European Commission

SHORT-TERM OUTLOOK

for EU agricultural markets in 2022





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

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Agriculture and Rural Development

CONTENT

OVERVIEW – from a pandemic to war in Europe

The **Russian invasion of Ukraine** on 24 February 2022 significantly disturbed global agricultural markets, creating more uncertainty regarding the future global availability of grains and oilseeds, and adding a layer of instability in already tense markets. It raised fundamental **food security** concerns as well as systemic concerns regarding the EU dependency on feed and fertiliser imports, in particular from Ukraine, Russia and Belarus.

The **availability** of food, feed and fertilisers is not a primary concern in the EU regarding this year and the next cereals marketing year (2022/23, starting in July 2022 with the summer harvest and continuing with the utilisation of the grains produced in 2022 until June 2023, before the next harvest starts in summer 2023). The EU is **largely self-sufficient for food**, with a massive agri-food trade surplus, and the EU **Single Market** can be expected to prove once again its role in absorbing shocks. There are nevertheless concerns regarding **affordability** due to high market prices and inflationary trends.

Thanks to the proposed measures to increase the EU arable crops production, which will notably allow farmers to increase their sowing area for maize, sunflowers and protein crops (the wheat planting season being already largely over), and provided normal weather conditions prevail, the 2022 EU harvest may be a very good one for cereals and for oilseeds. This, together with a lower feed demand – due to a lower pigmeat production in 2022– and a reduced use of cereals for biofuel, could enable EU grains exports to be 30% higher and EU grains imports 42% lower in the 2022/23 marketing year (compared to the 5-year trimmed average in both cases). This would contribute to cushion the impact on world markets of the expected lack of grain exports from Ukraine.

Before the invasion of Ukraine the global economic recovery was already facing challenges: imbalances in supply and demand of inputs as well as agricultural commodities had led to severe price surges. In Asia, and particularly in China, the shortage of containers and the congestion in ports due to sporadic outbreaks of COVID-19, had provoked an increase in freight costs. The oil price had been rising steadily, reflecting an increased demand linked to the economic recovery and a slow rise of the production. Gas prices had followed a similar development. Since gas is used for ammonia production, a key component of nitrogen fertilisers, fertilisers' prices had jumped since mid-2021 to reach levels unseen in Europe in the past decade. High energy prices and rising inflation were also putting pressure on consumers' purchasing power.

The Russian invasion of Ukraine further impacted the prospects for the whole EU economy (see the "Macroeconomic outlook" section), in addition to the global grain markets.

Ukraine had become **a major player on the global grain and seed oil market** in the past decades. Ukraine accounted for 10% of the global wheat and global maize trade, and more than a third of the global sunflower oil trade (in 2021). The transport and logistical disruptions in Ukraine caused by the fighting and the blockage of the ports on the Black Sea are expected to strongly impact Ukraine's capacity to export the current and future production. According to FAO calculations, when the war broke out Ukraine was still expected to export 6 and 14 million t of wheat and maize, respectively, by the end of the 2021/22 marketing year (i.e. until the end of June 2022). Uncertainties on the capacity of Ukrainian farmers to sow, fertilise and harvest their production this year (for the 2022 harvest and therefore the 2022/23 marketing year) led to various estimates of possible reduction in grain production. One scenario would entail no exports from Ukraine in the 2022/23 marketing year) and lead to some 20 million t of wheat missing on the global market (the amount exported by Ukraine in 2021, 10% of global wheat exports).

The EU is largely self-sufficient for most agricultural commodities, in particular wheat, dairy and meat (see Table 5.1 of Statistical Annex). The **supply of the EU food market** is therefore **not at risk** for those key products, even with the additional demand due to the millions of refugees arriving in the EU to flee the war. Reduced imports of maize, wheat, rapeseed and sunflower oil and meals from Ukraine will however have an impact, especially on feed prices and for the EU food processing industry.

In the case of **feed**, EU livestock producers are looking for alternative supplies and adjusting feed rations to address high costs and compensate for the lack of imports of maize from Ukraine in particular. With respect to feed rations using soya, not only conventional but even more GM-free production systems could be hit by current developments. This impacts organic dairy production and, in some cases total milk production. Spring weather in the EU will play a key role in the availability of home-grown feed and roughage which could partially compensate for reduced feed imports. Some of the missing imports could also be sourced elsewhere, even if some of the main producers (e.g. from South America) are suffering from weather constraints.

Regarding **sunflower oil**, there is no real possibility to replace the imports from Ukraine and food processors already expressed concerns as sunflower oil is used as ingredient in many processed products (e.g. margarine and biscuits,

and also for canned fish). This could nevertheless create opportunities for other products, such as olive oil for cooking.

The **main concern therefore remains the level of prices**. As a result of the war, commodity prices (from energy to fertilisers to wheat to soybeans) have skyrocketed. They are expected to remain high this year and will further weigh on pre-existing increasing inflation levels. The ECB now forecasts an inflation rate of 5.1% for the EU in 2022 (with a return to 2.1% in 2023). This situation raises questions on the farmers' capacity to purchase fertilisers, feed and to pay their energy bill, particularly for farmers with energy-intensive and feed-intensive farms. The situation also raises questions on food affordability for low-income households.

The **EU policy response** has been swift, with measures proposed to both alleviate the pressure on farmers and limit the impact on consumers, announced in a communication on safeguarding food security and reinforcing the resilience of food systems on 23 March[1]. Those measures include a support package of 500 million EUR, to support producers most affected by the serious consequences of the war in Ukraine; more advances of direct payments; market safety-net measures; an exceptional and temporary derogation to allow the production (if Member States decide it) of any crop for food and feed purposes on fallow land to enlarge the EU's production capacity in spite of the limited availability of fertile land; specific temporary flexibilities to existing import requirements on animal feed to contribute to alleviating the pressure on the feed market. To address challenges on the energy market, the Commission announced a range of actions in its RePower EU Communication on energy security of 8 March[2].

To address the EU dependency on inputs, the Commission encouraged Member States to use the new CAP strategic plans to prioritise investments that reduce the dependency on gas and fuel and inputs such as pesticides and fertilizers, notably investments into sustainable biogas production, investments into precision farming, support for carbon farming, and support for agro-ecological practices.

It is also paramount to **preserve a well-functioning EU Single Market**, thanks to which the EU did not experience any shortage of food or any risk to food safety during the COVID-19 pandemic. The efficient functioning of the Single Market reflects that supply chains are interdependent and any unjustified restriction to the Single Market could have unintended consequences and threaten the supply of safe food.

In terms of **outlook for specific markets**, the domestic **cereals** prices that surged in the past weeks for all main cereals (wheat, maize, barley) are expected to remain particularly high this year and in 2023. Because the winter and most of the spring wheat was already sown in the EU when the war broke out, the wheat production area for the 2022 harvest (2022/23 marketing year) is projected to increase by 1% only year-on-year. Other crops, notably maize, are nevertheless expected to increase their production thanks to the combined effect of high prices and increased usable land. Provided normal weather conditions prevails (it is very early in the season, but so far the areas of concerns are limited to Southern

[1] https://ec.europa.eu/commission/presscorner/api/files/document/print/en/speech_22_1991/SPEECH_22_1991_EN.pdf

[2] https://ec.europa.eu/commission/presscorner/detail/en/ip_22_1511

regions of the EU - see map on page 6), the 2022 harvest may be a very good one for cereals and for oilseeds. High energy and commodity prices will reduce (moderately) EU meat production and thus feed demand, as well as EU fuel and thus biofuel demand. The result would be EU grains exports 30% higher (55.4 million t) and EU grains imports 42% lower (14.0 million t) in the 2022/23 marketing year compared to the 5-year trimmed average. This would contribute to cover part of the expected shortfall from a lack of exported grain production from Ukraine.

It is too early to forecast the impact the situation may have for the 2023/24 marketing year, starting with the wheat planting in the Autumn 2022.

Regarding **oilseeds**, sunflowers require less nitrogen input than other crops and farmers may favour sunflower over maize this year. This will however not compensate the missing imports of oil. The rapeseed market, less concerned since the vast majority of rapeseed imports from Ukraine already took place this season, is nevertheless impacted with rapeseed prices exceeding briefly EUR 1 000/t at the end of March.

The market outlook for **sugar** and **olive oil** is stable at this point.

Regarding meats, some good news came from the **pigmeat** sector where prices strongly increased in the past weeks. However, high feed and energy costs, which will keep producer margins under pressure, as well as lasting effects of the African Swine Fever situation will bring the production down. Poultry production is projected to increase slightly in 2022 supported by high prices and despite high input prices, the Avian influenza outbreak and the negative impact of the war in Ukraine on exports.

Beef production is expected to decrease in 2022, due mainly to a structural adjustment in the beef and dairy sector, despite high prices and increasing demand on the export market. A historical low sheep and goat flock is due to result in a production decline in 2022. In the current context, purchased feed-intensive production models will suffer more than extensive production models.

The rising input costs are squeezing **dairy** farm margins and therefore, despite high raw milk prices, it is expected that the milk supply (globally and in the EU) could remain tight at least in the first half of 2022, with some possible recovery afterwards. The EU cheese and whey production is due to continue growing, thanks to EU and export demand, while further EU demand reduction for WMP and SMP processing is expected, driven by high prices.

As for the **wine** sector, the 2021/22 harvest proved better than anticipated and record exports are expected.

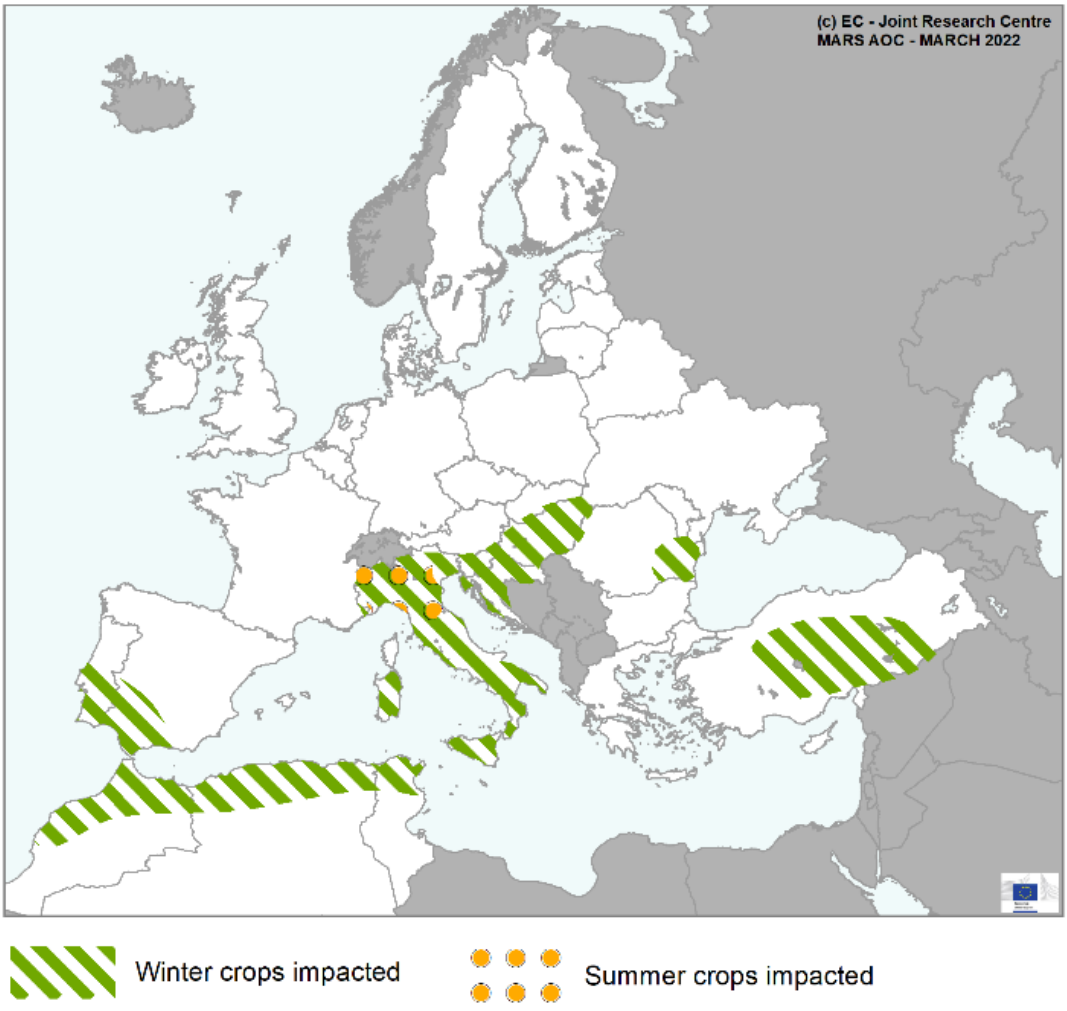
The **fruit and vegetables** market situation is fragile. There is already evidence that the instability in export markets leads to the re-routing of trade of perishable products to the EU market. The combination of lower export opportunities and higher imports may add further pressure on prices as well as on producers' margins.

In conclusion, the EU agri-food sector has so far responded well to challenges of historical magnitude. The CAP and the functioning of the Single Market help absorbing the economic shock, ensuring food security for EU citizens and securing income support for EU farmers. The adaptation to rapid changes stemming from the war in Ukraine and the consequent price surges both in input and output markets will be challenging in the short

term, with an impact on trade flows and supply chains, in agriculture and beyond. It could create opportunities in the long term, with the EU becoming less dependent on input imports, diversifying its energy sources, and therefore promoting an even more sustainable food system.

In the short term, a good 2022 EU grain harvest combined with a lower demand for feed and biofuel would contribute to limiting the negative impact on the global grain markets of the expected lack of grain exports from Ukraine.

AREAS OF CONCERN - SUMMER/WINTER CROPS

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KEY MESSAGES

+3.7%

expected euro area real GDP growth in 2022 in the ECB baseline

+2.3%

expected euro area real GDP growth in 2022 in the ECB "severe" scenario

+5.6%

increase in EU consumer prices for food in February 2022 compared to February 2021

+225%

fertilisers price index between 2020 and March 2022

MACROECONOMIC OUTLOOK

HIGHLIGHTS

While countries were gradually lifting COVID-19 containment measures in Q1 2022, the Russian invasion of Ukraine brought new shocks and uncertainties to global markets, with the EU particularly exposed to the conflict, due to its proximity and its trade relationships with Russia and Ukraine. Given the uncertainties about the duration of the war and the economic consequences of trade disruptions, sanctions and retaliation measures, the ECB has revised the euro area's real GDP growth in 2022 downwards to 3.7% in their baseline scenario and to 2.3% if the economic impacts of the conflict are more severe.

