The reported stocks include carry-forward sugar (up to 2016/17).

For confidentiality reasons with regard to Member States notifications on stocks, EU+UK sugar balances are presented in this report up to 2019/20. For the same reason, only change in EU stocks is presented for 2020/21.

Isoglucose

Production and stocks data originate from MS notifications under the Common Market Organisation (CMO) when they become available. The balance closes over consumption. 2019/20 estimates and 2020/21 forecast are based on trends and experts' judgment.

Biodiesel

The balance sheet is based on calendar year. Production data comes from Eurostat. Data covers production from various feedstocks, including vegetable oils, used cooking oils, animal fats and waste (e.g. used cooking oil). Consumption includes fuel use data from Eurostat and own estimates of biodiesel for other uses. Trade figures include trade of pure biodiesel

⁸ For all crops this refers to a situation as of end-June, which may differ from other balances, e.g. IGC for maize, USDA for corn.

⁹ Sugar beet production processed directly into ethanol is not accounted for in the white sugar production.

as well as biodiesel in blends. Biodiesel traded in blends is estimated using blending coefficients. Stock data is not available and therefore changes in stocks are presented as closing variable. Estimates and forecast are based on trends and experts' judgment.

Ethanol

The balance sheet is based on calendar year. Production and consumption data is taken from MS notifications. To these data, an estimate is added for ethanol produced from non-agricultural waste directed to fuel use. Production data covers production from various feedstocks, including cereals, sugar (beet) and molasses, other agricultural feedstocks (e.g. wine and potatoes) and (non-)agricultural residues and waste (e.g. straw). Consumption includes fuel use, use for food and beverages, and industrial and other use. Trade data covers undenatured and denatured ethyl alcohol, applying a conversion coefficient to pure alcohol of 92%, and excludes trade in blends. Stocks are the closing variable. Estimates and forecast are based on trends and experts' judgment.

SPECIALISED CROPS

Olive oil

The balance sheet is based on a campaign starting with the harvest: October/September.

Production estimates present MS notifications for an ongoing campaign. Exports and imports are based on seasonal trends and trends observed in previous years in main export destinations. Consumption estimates take into account different trends in main producing countries (Spain, Italy, Greece and Portugal) and the rest of the EU. In the former, the link between a variation of annual production and consumption change is taken into account. The balance closes on ending stocks.

Wine

The balance sheet is based on a campaign from August to July.

The forecast of vinified production is based on MS notifications for an ongoing campaign. An estimate of the vinified production used for 'other uses' is based on total vinified production as well as the consumer demand for products such as vermouth, cleaning products etc.

Exports and imports are based on trends and market expertise.

Consumption estimates take into account different trends in main consuming countries (Spain, Italy, France and Germany) and the rest of the EU. The balance closes on ending stocks.

Apples

The balance sheet is based on marketing year starting with the harvest: August/July. It includes apples both for fresh consumption and for processing.

The forecast of total apple production is based on forecasts of national or European sectoral organisations. These data, as

well as last years' production and consumption, are used to estimate use of apples for processing.

When MS information on stocks is available via World Apple and Pear Association (WAPA), the balance closes on consumption.

Exports and imports are based on seasonal trends and trends observed in previous years in main export destinations. Trade of processed apples is expressed in fresh apple equivalent. The conversion coefficients used to convert processed products into fresh apple weight rates vary between 1.3 and 6¹⁰.

Tomatoes

The balance sheet is based on a calendar year. It includes tomatoes both for fresh consumption and for processing.

The total production of tomatoes consists of the production of 'tomatoes for fresh consumption' and the production of 'tomatoes for processing'. Eurostat is used for the production of fresh tomatoes and World Tomato Processing Council figures for the production of tomatoes for processing.

The production forecast for fresh tomatoes is based on trends and market expertise. The forecast for tomatoes for processing is based on forecasts from the World Tomato Processing Council.

Trade of processed tomatoes is expressed in fresh tomato equivalent. Conversion coefficients used to convert processed products into fresh tomato weights vary between 1.13 and 19.5¹¹.

Trade projections are based on production, consumption estimates and trends observed in previous years in main export destinations.

Stocks of both fresh and processed tomatoes are assumed to be zero. Consumption is calculated as a residual. This implies that stock changes are included in consumption figures.

Peaches and Nectarines

The balance sheet is based on a calendar year. It includes peaches and nectarines both for fresh consumption and for processing.

Historical data are based on Eurostat. The total production of peaches and nectarines adds up the production of 'peaches' and the production of 'nectarines'. The production of peaches and nectarines for fresh consumption is calculated as the total production of peaches and nectarines minus peaches for processing.

The production forecast is based on estimated production changes by Europeche and applied to the Eurostat data.

Trade of processed peaches is expressed in fresh peach equivalent. The conversion coefficient is 1 for all processed

¹⁰ Conversion coefficients are based on a work conducted by Eurostat in 2009.

¹¹ Conversion coefficients are based on a work conducted by Eurostat in 2009.

products, but 6 for dried peaches and nectarines. Projections are based on information about production and trends in consumption as well as trends in main export destinations.

Stocks of fresh peaches are assumed zero. Consumption is calculated as a residual.

Oranges

The balance sheet is based on a campaign starting with the harvest: October/September. The balance sheet includes fresh oranges and processed oranges (mainly juice and jams) and is expressed in fresh equivalent.

