European Commission

SHORT-TERM OUTLOOK

for EU agricultural markets in 2021





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

The contents of this publication do not necessarily reflect the position or opinion of the European Commission.

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CONTENT


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OVERVIEW

Progress of the COVID-19 vaccination campaign allows the reopening of foodservice and easing travel restrictions in the EU. This should have a positive impact on the tourism summer season and on EU food consumption overall. This confirms the positive prospects anticipated in the Spring 2021 Short-term Outlook (STO). Uncertainties remain however, regarding the capacity to control the spread of the Delta variant of the COVID-19 virus, and the possible impact of this variant for vaccinated people.

Improved global and EU growth prospects are driving global commodity prices as well as energy prices and transport cost up. Massive feed import demand from China is also contributing to the surge in cereal (for feed use) and oilseed prices. This should benefit EU arable crop farmers as good production prospects become established, even if slightly revised downwards for cereals and oilseeds. The spring cold spells had a limited impact on those productions and on dairy (delaying grass growth), while they severely hit the fruit sector. High feed prices, the challenge of managing the spread of Avian Influenza in the poultry herd and structural adjustment in the beef and dairy sectors should contribute to a slight reduction of poultry and beef productions in 2021.

Demand from the US and China, second and third destinations of EU agri-food products, where the sanitary situation has considerably improved, is expected to steer EU exports, especially in dairy, pigmeat, wine and olive oil. Bilateral trade with the UK, the first EU export destination, started to recover, after a dramatic drop in the first two months of the year that followed the end of the Brexit transition period. UK also reported an increase in imports from other origins. Exports to other destinations only partially compensated this drop. The unstable sanitary situation in Brazil, India, Russia or Africa is not expected to weigh negatively on EU trade prospects for the moment.

A source of concern and uncertainty is the situation in the West of the US, with 26% of the region suffering from an exceptional drought and an additional 29% from an extreme one[1]. It is already affecting the agricultural production there and increases the risk of wildfires.

[1]: https://droughtmonitor.unl.edu, accessed on 01 July 2021


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KEY MESSAGES

60.6%

uptake of the first COVID-19 vaccine dose in EU population[1]

+4.6%

expected EU annual real GDP growth in 2021[2]

+1.9%

expected EU inflation in 2021, decreasing to 1.4% in 2023[2]

+15%

triple superphosphate price between March and May 2021[3]

MACROECONOMIC OUTLOOK

HIGHLIGHTS

COVID-19 daily-confirmed cases follow a downward trend in most countries worldwide – including Argentina, Canada, India, Japan and the US – and in the EU[4]. Overall, vaccination campaigns in EU countries continue to progress jointly.

The economic recovery is underway and is stronger than previously forecast. However, uncertainties and economic risks will remain for as long as the health crisis lasts, emphasising the importance of swift progress in vaccination campaigns worldwide.

Energy prices should continue increasing throughout 2021, getting closer to pre-COVID-19 levels. For oil and gas, the increased demand meets controlled supply.

[1] *COVID-19 Vaccine Tracker of the European Centre for Disease Prevention and Control, 30 June 2021: https://vaccinetracker.ecdc.europa.eu/public/extensions/COVID-19/vaccine-tracker.html*
[2] *European Central Bank, 10 June 2021: https://www.ecb.europa.eu/pub/projections/html/ecb.projections202106_eurosystemstaff~7000543a66.en.html*
[3] *World Bank, 2 June 2021: https://www.worldbank.org/en/research/commodity-markets*
[4] *Johns Hopkins Coronavirus Resource Center, 24 June 2021: https://coronavirus.jhu.edu/*

MACROECONOMIC OUTLOOK

GROWTH PROSPECTS BETTER THAN ANTICIPATED

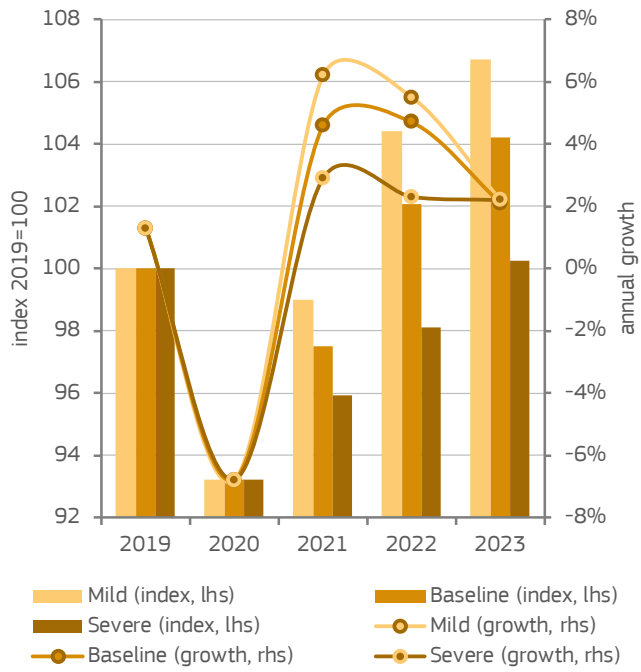
Several forecasters now expect better real EU GDP growth in 2021 than anticipated in March 2021. In line with the revision of the ECB's baseline[5], IHS Markit revised its projection for the euro area to +4.7% (+0.7 pp).