The war between Russia and Ukraine is also having significant impacts on global energy prices, with the price of natural gas and oil being prominent drivers of inflation in the euro area throughout 2022. Shortages of natural gas make fertilisers' prices soaring, while supply chains are still affected by logistics disruptions. This situation led the ECB to revise its inflation forecast to 5.1% for 2022. The inflation is nevertheless expected to return to 2.1% in 2023.

MACROECONOMIC OUTLOOK

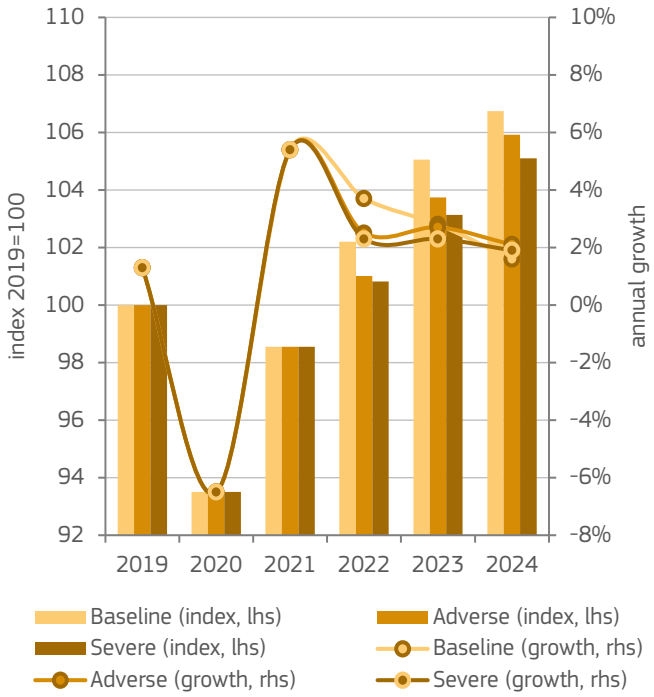
NEW UNCERTAINTIES ON ECONOMIC RECOVERY

Several countries were gradually lifting COVID-19 containment measures in Q1 2022 when the Russian invasion of Ukraine brought new shocks and uncertainties to global markets. The EU is particularly exposed, due to its proximity to the conflict and its trade relationships with both Russia and Ukraine. The ECB foresees (as of 2nd March 2022)[3] a real GDP growth of 3.7% for the euro area in 2022, -0.5pp compared to the December 2021 projections. The main drivers are the impact of the Ukraine crisis on energy prices, confidence and trade. Growth for 2023 and 2024 is forecast at 2.8% and 1.6%, respectively.

Given the uncertainties on the duration of the war and on the economic consequences of trade disruptions, sanctions and retaliation measures, the ECB has developed two additional scenarios: an "adverse" where disruptions further reduce GDP growth in 2022 to +2.5%/2021, and a "severe" scenario where real GDP growth drops to 2.3%, which is in line with March 2022 IHS Markit projections (2.4% in 2022, 1.8% in 2023).

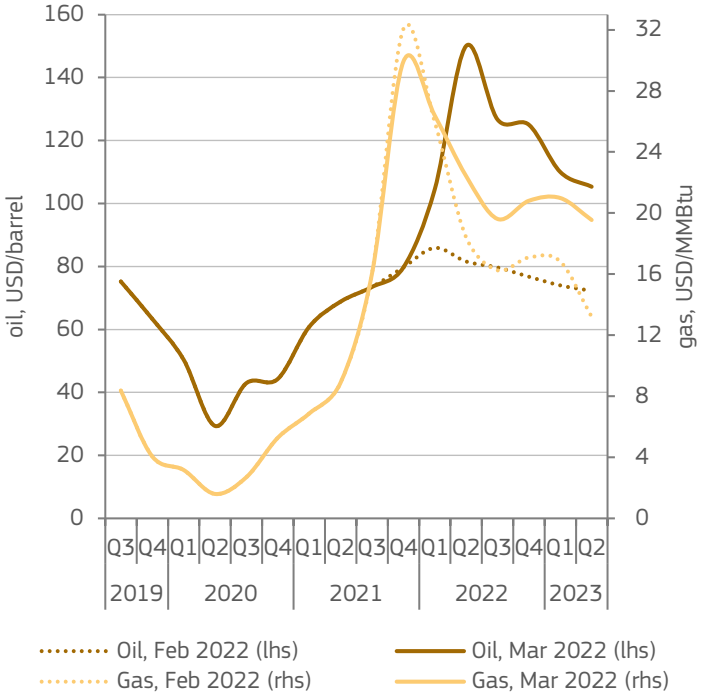
[3]The ECB's baseline includes an initial assessment of the impact of the war on the euro area economy based on information up to 2 March 2022, with soaring energy prices and negative confidence effects affecting domestic demand in the near term, including the effects of announced sanctions and deterioration in the prospects for the Russian economy.

Euro area real GDP scenarios



Note: Adverse scenario – stricter sanctions imposed on Russia, leading to disruptions in global value chains. Severe scenario – stronger reaction of energy prices to more stringent cuts in supply, stronger repricing in financial markets and larger second-round effects from rising energy prices. Source: European Central Bank.

Brent crude oil and UK natural gas price forecasts



Note: 1 MMBtu is 1 million British thermal units, approximately 293.1 kilowatt hours. Source: IHS Markit.

ENERGY PRICES FORECAST TO REMAIN HIGH IN 2022 AND FOR THE FIRST HALF OF 2023

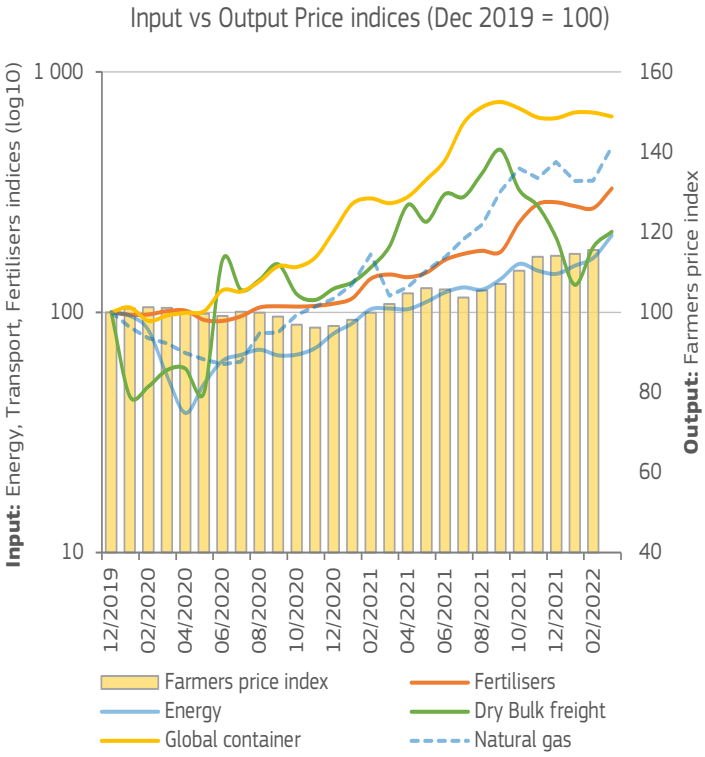
The war between Russia and Ukraine is having significant impacts on global energy prices. According to IHS Markit, the price of oil is expected to peak at USD 150 per barrel in Q2 2022 and is projected to remain above USD 100 per barrel until Q2 2023, acknowledging that energy prices will remain high even beyond 2022. The price of gas has become a prominent driver of inflation. After the peak observed in Q4 2021 of almost USD 30/MMBtu, IHS Markit expects gas prices to fluctuate around the price of USD 20/MMBtu until the first half of 2023, an increase of almost 200% compared to the prices of Q1 2021. This continuation of high energy prices to 2023 is also driven by the commitments of EU countries to reduce dependencies on Russian oil, gas and coal imports, as stated in the Versailles Declaration of 11 March 2022.

The ECB revised its inflation forecast to 5.1% for 2022 (+1.9pp compared to December 2021), due to near-term price pressures driven mainly by oil and gas price surges. These pressures will be more lasting than previously expected by the ECB, but the inflation is still expected to return to 2.1% in 2023. However, the "severe" scenario from the impacts of the war projects an inflation rate in 2022 up to 7.1%.

MACROECONOMIC OUTLOOK

LOGISTICS AND SUPPLY CHAINS LIKELY TO BE FURTHER IMPACTED BY THE WAR

The surge in gas prices continues to pose a serious challenge for the EU fertiliser industry, curtailing production of nitrogen fertilisers, where natural gas is largely used as feedstock in the production process. Fertilisers prices in March 2022 are 227% higher than in December 2019, compared to a 109% increase for energy prices over the same period. On the logistics side, the massive surge in container prices does not show a downward trend: 40' container price from Freightos 'Global Container Freight Index" was still above USD 9 400 as of March 2022 (compared to around USD 1 450 in December 2019). Dry bulk freight costs, measured by the Baltic Dry Index, followed a similar upward trend until September 2021 to drop significantly until January 2022 to a level that was 30% higher than in December 2019. Index values for March 2022 have nonetheless increased by 66% since January 2022, signalling a further rise in dry bulk freight costs. Trade disruptions in the Black Sea, the effects of Russian sanctions on redirecting trade routes and recent surge in COVID-19 cases in Asia pose additional risks and uncertainties in the short-term. These macroeconomic effects on input prices are contributing as well to an increase in output prices, as the EU farmers price index increased by almost 16 points in February 2022 compared to December 2019.



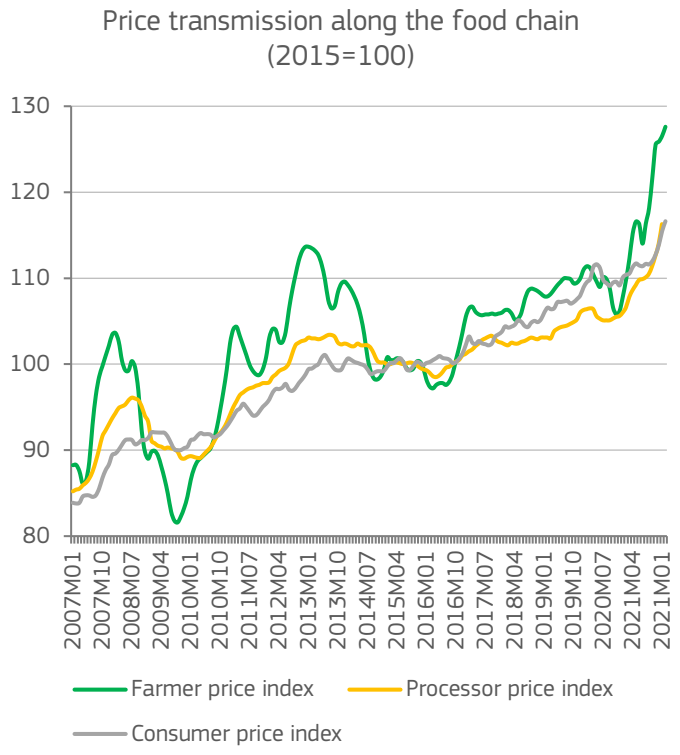
Sources: World Bank (fertilisers, energy, natural gas), Freightos (global container freight), Baltic Exchange (Dry Bulk Freight). Farmers price index based on DG Agriculture and Rural Development and Eurostat.
Note: Energy index includes oil, natural gas and coal.

EU FARMERS' PRICES INDEX CONTINUES GROWING

The EU farmer's price index continues increasing, and in February 2022, its index was 18 points above the level of the same month last year. Rising commodity prices are reflecting increasing input costs as well as the current geopolitical events. In the case of crops, the price relaxation around summer last year in the expectation of a good harvest, stopped and prices have increased ever since. For example, between July-August, common wheat price increased by 17%, feed barley by 12% and maize by 7%. A durum wheat price increased even more (62%) and stayed high ever since. After having reached a peak in November 2021, durum wheat and maize price decreased while feed barley stayed high.

In the case of animal products, rising feed costs contributed to an increase in beef prices (+26% in February year-on-year), poultry (+18%) and milk (20%) while pigmeat prices stopped declining from November and were 1% above year-on-year in February.

Both consumers' and processors' price indices grew as well, but at a lower rate than what was observed in farmers' prices. Nevertheless, high farmers' prices and ongoing inflation pressures might continue putting an upward pressure on their continued growth later this year.



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

293.3 million t

Estimated 2021/22 EU cereal production (+4.9%/5-year average)

40 million t

EU exports of soft wheat projected in 2022/23

+9.6%

EU 2022/23 sunflower production projected increase / 5-year average

13%

Increase of EU sugar production in 2021/22, year-on-year

ARABLE CROPS

HIGHLIGHTS

The total 2021/22 EU cereals production is projected at 293.3 million t, a 4.3% increase year-on-year. EU exports of cereals are due to increase by 14% year-on-year, to 49 million t. Most of the export growth is forecast for soft wheat with an additional 5.6 million t expected. Assuming average weather developments during spring and summer, total EU cereals production could reach 297.7 million t in 2022/23 (+1.5% year-on-year), with soft wheat production forecast at 131.3 million t. Net exports of EU cereals are due to increase by 11.5 million t to 41.4 million t, almost 40% more.

EU oilseed prices have skyrocketed since the invasion of Ukraine by Russia, with rapeseed and sunflower seed prices exceeding EUR 1000/t. Production levels are not a concern: EU oilseed production was 6.5% higher in 2021/22 than in 2020/21 at 30.2 million t, including 10.5 million t of sunflower seeds (+16.2% year-on-year). EU oilseed areas are expected to be 4.8% higher in 2022/23 compared to 2021/22.

The 2021/2022 EU sugar production is estimated at 16.4 million t, well above the previous season (+13%) and in line with the 5-year average. This increase is due to a sharp rebound in sugar beet yields in FR. Consumption is expected to increase, but still to remain below production, thus leading to higher ending stocks of the campaign.