Area, yield and production data comes from Eurostat. Own estimates are used for oranges produced for processing. Trade of processed oranges is estimated using conversion coefficients into fresh equivalent¹². Conversion coefficients used to convert processed products into fresh oranges weights vary between 0.3 and 12. No stock data is currently available. The balance closes over apparent consumption. Forecast is based on trends and experts' judgment.

MEAT

The meat balance sheets cover the beef, pig, poultry, sheep and goat meat categories. Trade data is divided into live animals and meat products ('fresh and chilled', 'frozen', 'salted' and 'prepared'). The offal and fat categories are excluded (with the exception of pork lard). All data is expressed in carcass weight equivalent unless specified otherwise¹³.

Production forecast for the year 2023 is based on annual and monthly data on slaughtering, Member States expert forecast, on the trends in livestock numbers and meat consumption patterns. Net production refers to data on slaughterings taking place in the registered slaughterhouses as well as in other establishments. The other slaughterings are subject to constant reviews; therefore, data on the net production might be sensitive to these changes. GIP is calculated as net production plus live exports minus live imports. Consumption is calculated as a residual, i.e. sum of production plus imports less exports plus stock change.

MILK AND DAIRY PRODUCTS

The commodity balance sheets cover production of dairy products taking place in dairy processing plants and so far do not include on-farm production.

Total EU production of dairy products and in particular for SMP and WMP is estimated, where necessary since the concentration in the dairy processing industry has resulted in

an increasing number of Member States not publishing their (monthly) production statistics due to confidentiality.

Dairy products production for year 2021 is based on Eurostat annual statistics, estimates for 2022 are based on the available monthly statistics, taking into account the country coverage and sample characteristics (therefore not fully comparable to reported monthly figures by Eurostat, and based on the comparison of trends between annual and monthly databases in past). Forecast for 2023 is based on current market developments, price expectations, the trends stemming from the medium-term projections and on consumption patterns. Assumptions are made on the dairy herd and cow milk yield, milk demand for direct sales, feed and on-farm use, and milk fat and protein content developments.

Milk uses for dairy products are balanced with availabilities of total milk fat and proteins through a 'residual approach'.

2023 market forecast is first made for milk deliveries and the production of dairy products. The forecast production figures are then converted into protein and fat equivalents and subtracted from the available dairy fat and protein of the milk delivered. In the dairy products balances, consumption is calculated as a residual, i.e. sum of production plus imports less exports plus stock change. Knowledge of private (commercial) stocks and consumption levels is incomplete or lacking for most dairy products. The developments in domestic use may hide considerable changes in private (industry/trade) stocks.

Trade is expressed in milk equivalent using the total solid methodology accounting for the non-fat and protein components of milk such as lactose. As a consequence, the milk coefficient of cheese (composed of fat and protein only) is lower with this methodology (3.58) than when accounting for fat and protein only (5.97). The other coefficients used are: 6.57 for butter, 7.57 for SMP, 7.56 for WMP, 7.48 for whey powder, 0.85 for drinking milk, 3.21 for cream and 0.98 for yogurts.

In the case of butter, trade flows under inward and outward processing are extracted from trade figures in the butter balance sheet. As those regimes are not reported for flows to/from UK, for imports under inward processing a coefficient of 30% is applied for EU imports from the UK and a coefficient of 20% for EU exports to the UK to account for outward processing. Those values are then extracted from the EU trade flows. This methodology might change when the respective regimes will start to be reported.

DATA

From this edition, all EU balance sheets are available in [Agri-Food data portal](#) only, in the form of both tables and graphs.

¹² Conversion coefficients are laid down in Working Document 'Handbook for compiling supply balance sheets – vegetables (ESTAT/ASA/PE/640rev3_WPM).

¹³ Carcasses of bovine animals, pigs, sheep, goats and poultry are defined at point 3 ('carcass weight' at point 4) of Annex I of Regulation (EC) No 1165/2008 concerning livestock and meat statistics. For more details as regards the conversion coefficients of product weight into carcass weight equivalent please refer to the Eurostat document ASA/TE/F/655.

ABBREVIATIONS

ASF	African swine fever	HR	Croatia
AT	Austria	HU	Hungary
bbl	barrel (approximately 159 litres)	IE	Ireland
BE	Belgium	IT	Italy
BG	Bulgaria	K	potassium
BSGI	Black Sea Grain Initiative	LT	Lithuania
CAP	Common Agricultural Policy	LU	Luxembourg
CY	Cyprus	LV	Latvia
CZ	Czechia	MMBtu	Metric million British thermal units (approximately 293.1 kilowatt hours)
DE	Germany	MS	Member States
DK	Denmark	MT	Malta
ECB	European Central Bank	N	nitrogen
EE	Estonia	NL	Netherlands
EL	Greece	P	phosphorus
ES	Spain	PL	Poland
EU	European Union	pp	percentage point
EUR	Euro	PT	Portugal
FDP	fresh dairy products	RO	Romania
FI	Finland	SE	Sweden
FR	France	SI	Slovenia
GDP	gross domestic product	SK	Slovakia
HPAI	highly pathogenic avian influenza	SMP	skimmed milk powder
		STO	Short Term Outlook
		UK	United Kingdom
		US	United States
		USD	US dollar
		WMP	whole milk powder

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