Private consumption and foreign demand for EU goods and services decreased again in Q1 2021. Forecasters, including the European Commission, mention a rebound effect on the demand side from Q3 2021[6], which should be a key driver of the GDP growth recovery. Investments under the NextGenerationEU programme should also play a big role in the recovery.

The impact of the crisis on unemployment is expected to remain contained, although young workers and women are relatively more impacted. After an increase to 7.8% in 2020, the ECB expects unemployment in the euro area to peak at 8.2% in 2021 and get back to pre-crisis levels at 7.4% by Q4 2023.

[5] ECB's baseline assumes a fast relaxation of containment measures and a resolution of the health crisis by Q1 2022.
[6] DG Economic and Financial Affairs: https://ec.europa.eu/info/business-economy-euro/economic-performance-and-forecasts/economic-forecasts/spring-2021-economic-forecast_en

Euro area real GDP scenarios



Note: Mild scenario – a resolution of the health crisis by Q4 2021 and only temporary economic losses. Severe scenario – a protracted health crisis and permanent losses in potential output.
Source: European Central Bank.

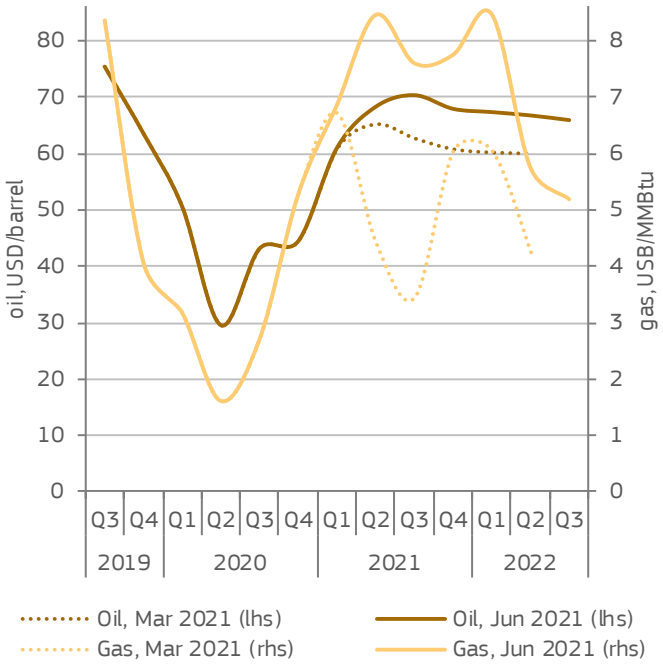
CONTAINED INFLATION AND ENERGY PRICES

The ECB projects the inflation in the euro area to peak at 2.6% in Q4 2021, due to temporary factors such as the reversal of the VAT rate cut in DE, the rebound in energy prices, and an increase in input costs related to supply disruptions that may last until Q1 2022.

According to IHS Markit, China could achieve COVID-19 collective immunity by Q4 2021, thanks to its vaccination campaign, which should contribute to a real GDP growth by +8.5% in 2021. In India, although new daily cases were cut in half since May 2021, the healthcare system remains under high pressure. Nevertheless, India's real GDP could grow by +7.7% in 2021.

The ECB assumes Brent crude oil to average USD 65.8/barrel in 2021, in line with IHS Markit's projections (USD 67/barrel). The demand side remains uncertain: while China, the US and to a lesser extent the EU should drive demand growth upwards in 2021, the impact of COVID-19 in large economies such as Brazil, Indonesia, Russia, South Africa and the UK remains to be seen. Since March 2021, IHS Markit has almost doubled its UK natural gas price forecast for 2021, with a spike at USD 8.5/MMBtu in Q2, close to 2018 levels. That accounts for extra demand amid cold winter in the first half of 2021 and stocks rebuilding over the summer.

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.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KEY MESSAGES

288.7 million t

of EU cereal domestic production in 2021/22 (+3.4%/5-year average)

30.1 million t

of EU oilseed production in 2021/22, a slight rebound

+2.6%

EU oilseeds crushing on the rise compared to the 5-year average

+28%

EU sugar ending stocks increase above critical level in 2021/22

ARABLE CROPS

HIGHLIGHTS

Prices for the main arable crops continued their rally over the spring. High demand from China on several commodities, high demand from the US biodiesel industry and uncertainties around production levels and trade practices put world prices on an upward trend. FAO food price index in May reached its highest value since September 2011 but global prices eased since then thanks to a slight increase in ending stocks.