CEREALS

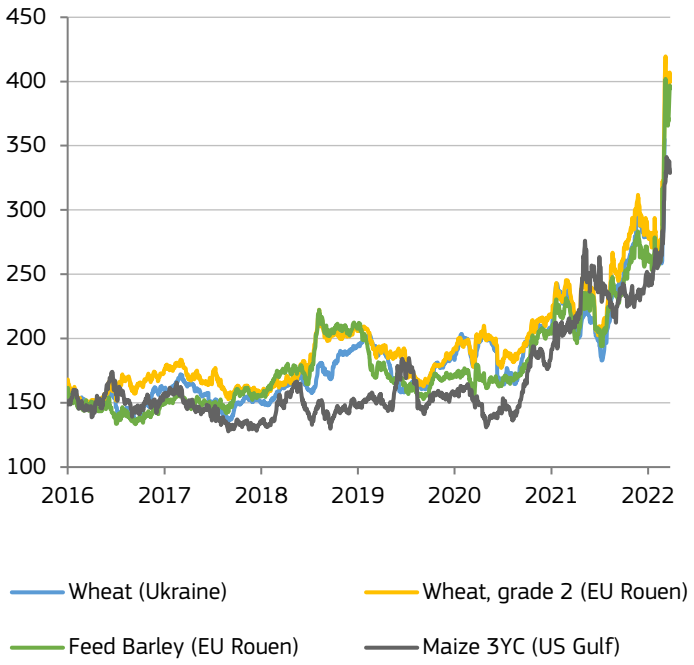
OUTLOOK FOR EU CEREALS IN 2021/22

In the first months of the 2021/22 campaign, world cereals prices increased significantly because of post-COVID demand for animal feed, high energy and fertiliser prices and uncertainty about the availability of global stocks. Prices have since then reached record-breaking levels following the Russian invasion of Ukraine on 24 February 2022. The invasion effectively stopped Ukrainian exports by sea, with much lower exports taking place by train and barges. For the EU, this will translate especially into lower imports of grains than previously anticipated, which are now forecast at 18.9 million t (-10% compared to 2020/21). Ukraine is the main source of imported maize for the EU (6.5 million t in 2020/21).

Thanks to a substantial increase in EU cereal production in 2021 and ample availability, EU exports of cereals in 2021/22, which were already on the rise before the Russian invasion of Ukraine, are forecast to increase by 14% to 48.9 million t. Most of the export growth is forecast for soft wheat with an expected additional 5.6 million t compared to the previous season.

Despite the increase in exports and thanks to the expected lower feed demand and a good harvest back in 2021, the stock-to-use ratio of cereals in the EU for 2021/22 is due to increase to 17.3% (16.2% in 2020/21).

Cereals: export prices (EUR/t)



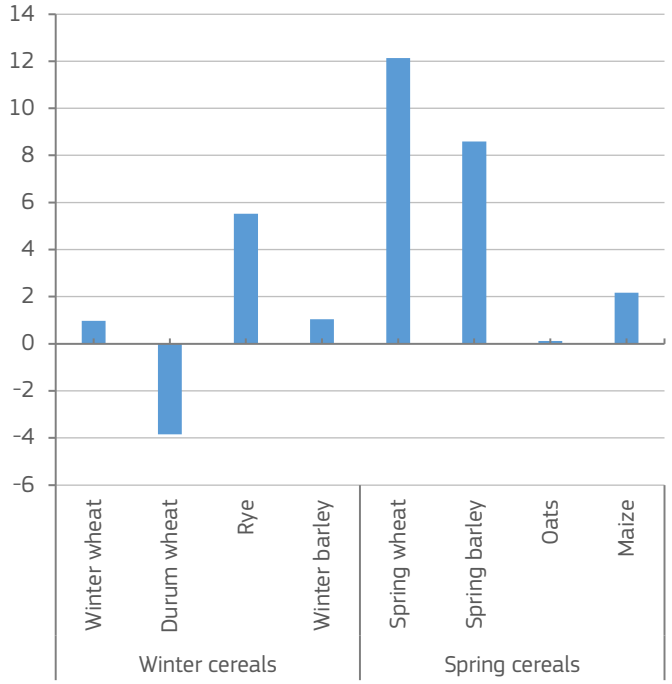
Source: DG Agriculture and Rural Development, based on Eurostat and MS notifications.

OUTLOOK FOR EU CEREALS IN 2022/23

Sowing areas for 2022/23 winter cereals are estimated slightly above the area of last season. Winter wheat and winter barley sowing areas are estimated at, respectively, 20.7 and 4.8 million ha, both increasing by 1% year-on-year. An increase in rye (+5.5%) is expected as well. Durum wheat and triticale areas, however, are estimated to decrease by around 4% to, respectively, 2.1 and 2.5 million ha. A boost in maize area is expected following the temporary relaxation of greening rules for fallow land and nitrogen fixing crops but also record high prices that will make the production particularly attractive, despite input prices having gone to new highs, in particular fertiliser prices.

Assuming average weather developments during spring and summer, total EU cereals production could reach 297.7 million t (+1.5% year-on-year). Soft wheat production is forecast at 131.3 million t, barley at 53.6 million t and maize at 74.0 million t. Given high feed prices and expected decrease in EU meat (in particular pigmeat) production, the demand for animal feed is expected to decrease by 1.1% in 2022/23 compared to 2021/22. EU total feed demand could reach 159.1 million t. Net exports of EU cereals are forecast to increase by 11.5 million t year-on-year to 41.4 million t. The use of cereals for the production of biofuels would also decrease by 8%.

Annual change in EU cereals sowing areas (%, 2022 vs 2021)

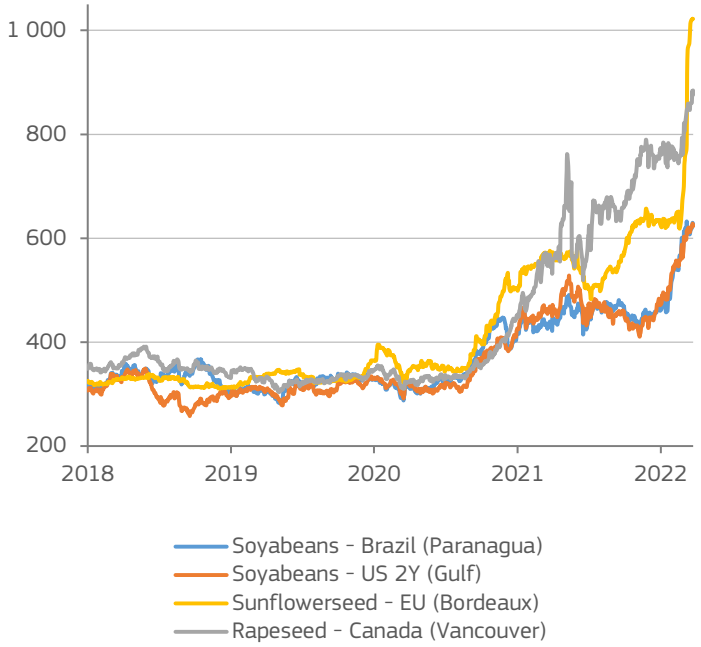


Source: DG Agriculture and Rural Development, based on Eurostat and MS notifications.

OILSEEDS

RECORD OILSEED AND VEGETABLE OIL PRICES DUE TO RUSSIAN INVASION INTO UKRAINE

Oilseeds: export prices (EUR/t)



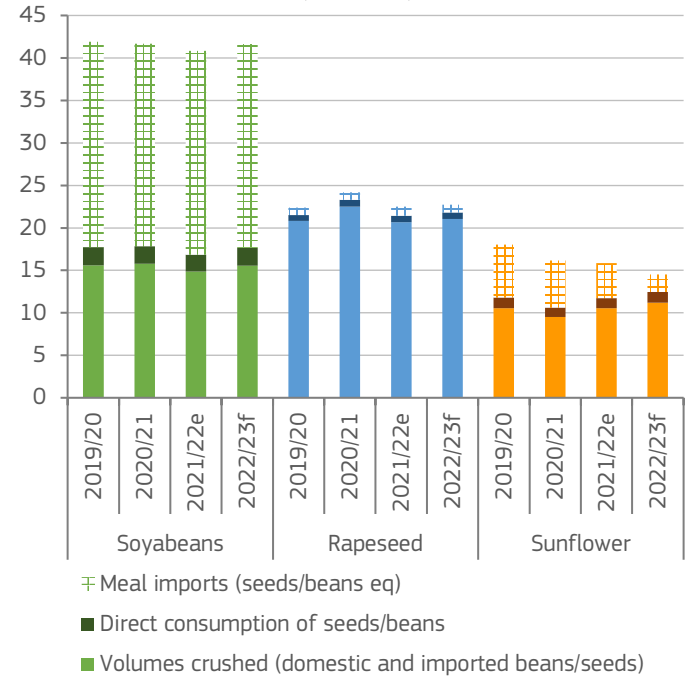
Source: International Grains Council (IGC).

Prices of oilseeds, which were already elevated at the beginning of the 2021/22 marketing year, took another jump after the Russian invasion of Ukraine shook the sunflower market. Historically, the two countries account for over 50% of global sunflower seed production and over 70-80% of sunflower oil trade. A few weeks after the invasion, EU export prices of sunflower seed had increased by 50% to a record of EUR 1000/t, while other oilseeds (e.g. rapeseed) had also reached new all-time highs.

Despite these high prices, the EU market for oilseeds and its products is sufficiently supplied overall. The EU oilseed production in 2021/22 was 6.5% higher than in 2020/21 at 30.2 million t, including 10.5 million t of sunflower seed, an increase of 16.2% year-on-year and +8.0% over 5-year average.

On the global level, sunflower seed production was also at comfortable levels in 2021/22. According to the International Grain Council, world production was up by 16.7% to 56.6 million t, thanks to bumper harvests in Europe, as well as significant increases in China, Turkey and Kazakhstan.

EU oilseeds and meals consumption (million t)



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

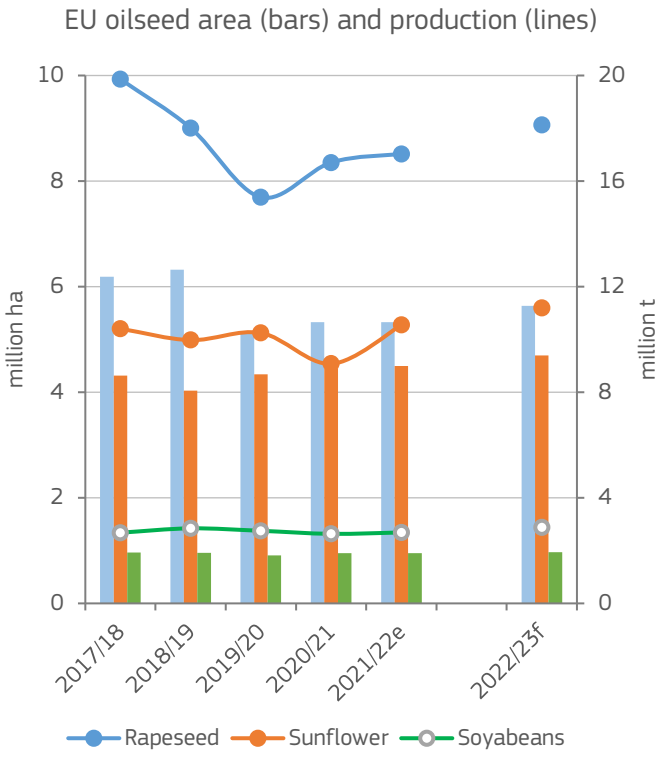
EU OILSEEDS IMPORTS REMAIN HIGH IN 2021/22

EU oilseeds imports are expected to decrease in 2021/22 compared to the high levels recorded in 2020/21 (-8.3%) but should be close to a 5-year average (+0.5%). In particular, imports of sunflower seed are expected to see a sharp reduction (-45% year-on-year) as imports from Ukraine (the main EU supplier) came to a halt after the start of the war.

Imports of rapeseed are similarly affected, with a forecast reduction of 15% year-on-year, to 4.9 million t. Imports of soya beans, on the other hand, should decrease to 14.5 million t (-3.5% year-on-year), still 2.1% over the 5-year average.

Higher vegetable oil prices are driving crushing margins up. EU stocks-to-use ratio for oilseeds is expected to inch a little higher (+5.3% year-on-year) in 2021/22, because it was at a record low in 2020/21.

The EU crushing of oilseeds in 2021/22 is expected to decrease by 4% year-on-year due to lower imports of oilseeds and tight stocks.



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

2022/23 EU OILSEED PRODUCTION FORECAST TO INCREASE DUE TO MORE PLANTINGS

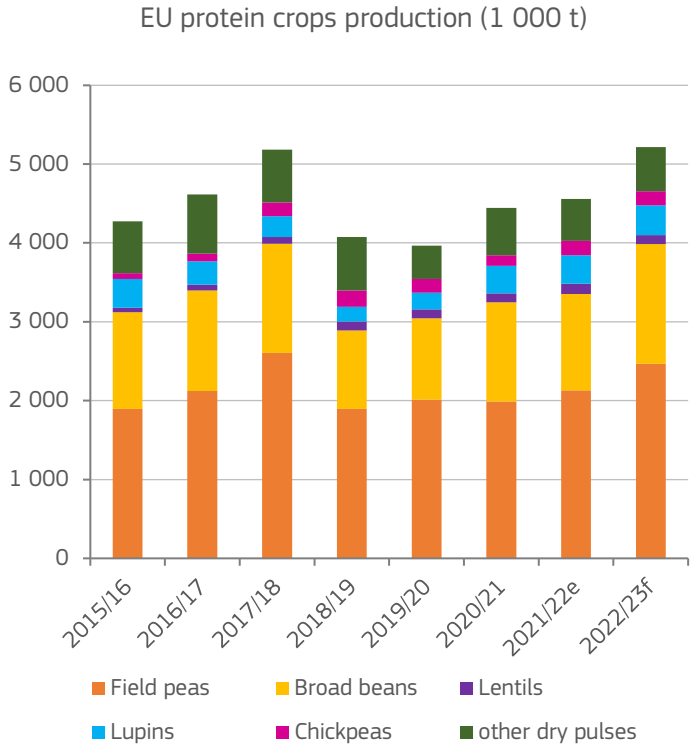
The EU winter rapeseed area is estimated at a 4-year high of 5.5 million ha, with mild conditions during the winter characterised as generally favourable for the crop development. EU rapeseed production is therefore expected to increase by over 1 million t (+6.5% year-on-year) to 18.1 million t.

Sowing areas for sunflower seeds are expected to increase given the current high prices and the temporary authorisation to plant on fallow land. Estimated sowing areas of sunflower could reach 4.7 million ha (+4.5% year-on-year). Soya beans acreage is also expected to increase by 2.1% year-on-year and reach 0.97 million ha.

EU total oilseed production in 2022/23 could increase by 6.4% year-on-year to reach 32.2 million t for the first time since 2017. Such high production level should allow to compensate for the EU loss of supplies from Ukraine.

EU vegetable oil production is expected to also increase, by 3.5% year-on-year to 15.9 million t. Sunflower oil production is expected to grow by 6.5% year-on-year to a record high level of 4.2 million t.

PROTEIN CROPS



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

INCREASE IN EU PROTEIN CROP AREAS AND PRODUCTION EXPECTED IN 2022/23

Based on the long-term average, the total EU protein crops production is expected to reach 4.56 million t in 2021/22 (+2.5% year-on-year). The total domestic use for all protein crops could increase by 3% year-on-year.

The EU protein crops production could continue to increase in 2022/23. Sown areas are due to increase following the relaxation of the greening obligations. Therefore, the available surface could reach 2.4 million ha (+12.5% / 5-year average). Yields are also expected to grow by around 5% partially due to the additional flexibility on the use of plant protection products. These two factors combined imply that EU 2022/23 protein crops production would be expected to reach 5.2 million t (14% year-on-year).

Domestic demand is due to increase by 10% mainly to be used for animal feed. Exports are expected to grow (+21% year-on-year) with little changes for imports, providing a welcome additional supply for the global market.

SUGAR

EU SUGAR PRODUCTION RECOVERS IN 2021/22

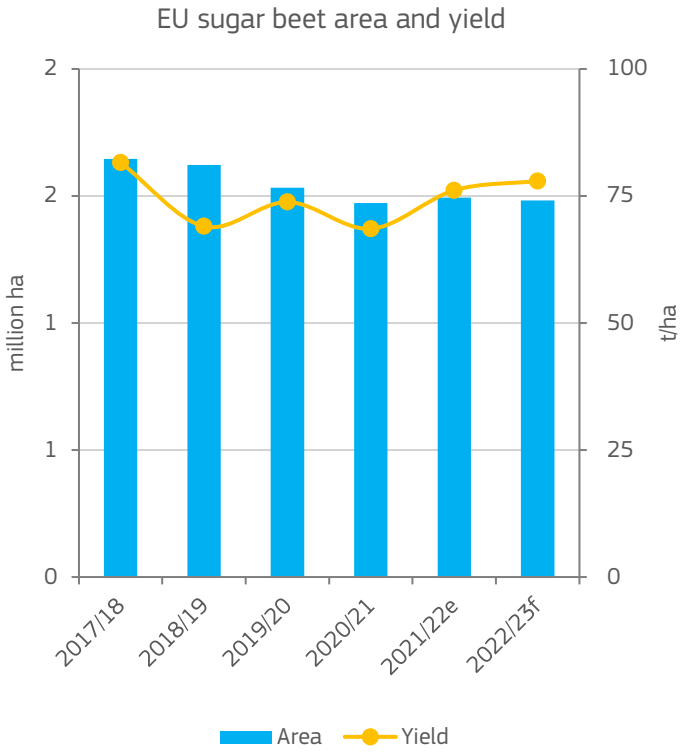
Source: DG Agriculture and Rural Development, based on MS notifications.

The 2021/2022 EU sugar production is estimated at 16.4 million t, well above the previous season (+13%) and in line with the 5-year average. This increase is due to a sharp rebound in sugar beet yields in FR (+36%), which had suffered from the widespread cases of the yellowing disease in 2020/21. The world sugar production is also forecast to increase slightly in 2021/22.

World sugar prices have been growing consistently since the mid-2020, increasing by more than 30% over the 2020/21 marketing year. This pattern has also continued in 2021/22, supported by tight stocks, increasing consumption and high energy prices. EU prices have followed the growing trend, increasing to a 4-year high of EUR 441/t in February 2022.

Due to a sharp increase in production, EU exports of sugar as such are forecast to reach 1.0 million t in 2022/22 (16% year-on-year). Due to higher demand, import levels are also forecast to be up 11% year-on-year, at 1.5 million t.

Sowing for the 2022/23 campaign is accelerating. EU sugar beet area is forecast to be fairly similar to the previous season at around 1.48 million ha (-0.8%). Sugar beet yields are expected to be in line with the long-term average at 77 t/ha.



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

ADDITIONAL EU SUGAR CONSUMPTION EXPECTED

EU human sugar consumption is expected to increase in the second half of 2021/2022 with the increase of the EU population, following the arrival of Ukrainian refugees, and despite the long-term trend of a decreasing per capita consumption due to consumers switching to less sugar-intense diets.

Sugar is one of the feedstock for bioethanol production, together with cereals, residues, waste and other. As prices for cereals have increased sharply, and the price of the barrel of oil is forecast to stay around 100 EUR, sugar becomes more competitive. It is therefore expected to gain share in EU bioethanol production.

This higher consumption will however be lower than the production level. EU sugar ending stocks are therefore forecast to increase to 1.9 million t in 2021/22, compared to 1.2 million t at the beginning of this marketing year.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KEY MESSAGES

Olive oil: +10%

EU olive oil production in 2021/22

Wine: +5%

EU per capita consumption

Apples: +12%

EU apples production for processing

Oranges: -7%

EU imports of processed oranges

SPECIALISED CROPS

HIGHLIGHTS

2021/22 EU olive oil production could reach 2.3 million t (+10% year-on-year). Increasing inputs, packaging and transport costs, and a higher demand for olive oil to substitute other vegetable oils that are currently experiencing price spikes, should keep olive oil prices high. The substitution of other vegetable fats could drive EU olive oil consumption up (+7%) while some reduction in EU exports could take place (-3%).

EU wine consumption (affected by the Covid-19 measures) is expected to recover in 2021/22 with a 5% increase year-on-year, to 22.7 l per capita. The overall EU wine production remain high close to 155 million hl. Due to the strong demand in the US, EU wine exports are expected to increase by +6% year-on-year in 2021/22 to reach the record high level of 34 million hl.

The total EU production of apples remains high, close to 12 million t (+2% year-on-year). A noticeable slowdown in exports of fresh apples together with high stocks are driving the increase of the share of apples going into processing. The positive consumption effect from the COVID-19 pandemic has faded away, resulting in lower per capita consumption (12.1 kg).

EU production of oranges for processing is expected to increase strongly by 30% in 2021/22. The production of fresh oranges should see a moderate increase, leading to total orange production of 6.6 million t (+4% year-on-year). Both EU imports and exports of processed oranges reached a historical low level. Consumption of fresh oranges per capita is expected to decrease to 12.9 kg.

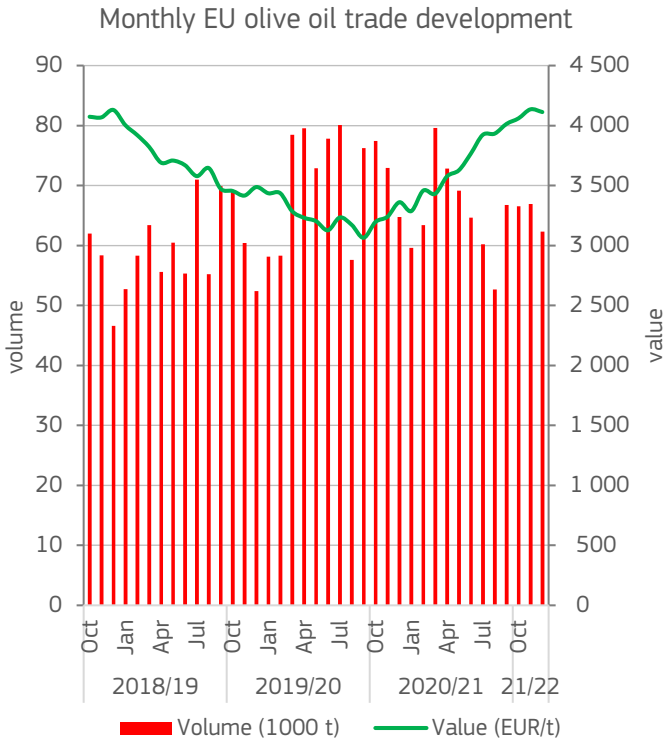
OLIVE OIL

ABOVE-AVERAGE PRODUCTION AND HIGH PRICES

Contrary to initial estimates of an average harvest, 2021/22 EU olive oil production could reach 2.3 million t (+10% year-on-year, driven by above-average oil yields). The increase in ES (7%), IT (20%) and a record harvest in PT (+106%, more than 200 000 t) are contributing to this, while EL production could drop by 60 000 t (-22%). Combined with ending stocks from the previous campaign, initial availability in 2021/22 is 5% higher (11% above 5-year average).

Olive oil production also recovered in non-EU countries. Tunisia reported an increase of 70% (+100 000 t), Morocco 25% (+40 000 t) while production in Turkey remained stable. Therefore, the global market is well-supplied.

Producer prices are staying well above the average in EL and ES. There, prices of extra virgin olive oil are around EUR 320-330/100 kg (12% above the 5-year average). The price in IT is 14% below the 5-year average. Export prices are growing as well. In the 2021 calendar year, the average EU unit value of olive oil exports grew by 25% year-on-year and reached more than EUR 4000/t in December. With increasing input and transport costs, the cost of packaging, combined with a higher demand for olive oil being a substitute for other vegetable oils that are currently experiencing a spike in prices, olive oil prices are likely to remain high.



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

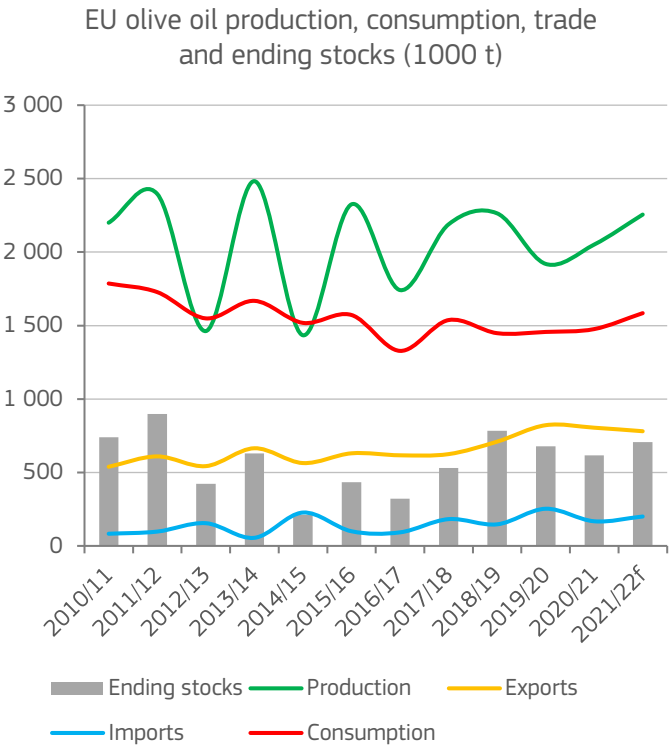
WEAKER EXPORTS AND EU CONSUMPTION UP

Shipments to the US, our main export destination, dropped in Oct-Dec (-8%). This is relative to restocking which took place at the same period last year after a removal of retaliatory US tariffs. However, some reversal could be expected later in 2022. Meanwhile, Asian markets could continue to grow, but any growth in EU exports could be limited by increasing prices and weakening of purchasing power. In 2021/22, EU exports are expected to weaken compared to the last campaign (-3%) and could reach around 780 000 t, assuming still weaker flows in upcoming months.

Larger availability in non-EU countries could support EU imports, especially from Tunisia. Due to lower producer prices in these countries, these imports could also play a role in securing contracts in some more price sensitive markets.

EU consumption could grow (+7%) despite currently higher prices as prices of other fats (e.g. vegetable oils and butter) increase even more. This creates opportunities for olive oil as a substitute in home cooking, foodservice or the manufacturing of canned products.

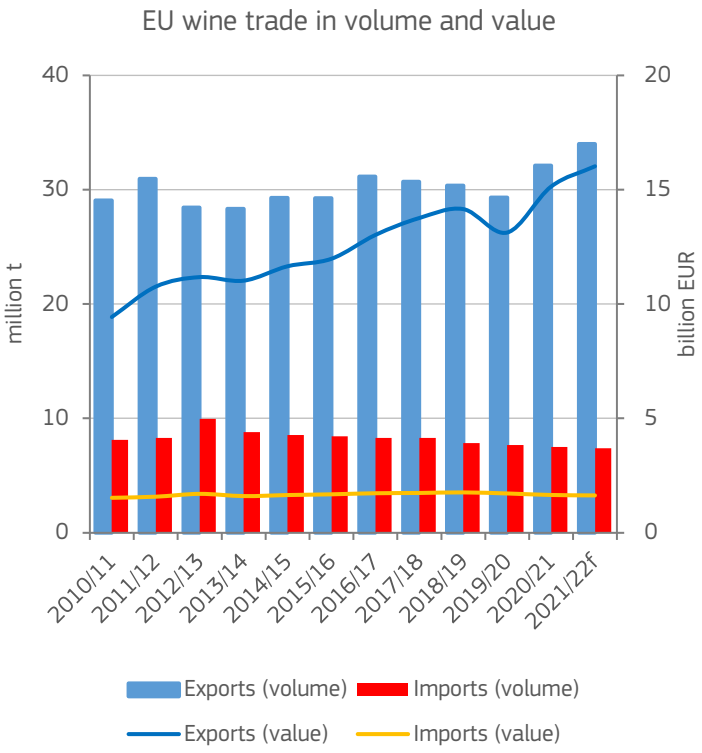
Higher initial availability combined with lower exports and despite higher EU consumption could lead to higher ending stocks (around 700 000 t).



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

WINE

GOOD OVERALL WINE PRODUCTION

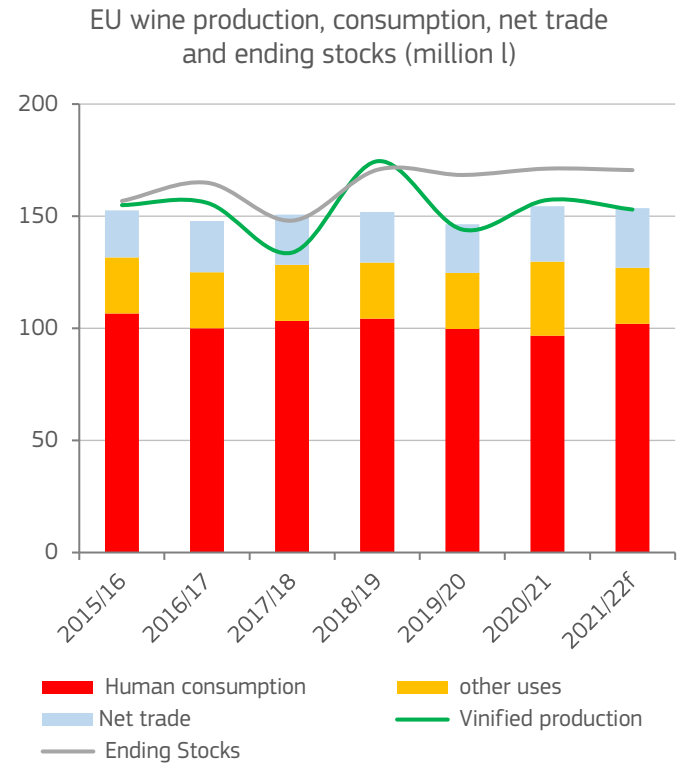


Source: DG Agriculture and Rural Development, based on Eurostat.

Contrary to the initial expectations following the late frost event last spring, 2021/22 EU wine production is estimated to reach around 155 million hl, slightly below the 2020/21 marketing year level and close to the 5-year average. The production drop in ES and FR (around -13% year-on-year) was compensated by the significant increase in IT (+19% year-on-year) and PT (+15%). EU wine production of the five main producers (90% of total EU production) is therefore slightly above the 5-year average. Other EU countries (RO, AT and EL) also show an upward trend.

EU wine consumption, previously affected by COVID-19 measures (notably the closure of bars and restaurants -about 30% of the EU consumption), is expected to recover in 2021/22 with a 5% increase year-on-year, at 22.7 l per capita (almost back to the 5-year average level).

Vinified production for "other uses" (including distillation, vinegar and brandies) should return to pre-pandemic levels, in line with the long-term trend, after the 32% increase in 2020/21 due to crisis distillation measures.



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

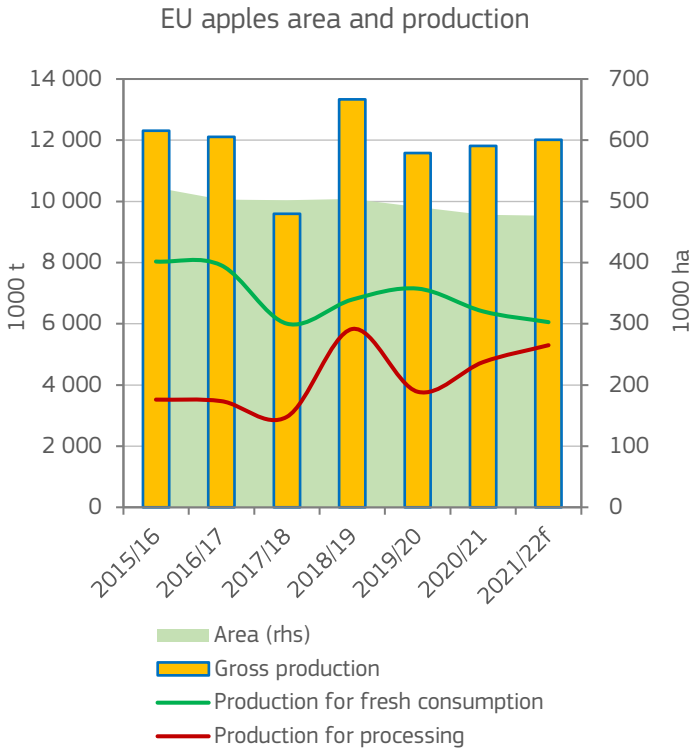
EU WINE EXPORTS AT RECORD HIGH LEVEL IN 2021/22

EU wine exports are expected to increase in 2021/22 to reach the historically high level of 34 million hl (+6% year-on-year, +10% compared to the 5-year average), driven by strong demand in the US. The top export markets in value are expected to include the US, UK, China and Canada. The positive trend continues over the first 5 months of 2021/22 both in volume and value exported (compared to the same period of 2020/21).

The main EU export markets remain the US (with a share of 22% in volume and 26% in value) and the UK (23% in volume and 19% in value). The volume exported to the US and the UK in Aug-Dec 2021 increased by 14% and 10% respectively (compared to the same period last year).

In 2021/22 EU wine imports are forecast to decrease by 1% compared to 2020/21 (-7%/5-year average following a long-term trend), due to a drop in imports from Chile and of UK re-exports.

APPLES

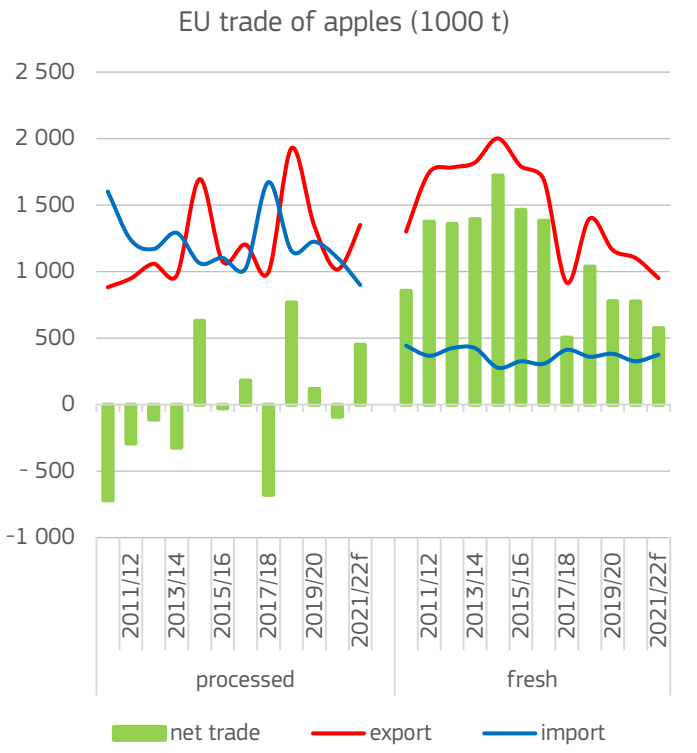


Source: DG Agriculture and Rural Development, based on Eurostat.

SHARE OF PRODUCTION USED FOR PROCESSING INCREASING SHARPLY

After two campaigns (2019/20 and 2020/21) with slightly lower than 5-year average production, high prices and sustained demand, the EU's production of apples for the campaign 2021/22 is estimated to be close to 12 million t (+2% year-on-year and compared to 5-year average). The lower than usual harvesting in FR and IT is due to frost events last year (also affecting the quality) and was more than compensated by a generous crop in PL above 4 million t (+13% year-on-year). The PL domestic market is expected to face difficulties due to fewer export opportunities (see below) and high levels of stocks. This will result in an increase in the share of apples going into processing (+34%). In total, at EU level, around 6 million t of apples are expected to be sold for fresh consumption (-5% year-on-year and -11%/5-year average) and 5.3 million t for processing (+12% and +32% respectively).

While the apparent consumption of processed apples is expected to remain the same as in 2020/21 (10.8 kg per capita), EU per capita consumption of fresh apples is expected to fall (12.1 kg compared to 12.3 kg in 2020/21) due to a general post-COVID slowdown in consumption.



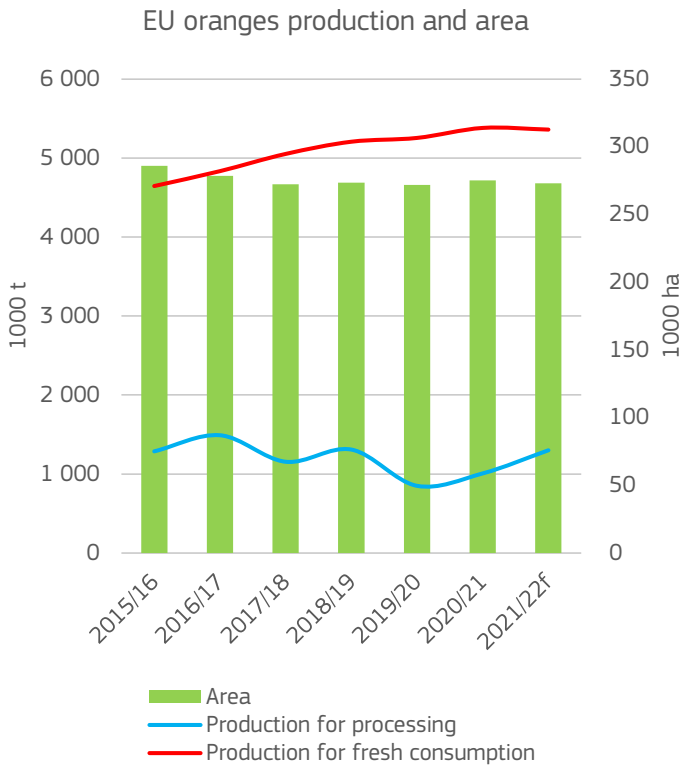
Source: DG Agriculture and Rural Development, based on Eurostat.

DECLINING AND UNCERTAIN EXPORTS OF FRESH APPLES

The Belarus embargo on imports of fruit from the EU is expected to reverse the previous export forecasts for fresh apples, with a 14% decrease year-on-year (-22%/5-year average), also due to the ongoing logistics challenges (high freight costs and container availability). Exports of fresh apples to Egypt, which increased significantly in recent years and contributed to slowing down the overall EU declining export trend, could level off after the recent obligation to provide letters of credit to export to this country. Partial repositioning towards the EU is expected as some of the fresh apples aimed at the Russian and Ukrainian markets might be exported to the EU by third countries, thus increasing overall EU imports (+15% year-on-year and+5%/ 5-year average).

In 2021/22, EU exports of processed apples could increase by 33%, (+14%/5-year average) driven by difficulties faced by other producing neighbouring countries which would increase the competitiveness of the EU industry. In a similar vein, EU imports of processed apples are expected to reach a record-low level of 900 000 t (-19% year-on-year, -22%/5-year average). Imports from Ukraine are expected to come to a halt due to the ongoing Russian invasion (Ukraine exported 30 000 t to the EU in 2020/21).

ORANGES



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

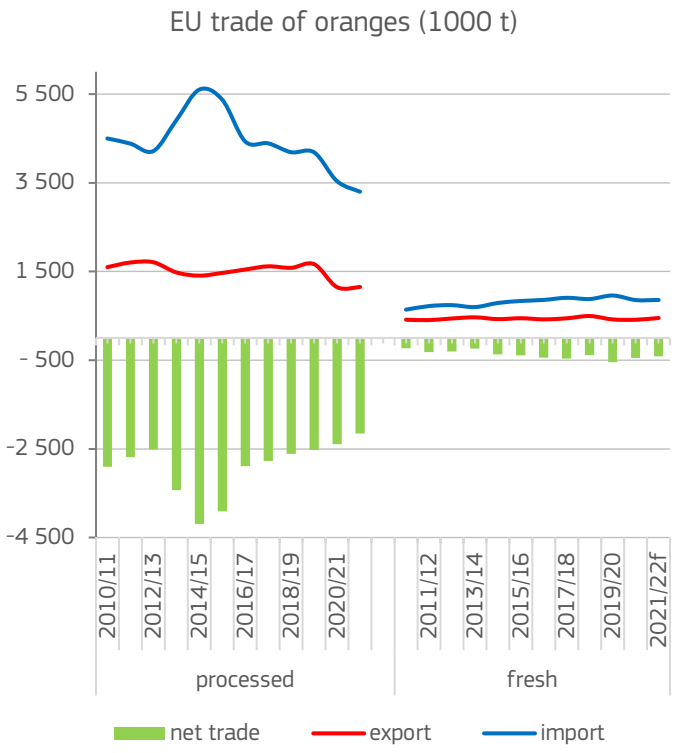
HIGH EU PRODUCTION FORECAST FOR 2021/22

2021/22 EU orange production is expected to increase by 4% year-on-year to 6.6 million t (+6%/5-year average), driven by a 5% growth in ES (52% of the EU production) and a 10% growth in IT (second largest EU producer, 28% of EU production).

As quantities destined for fresh production are expected to remain stable (5.4 million t), the production in excess redirected for processing could significantly increase (30% year-on-year).

The fading away of the positive impact on consumption from the COVID-19 pandemic (i.e. the importance of citrus fruits for healthy lifestyle and diet) combined with reduced consumer spending should result in a reduced consumption of fresh oranges at 12.9 kg per capita.

The total growth of production in ES and IT should push overall yields up to 24 t/ha, a 5% increase year-on-year (7% above 5-year average).



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

IMPORTS OF PROCESSED ORANGES AT RECORD LOW LEVEL

EU imports of processed oranges are expected to be down to 3.3 million t (-7% year-on-year and -22% compared to 5-year average) as a result of lower import of concentrated orange juice from Brazil. The EU exports of oranges for processing are expected to remain unchanged.

While EU exports of fresh oranges are forecast to increase in line with the rise in production (+10% year-on-year, +6% above 5-year average), imports are projected to be flat. If on one side the suppliers of oranges to Russia and Ukraine could partially redirect their volume to the EU market, this effect could be counterbalanced on the other side by logistical difficulties including rising transport costs and the obligation to meet EU sanitary and phytosanitary requirements.

The apparent EU per capita consumption of processed oranges is expected to remain unchanged (7.7 kg, 8% below 5-year average) with higher production and an expected drop in imports.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KEY MESSAGES

Stable

EU milk collection in 2022

Dairy prices up

due to tight global supply and high input costs

+0.5%

EU cheese and butter consumption

+1%

EU cream production

MILK AND DAIRY PRODUCTS

HIGHLIGHTS

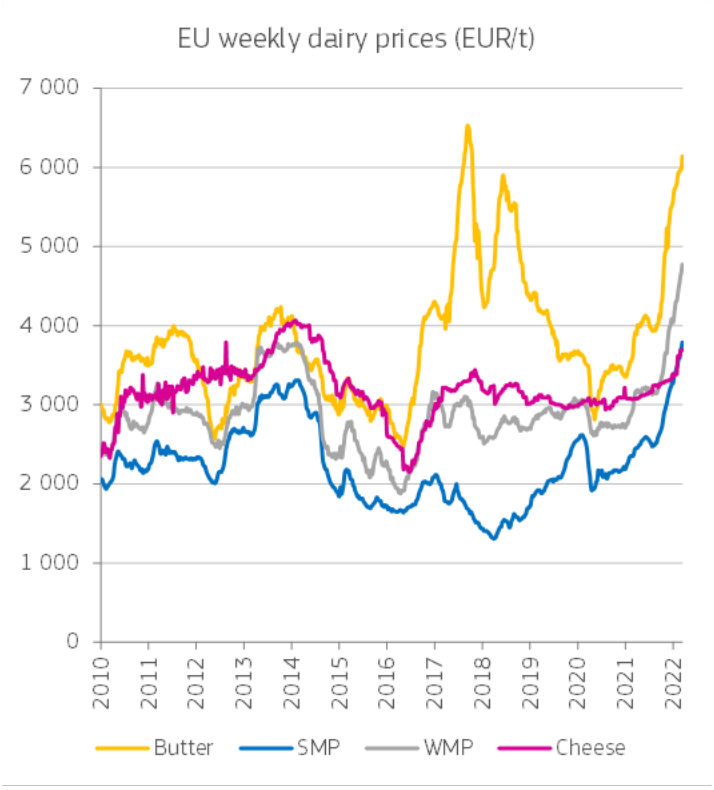
In 2021, the EU milk sector experienced unprecedented developments. The seasonal trend historically observed in the EU raw milk price did not materialize and prices grew throughout the whole year. Despite the price increase, EU milk deliveries dropped by 0.4%, the first time since 2009. The rising costs slowed down the milk yield growth (1.2%) and led to a stronger than expected dairy herd reduction (-1.5%).

EU milk deliveries could continue declining at least in the first half of 2022, before recovering slightly at the end of the year. Overall, this could result in flat milk deliveries for the whole year. The feed affordability could keep the yield growth at a similar rate to last year (+1%), while the EU dairy herd could be further reduced (-1%).

Rising inflation and input costs are likely to result in upward pressure on consumer prices also for dairy products. While EU cheese and butter consumption could still increase slightly, use of milk powders is expected to be reduced with some replacements taking place for cheaper proteins. Overall, the cheese and whey production stream could continue being the most preferred option while some production recovery is expected for SMP.

MILK

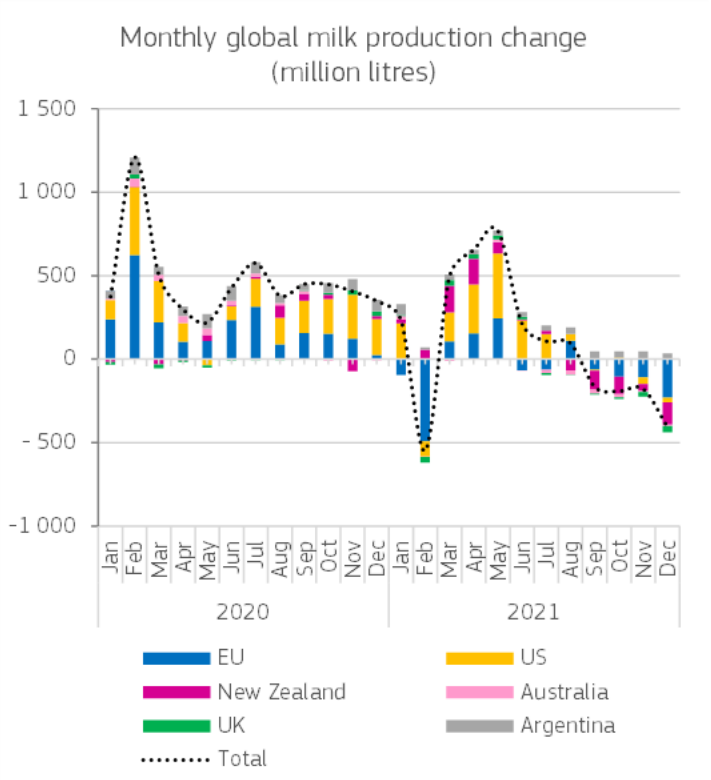
EU RAW MILK PRICES CONTINUE INCREASING



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

In 2021, the EU milk sector experienced unprecedented developments. The seasonal trend of price decline during the spring flush did not occur, and prices improved in every month of the year. In December, it reached more than EUR 40/100 kg (+18% compared to January 2021). The trend continues by February 2022, with no strong signals of a possible short-term relaxation. This development was mainly supported by a tight supply coupled with a strong demand in China, especially for milk powders (SMP +27%, WMP +32%), but also cheese and cream, targeted to foodservice and food processing. In mid-March, EU SMP prices were close to EUR 3800/t, levels last observed in 2007. At the same time, EU butter prices climbed over EUR 6000/t. Combining these two, the EU milk price equivalent is above EUR 50/100kg, supporting the upward trend for farm gate milk prices. Prices of EU cheeses climbed as well. EU cheddar prices are around EUR 3700/t, the highest since 2014 before the Russian ban on EU agri-food imports which hit the cheese market particularly hard.

EU consumer prices for dairy products are increasing as well (+7% for fresh whole milk, +6% yoghurt, +5.3% for cheese and curd in February compared to the same month last year).



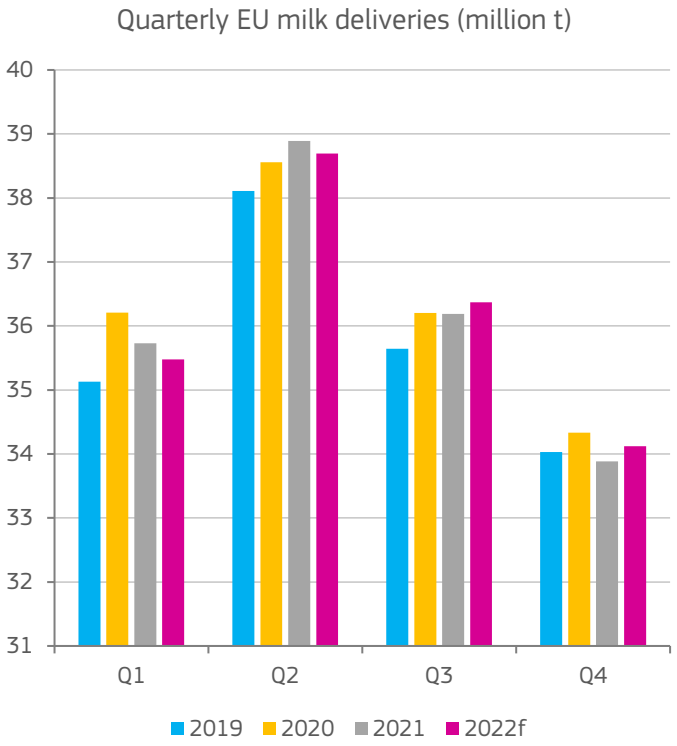
Source: DG Agriculture and Rural Development based on AHDB, Eurostat and MS notifications.

GLOBAL MILK SUPPLY TO REMAIN TIGHT IN 2022

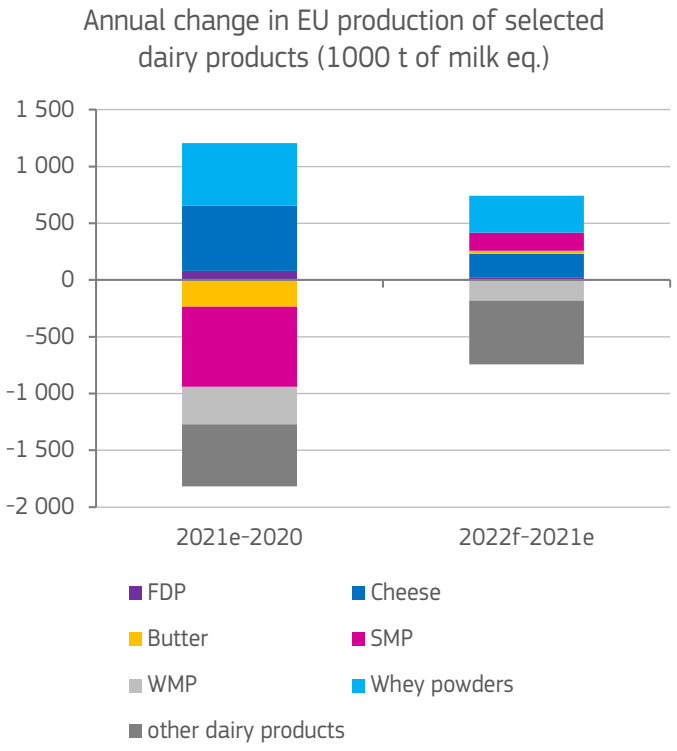
Another factor supporting the upward trend of prices is the tight global milk supply. While US production grew 1.4% in 2021, drought impacted milk production negatively in Oceania during the usual peak of their season. This hampered production growth in New Zealand (+0.1%) in 2021 and led to a decline in production in Australia (-0.9%).

Increasing input and feed prices led to a reduction of the dairy herd in the US. Together with higher prices of raw materials needed to invest in processing capacities, a slowdown of milk production in the US is expected, at least in the first half of 2022. As Oceania is entering the months of lower production, the global milk supply should remain tight until a possible recovery in the second half of 2022. Dairy prices should therefore remain high during most of this year.

Global dairy demand grew in 2021, linked to the relaxation of COVID-19 lockdown rules and economic activities taking off again. However, rising energy and commodity prices, as well as inflation, could slow down this recovery. In the case of China, the demand could be reduced due to existing stocks, increasing domestic production and the spread of the omicron variant in Asia. As long as the zero-COVID policy is maintained, this could put millions of people into lockdowns, reducing the foodservice demand.



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



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

2022 EU MILK DELIVERIES TO REMAIN STABLE

Despite rising EU raw milk prices, EU milk deliveries decreased in 2021 by 0.4%. The trend was negative in all quarters but the spring peak (Q2). DE and FR deliveries dropped by 1.9 and 1.5% respectively, accompanied by a reduction of their dairy herds (-2.3% and -2.5% respectively). The decline of deliveries was even stronger in NL (-3%) despite a lower herd reduction (-1%), implying some yields increased. By contrast, milk deliveries grew in IE (5.5%), IT (1.6%) and PL (0.5%), supported by an increase of dairy cows' numbers in IE (+3%). Overall, the EU yield growth was slightly above 1.2%, the lowest since 2017, and the EU dairy herd declined by 1.5%.

Rising input costs as well as costs of services (e.g. veterinary) continue squeezing farm margins in spite of high farm gate prices. With the continued reduction of the dairy herd, milk production growth will rely on the capacity to increase yields further, likely limited by the affordability of feed, at least in some production systems. Therefore, the recovery of EU milk production is expected to take place only in Q3 (0.5%) with the growth in Q4 (0.7 %) not allowing to go back to the production levels of 2020. Overall, production would remain flat in 2022, with a small increase in yields (1%) compensating for the decline of the dairy herd (-1%).

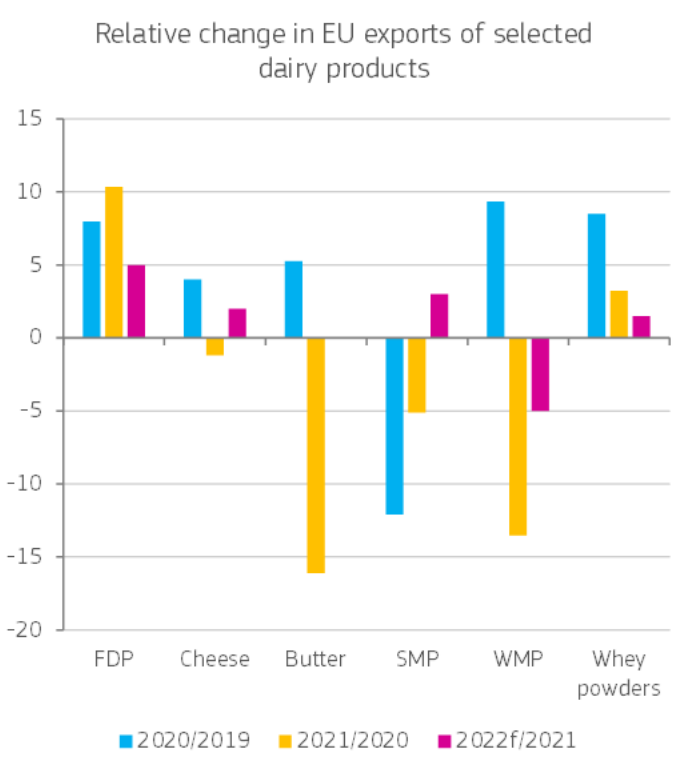
DAIRY PRODUCTS

CHEESE AND WHEY PRODUCTION COULD GROW

The drop in the 2021 EU milk production inevitably led to adjustments in processing channels, considering EU competitiveness and global opportunities for respective dairy products. Among these, EU cheese production gained, benefitting from home and out-of-home consumption (+2% in total) as well as some export opportunities, with shipments to the US back to pre-COVID levels. Overall however, total EU cheese exports declined (-1.2%) due to the drop in exports to the UK, the EU's main export destination (more than 50% historically, currently declining).

In 2022, production of cheese and whey is expected to continue growing despite stable EU milk production. This would be driven by the competitive EU cheese prices which could support exports (+2%), assuming that some export destinations would compensate for the losses on the UK market. Domestic demand, in particular foodservice, could gain slightly (+0.2%) after strong growth last year.

Global and EU demand for whey is expected to increase due to increasing prices of other proteins (e.g. SMP used in fat-filled powder processing), and a possibility to use more whey for feeding purposes. These could translate into a growth in domestic use, exports, and production above 2%.

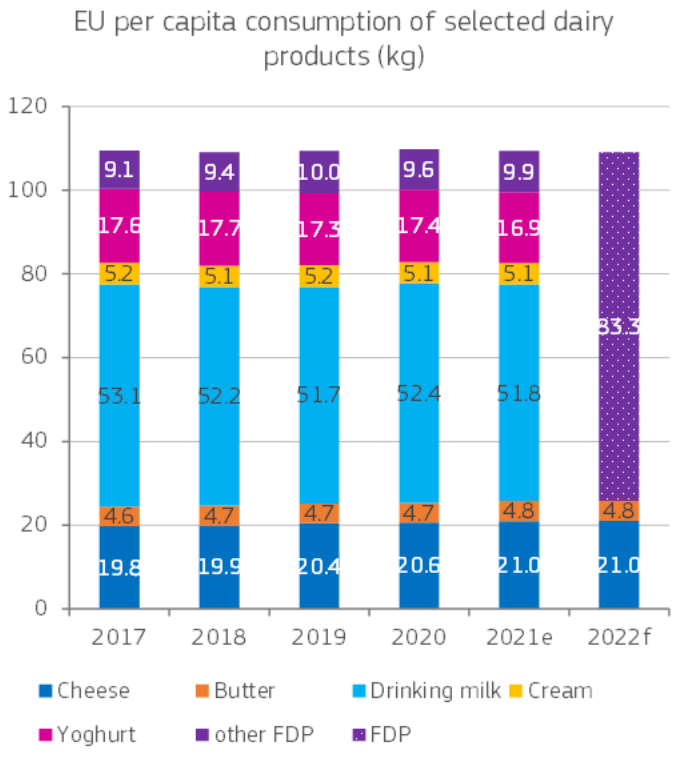


Source: DG Agriculture and Rural Development, based on Eurostat.

EU SMP EXPORTS COULD START RECOVERING

EU SMP and WMP production declined in 2021, driven by the decline in EU exports (-2%) as a consequence of rising prices - more than 50% of SMP is usually exported. EU shipments to Algeria (2nd largest EU export market) declined by 24%. Domestic processing of SMP (e.g. into fat-filled powders) was also negatively impacted (-5%) by higher prices. In 2021, the main driver of the WMP market was the strong demand in China, mainly supplied by New Zealand, the most competitive global WMP provider (with exports 5 times those of the EU). This had a spill-over impact on EU prices which increased, thus contributing to reduced EU shipments to some destinations (Algeria -57%, Oman -18%) as well as some reduction in domestic use (-10%), also due to higher exports in 2020.

In 2022, the EU SMP production could slightly recover (+1.5%), supported by higher exports (+3%) as some countries could build up stocks for food security reasons and oil producing countries, traditional importers of SMP, would benefit from high oil prices. EU WMP production could drop further (-3.5%) as relatively high prices would hamper the growth in EU exports and domestic use (-5% and -2.3% respectively). The situation in Russia may also negatively impact the chocolate industry, the main WMP user.



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

EU CONSUMPTION OF FDP DECLINING AGAIN

In 2021, the production of EU drinking milk started to decline again after an exceptional year in 2020. The production of yoghurts dropped as well, while cream production grew. EU exports of FDP continued growing (10%). Yoghurt exports grew by 48%, supported by shipments to the UK which covered 75% of EU total exports of yoghurt. Cream exports went up 18% with China as the main driver, the EU covering 50% of the country's additional import demand. The domestic use of FDP declined by 1% (below 84 kg per capita) and so went back to a declining trend.

In 2022, the EU FDP export growth could remain strong, albeit lower than in 2021 (+5%). EU consumption could continue decreasing (-0.4%), with a potentially stronger decline being prevented by the inflow of refugees from Ukraine, children in particular. As a result, EU FDP production could remain stable. Due to an increase in cheese and cream production, EU butter production declined in 2021. The increase in butter prices compared to 2020 led to a sharp decline in exports (-16%) while, similarly to cheese consumption, home and out-of-home consumption contributed to the increase in domestic use (+0.6%). In 2022, EU butter production could remain tight with very limited growth (0.2%) expected to support domestic use (+0.2%), constrained by the high level of prices.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KEY MESSAGES

-0.9%

EU beef production in 2022

-3%

expected EU pigmeat production drop in 2022

+26%

EU broiler price increase by mid-March 2022, year-on-year

-3.7%

Sheep and goat flock in the EU

MEAT PRODUCTS

HIGHLIGHTS

EU beef production is expected to decrease in 2022, due mainly to a structural adjustment in the beef and dairy sector, despite high prices. EU exports should increase slightly thanks to recent trade agreements but constrained by limited domestic supply and trade frictions with the UK.

High costs and the lasting effects of African Swine Fever (ASF) are expected to push EU pigmeat production downwards in 2022, as the carcass price increase is likely temporary. EU exports should also decrease due to ASF issues in spite of recovering exports to the UK and improved market shares in some other destinations.

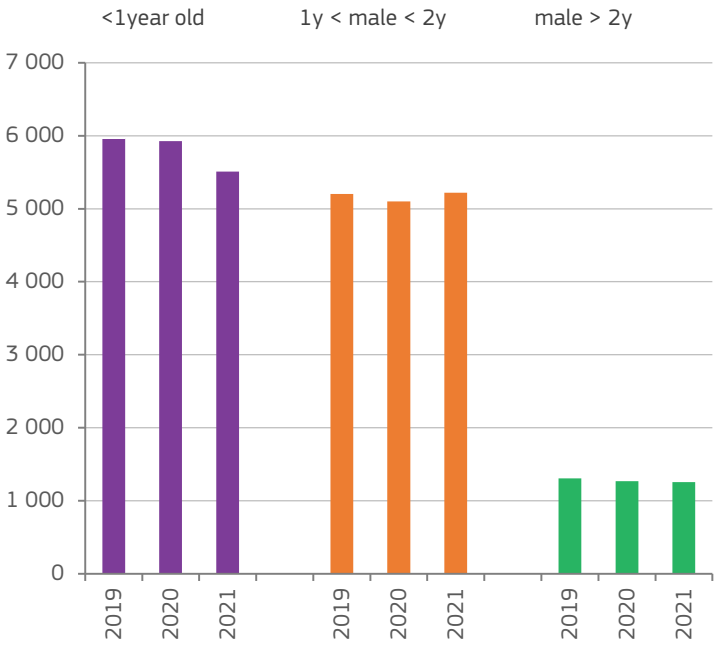
EU poultry production is expected to increase slightly in 2022, Avian Influenza (AI) still being a major limiting factor. High prices compensate high costs so far. EU exports are due to start recovering in spite of AI-related trade restrictions as well as Russia's invasion of Ukraine. Additional imports from the UK, Brazil, Thailand and China may replace imports from Ukraine.

A historical low EU sheep and goat flock is expected to result in a production decline of 2% in 2022. Trade should resume but still at relatively low levels, leading to sustained high domestic prices. The EU-UK trade frictions continue to add uncertainty and pressure on exports and imports.

BEEF AND VEAL

EU BEEF PRODUCTION CONTINUES DECREASING IN 2022

EU livestock survey by beef slaughtering category (1 000 heads)



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

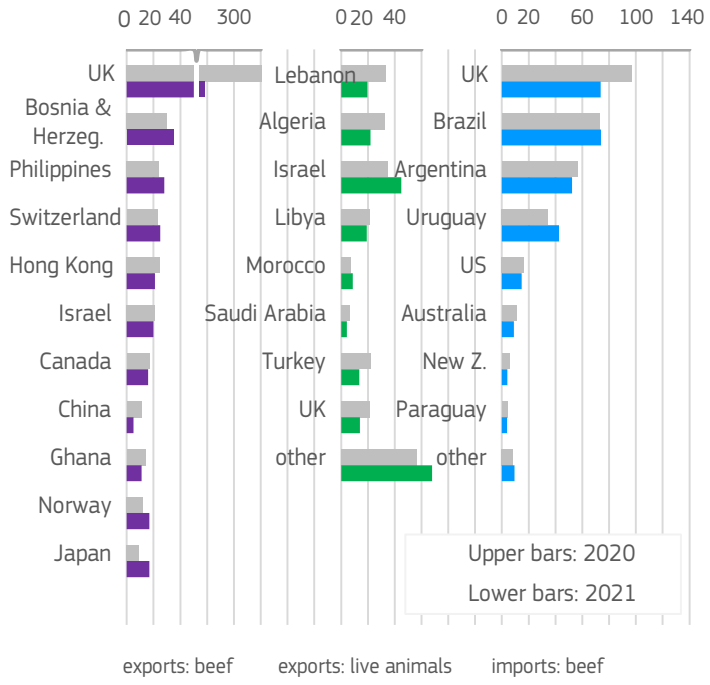
EU beef production decreased slightly in 2021, by 0.3%. This decrease is mainly due to changes in IR, DE, FR and BE. On the other hand, ES and IT increased their production substantially after a decline in 2020.

In the December 2021 livestock survey, the number of suckler cows in the EU decreased by 245 000 heads (-2.3%). At the same time, the dairy herd decreased by almost 320 000 heads (-1.5%). On the other hand, the number of male bovine cattle for slaughtering between 1 and 2 years increased, and these will come to the market this year.

In 2022, EU beef production is nevertheless expected to decrease by 0.9%, due to the continuing structural adjustments in the beef and milk sector, and despite the relaxation of COVID-19 measures in many EU countries, an increasing demand from foodservice and resulting high prices.

High input prices, notably for feed, might lead to some additional slaughterings and to lower carcass weights, especially in intensive beef farms where feed costs will weigh more on farm profitability.

EU beef trade (1 000 t carcass weight)



Source: DG Agriculture and Rural Development, based Eurostat.

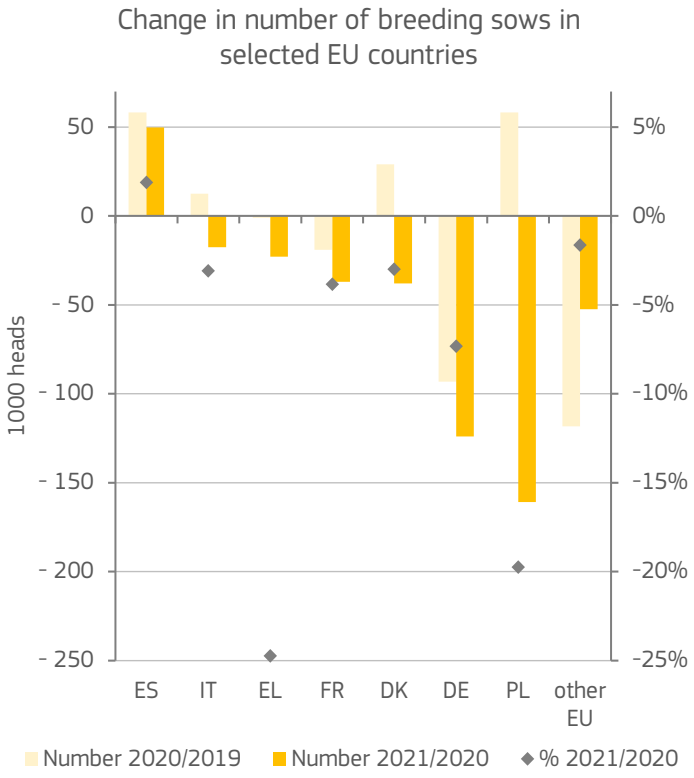
EXPORTS TO HIGH-VALUE MARKETS IMPROVE, WHILE IMPORTS SHOULD RECOVER SLIGHTLY

EU beef exports declined by 4.4% in 2021. The drop in shipments to the UK were not compensated by increasing exports to high-value markets such as Japan, Norway and Switzerland. In 2022, EU meat exports are expected to grow only slightly by 1%, constrained by limited domestic availability and despite the relatively high prices at global level due to tight supply. No-friction trade between the EU and the UK is not yet expected. Live exports declined by almost 9% in 2021, to all main destinations. A further decline is foreseen in 2022 (-3%) as trade with Russia is closed.

EU imports declined even further by 7.3% in 2021, due to the low demand in the EU related to foodservices' closure and the tight global supply. EU imports are expected to recover by 5% in 2022 related to the reopening of foodservices in many EU countries and improving global supply.

The apparent EU consumption of beef declined to 10.3 kg per capita in 2021 (-0.3%), and this trend may continue in 2022 by -0.9%, in an overall context of higher meat and food prices that will weigh on the appeal of meat in general.

PIGMEAT



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

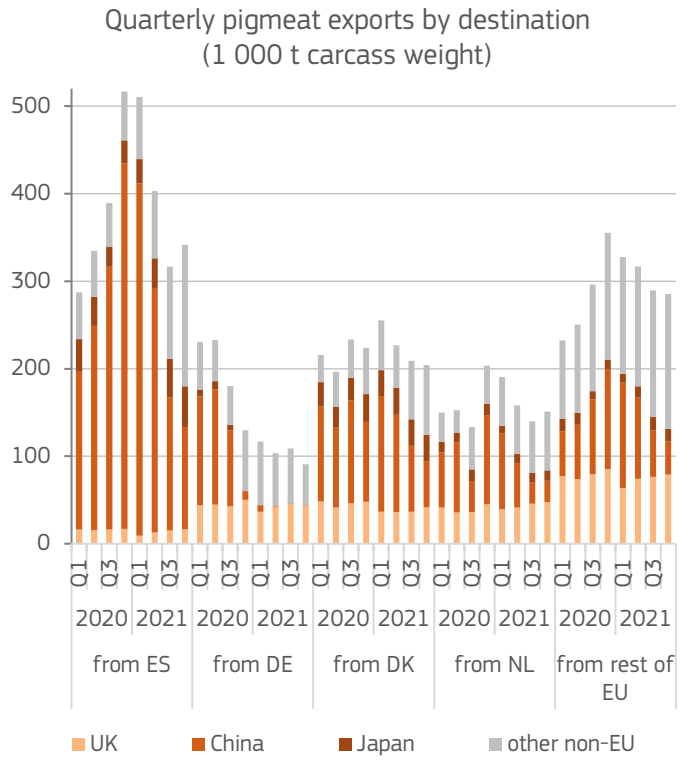
INPUT COSTS TO PUSH PRODUCTION DOWNWARDS

In late 2021, high input costs combined with low pigmeat prices resulted in low margin prospects and pushed EU pig producers to reduce the number of breeding sows by 3.6% in 2021. However, pigmeat prices have increased by 32% in a month as of mid-March 2022, reaching EUR 178/100 kg (16% above 5-year average). Whether this trend will continue is uncertain and this is not expected to be sufficient to compensate for the losses of previous months and the higher input costs (energy and feed), which are expected to last.

As a result of those squeezed margins, EU pigmeat production is expected to decrease by 3% in 2022. The production decrease in 2022 is expected to be the strongest in DE, PL and RO because of ASF. The production in DK may remain stable in 2022, while in ES it may increase by 3%.

Animals could be sent to slaughter younger – and lighter – than usual to save on feed costs, given that the feed conversion efficiency tends to decrease as the animals grow. The average carcass weight steadily increased by about 400 g/year over the 2011-2021 period, to reach 94 kg in 2021.

In 2021 pigmeat consumption increased by 2.9%. Reduced availability in 2022 could push it downwards by 3.1% in 2022.



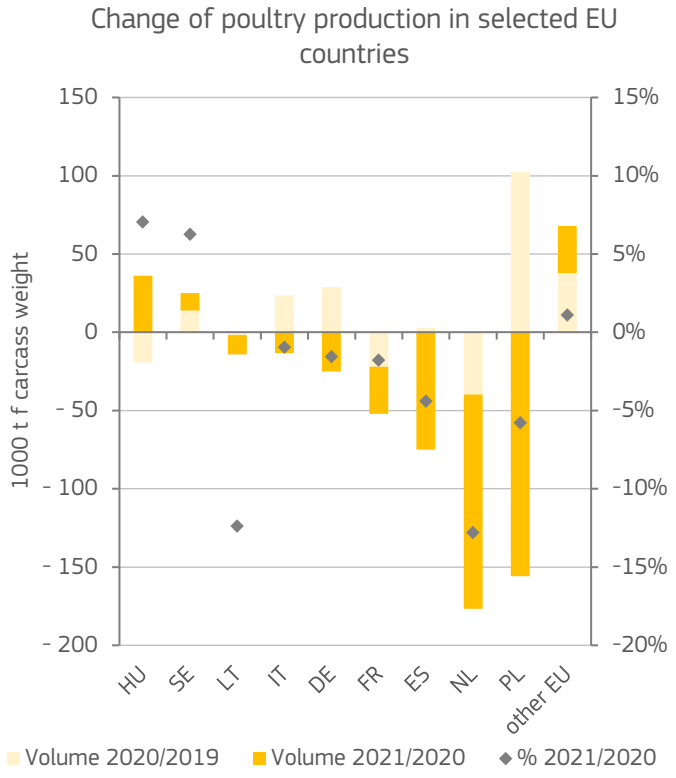
Source: DG Agriculture and Rural Development, based on Eurostat.

BREXIT AND AFRICAN SWINE FEVER (ASF)-RELATED ISSUES CONTINUE SHAPING THE TRADE

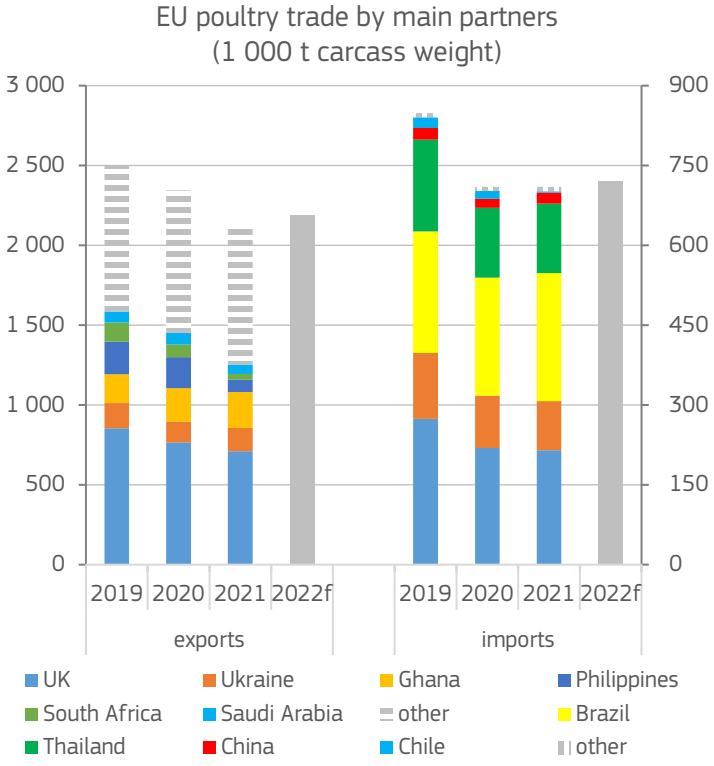
EU pigmeat exports to China dropped in 2021 and are expected to continue decreasing, as strikingly shown by ES export destinations. Most Asian countries do not accept regionalisation of exports from EU countries affected by ASF. This is why, for instance, DE lost its access to the Chinese and Japanese markets in late 2020. Moreover, exports to Ukraine, Belarus and Russia are expected to be drastically reduced following the invasion of Ukraine by Russia. Those lost exports opportunities could be only partially compensated by recovering exports to the UK and increased opportunities in the Philippines, the United States, Australia, Vietnam, Chile and the Ivory Coast. Overall, pigmeat exports are expected to decrease by 2.2% in 2022.

EU imports from the UK decreased significantly in 2021 but started recovering at the end of the year. They are expected to continue increasing in 2022, with Brexit-related logistical issues gradually being resolved. Overall, EU pigmeat imports are expected to increase by 9.1% in 2022, but remain very low compared to exports.

POULTRY



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



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

SO FAR HIGH PRICES COMPENSATE HIGH COSTS BUT AVIAN INFLUENZA (AI) STILL LOOMING

In 2021, EU poultry production decreased by 2.7%, particularly due to AI, with a drop in the production in FR (-1.8% in 2021), ES (-4.4%), NL (-12.8%) and PL (-5.8%). The production increase in HU (+7%) and SE (+6.3%) could not compensate for the reduction in other countries.

With solid demand, limited supply and high feed prices, the average EU broiler price rose by 17% in January 2022 year-on-year. That trend has continued so far: in mid-March, it reached EUR 246/100 kg (30% above the 2016-2021 average) and represents another 13% increase compared to January. This compensates at least partially the exceptionally high input costs, due to the combination of high energy and feed prices. Those costs are expected to further increase in the coming months due to the tensions on the energy and grain markets, as the invasion of Ukraine continues.

This, combined with AI outbreaks, will lead to a reduction in the production in NL in 2022, albeit at a slower pace than in 2021 (-4.5%). By contrast, with good prices and sustained demand, production in ES and PL is expected to stabilise, while in countries less affected by AI the production could increase moderately. Overall, EU poultry production is expected to increase very slightly by 0.5% in 2022, not yet recovering to pre-pandemic levels.

After a drop of 1.3% in 2021, EU poultry consumption is expected to return to 2019 levels in 2022.

RECOVERING FOODSERVICE AND LOSS OF UKRAINE LIKELY TO PARTIALLY RESHUFFLE TRADE

A smoothening of trading relations with the UK should allow EU exporters to return their trade to pre-Brexit levels. This, together with increased exports to Switzerland and some overseas destinations, could compensate the reduction of exports to traditional markets, some of which are applying AI-related countrywide bans. This includes the Philippines (exports dropped by 59% in 2021), South Africa (-55%, now with a market technically closed to EU exports due to AI-related bans and antidumping duties imposed), Saudi Arabia (-21%) and Ukraine (+13%), where exports are now hampered by the Russian invasion. Overall, EU poultry exports are expected to increase by 2.6% in 2022, after a 9% drop in 2021.

EU poultry imports remained relatively stable in 2021. In 2022, with foodservice expected to gradually reach pre-COVID-19 activity levels, additional imports from the UK, Brazil, Thailand and China could cover the loss of imports from Ukraine caused by Russia's military aggression (those amounted to 92 000 t or 13% of total poultry imports in 2021). Overall, EU poultry imports are expected to increase by 1.5% in 2022.

SHEEP/GOAT MEAT

SHEEP AND GOAT MEAT PRODUCTION DOWN IN 2022

In 2021, EU production of sheep and goat meat increased by 3%, mainly due to more slaughterings in RO, EL and ES, bringing it back to 2019 levels.

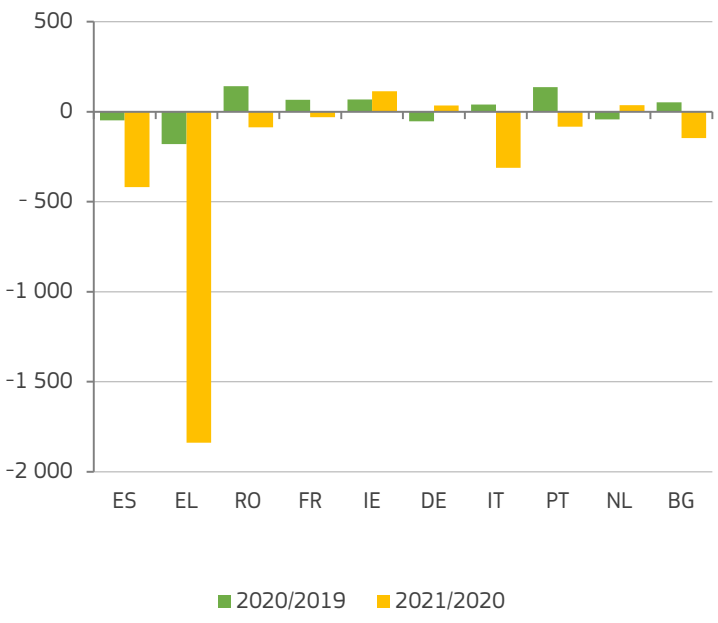
The December 2021 livestock survey showed a significant decline in the size of the EU sheep and goat flock by 2.7 million heads (-3.7%), especially in Greece[4] This results in the smallest flock of sheep and goat in the EU since 1990.

EU sheep and goat meat production relying on purchased feed is expected to suffer from the current situation of high feed prices, which may lead to additional slaughterings and lighter slaughter weights. On the other hand, the substantial reduction of the flock will hamper production, despite the favourable prices. Overall, a decrease in production of 2% year-on-year is expected in 2022, which is therefore likely to contribute to a sustained high level of domestic prices.

Low domestic supply leads to a reduction of EU per capita consumption by 1.8% in 2022.

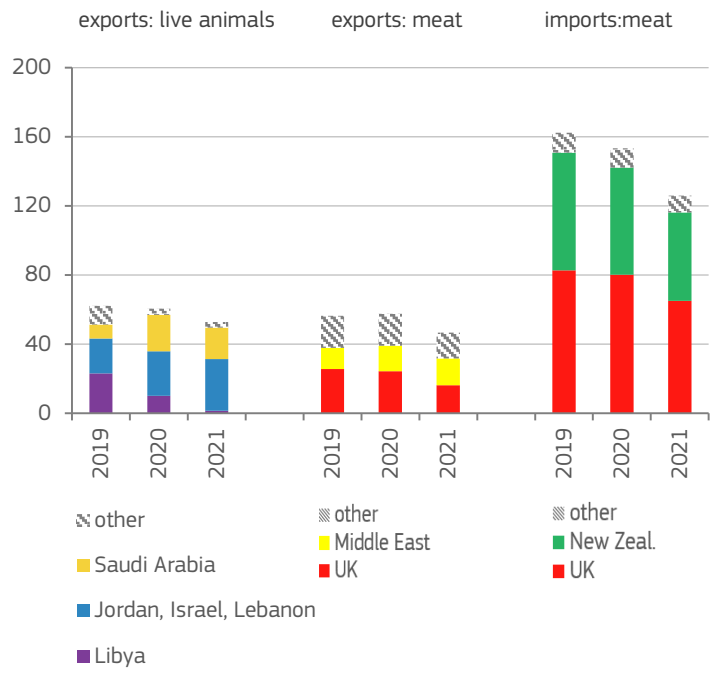
[4]Different figures for the herd decline in Greece are circulating. Therefore, the number should be taken with caution.

Change in herd size in main producing EU countries (1000 heads)



Source: DG Agriculture and Rural Development, based on Eurostat

EU sheepmeat trade by main partner (1 000 t)



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

LOW EXPORT LEVEL WILL CONTINUE

EU sheep meat exports decreased by 19% in 2021. Higher volumes went to key destinations in the Middle East, but this could not compensate the decline of exports to the UK. A shortage in domestic supply, continuing trade frictions with the UK and relatively high EU prices will limit the recovery of exports to a modest 4% increase in 2022, despite a weaker euro.

EU exports of live animals decreased in 2021 by almost 13%. Fewer animals were shipped to Libya, Lebanon and Saudi Arabia. Exports of live animals are set to decline in 2022 due to limited domestic supply and the difficult transport situation through the Black Sea.

EU imports of sheep meat were down by 18% in 2021. Shipments from New Zealand (NZ) and the UK to the EU decreased by -17% and -19% respectively. Despite the better lamb crop in New Zealand and high domestic prices, shipping costs and more attractive markets in Asia will limit the increase of imports to 2% in 2022, assuming no change in trade with the UK.

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 six marketing years for crops and fruit and vegetables.

SOURCES

- Eurosystem staff macroeconomic projections for the euro area[5]
- IHS Markit
  - DataInsight database
  - Commodity Price Watch
- COVID-19 Vaccine Tracker of the European Centre for Disease Prevention and Control[6]
- Danske Bank, Research Euro Area – Looming energy crisis creates a perfect storm[7]
- World Bank, Commodity Markets[8]
- Freightos,[9] global container freight rate index, cited by Statista[10]
- 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, which still remains in the intra-EU trade reporting, even though it is has not been part 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, for both imports and exports.
- 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 IHS Markit and Danske Bank.

Production forecast for the 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 AGRI4CAST[11]) 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 forecasted 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.

Following the conclusion of the EU-UK Trade and Co-operation Agreement in December 2020, forecasts for the 2021 calendar year assume duty-free/quota-free trade between the two.

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,

[5] https://www.ecb.europa.eu/pub/projections/html/ecb.projections202106_eurosystemstaff~7000543a66.en.html

[6] https://vaccinetracker.ecdc.europa.eu/public/extensions/COVID-19/vaccine-tracker.html

[7] https://research.danskebank.com/link/ResearchEuroArea041021/$file/Research_Euro_Area_041021.pdf

[8] https://www.worldbank.org/en/research/commodity-markets

[9] Freightos compiles the global container freight rate index on the basis of real-time business data. It represents a market rate for freight for any given shipping lane for a 40' container. https://www.freightos.com/

[10] https://www.statista.com/statistics/1250636/global-container-freight-index/

[11] http://mars.jrc.ec.europa.eu/mars/About-us/AGRI4CAST/Crop-Monitoring-and-Yield-Forecasting

some individual data for other extra-EU partners might already be available as described above.

ARABLE CROPS

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, and 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 cereals[12]. 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, 55 % for sunflower meal, 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 sugar[13] and white sugar. The link with sugar beet 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 used to close the market 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 the 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. tall oil). Consumption includes fuel use data from Eurostat and own estimates of biodiesel for other uses. Trade figures include trade of pure biodiesel 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.

[12]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.

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

Ethanol

The balance sheet is based on the 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. 2019 estimates and 2020 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 the 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 the 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 6[14].

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.19.5[15].

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 (conversion coefficient is 1 for all processed 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 to be zero. Consumption is calculated as a residual.

[14]Conversion coefficients are laid down in Working Document 'Handbook for compiling supply balance sheets – fruits (ESTAT/ASA/PE/641rev3_WPM)

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

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 equivalent[16]. 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 otherwise[17].

Production forecast for the year 2022 is based on annual and monthly data on slaughtering, Member State expert forecasts, on the trends in livestock numbers and meat consumption patterns. Net production refers to data on slaughtering 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.

Production of EU-27 total dairy products and in particular for SMP and WMP are 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 2020 is based on Eurostat annual statistics, estimates for 2021 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 2022 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'.

2022 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

Balance sheets for the EU and production figures at Member State level are available on Europa: https://ec.europa.eu/info/food-farming-fisheries/farming facts-and-figures/markets/outlook/short-term_en

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

[17]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

AI	avian influenza
ASF	african swine fever
AT	Austria
BE	Belgium
BG	Bulgaria
BSE	bovine spongiform encephalopathy
CAP	Common Agricultural Policy
CY	Cyprus
CZ	Czechia
DE	Germany
DK	Denmark
ECB	European Central Bank
ECDC	European Centre for Disease Prevention and Control
EE	Estonia
EL	Greece
ES	Spain
EU	European Union
EUR	euro
EVOO	extra virgin olive oil
FDP	fresh dairy products
FI	Finland
FMD	foot-and-mouth disease
FR	France
GDP	gross domestic product
GIP	gross indigenous production
GM	genetically modified
HR	Croatia
HU	Hungary
IE	Ireland
IT	Italy
LT	Lithuania
LU	Luxembourg
LV	Latvia
MMBtu	million British thermal units (approximately 293.1 kilowatt hours)
MS	member states
MT	Malta
NL	Netherlands
OIE	World Organisation for Animal Health
PL	Poland
PT	Portugal
RO	Romania
SE	Sweden
SI	Slovenia
SK	Slovakia
SMP	skimmed milk powder
SPS	sanitary and phytosanitary measures
STO	short term outlook
UK	United Kingdom
US	United States
USD	US dollar
VAT	value-added tax
WB	World Bank
WMP	whole milk powder

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