In 2021/22, EU cereal production could increase at 288.7 million t (+4% year-on-year). Similarly, EU oilseed and protein crops production could reach 30.1 million t (+9.5%) and 4.6 million t (+6.7%), respectively. EU domestic consumption could increase as well, especially in feed cereals (+0.5%) and vegetable oils. While EU imports of cereals could decline, oilseed imports are expected to remain high (+17%/5-year average).

EU sugar beet production could reach 110 million t (+11 year-on-year) in 2021/22. Sugar production could increase by 1 million t compared to 2020/21, to 15.5 million t.

Production of EU biofuels is expected to grow in 2021 as demand for transport fuels rebounds. Biodiesel production should be fuelled by used cooking oil and other waste feedstock, while bioethanol should grow mainly thanks to wheat and maize.

CEREALS

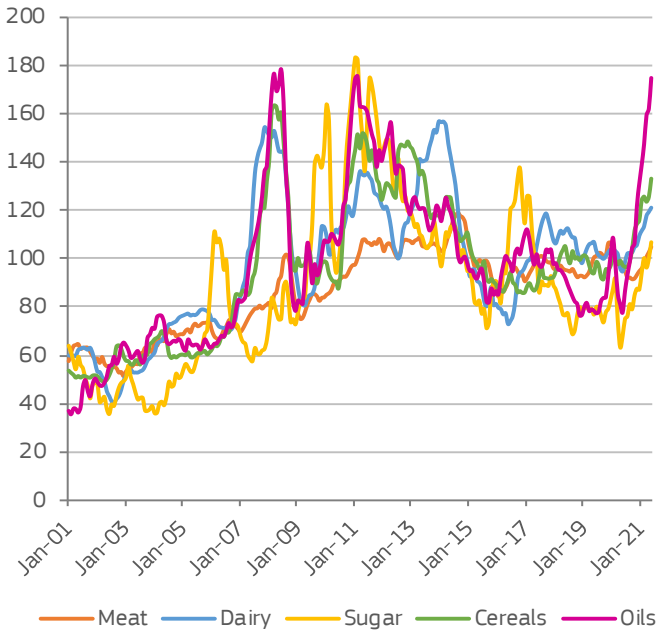
TURBULENCES IN THE GLOBAL CEREAL MARKET

The FAO cereal price index in May increased by 36.6% year-on-year. This development was driven particularly by maize global prices following the surge in Chinese imports (close to +300% year-on-year). Despite a close-to-record production, the continuous increase of maize global consumption weighed on global stocks which dropped to an 8-year low. China also increased significantly its wheat imports in 2020/21 bringing global trade to a new record. Despite increased food and feed demand, record global wheat production allows the stock-to-use ratio to remain stable year-on-year.

"Grain prices reaching multi-year highs"

Cereal global production for 2021/22 is expected to reach a new record high, assuming normal weather conditions. With a new record demand, particularly for feed, global stocks should however tighten. Global feed demand for barley and sorghum are forecast to increase (+1.8% and +11.4% year-on-year, respectively). This would boost global trade flows. Maize could regain some shares in the feed ration thanks to a rebound of production in the main exporting countries.

FAO monthly food price index (2014-2016=100)



Source: FAO, http://www.fao.org/worldfoodsituation/foodpricesindex/en/

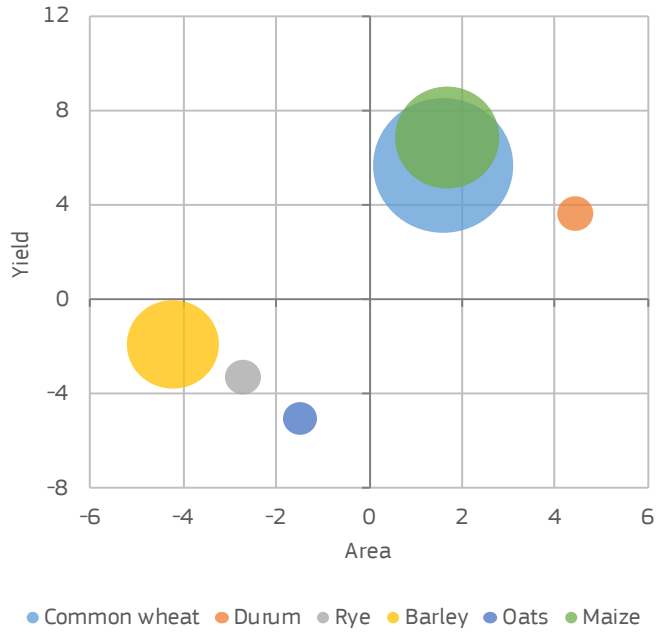
RECOVERY OF EU CEREAL PRODUCTION IN 2021/22

The EU weather during spring 2021 was characterized by several cold spells in March and April. Almost all regions across the EU reported at least one episode. The Central Europe region was the most affected and the average temperatures there in April ranked among the lowest in history. Record low levels were also reported in FR and in the central Mediterranean region. This affected the development of winter crops and delayed the sowing of spring and summer crops.

Still, yields forecasts are positive across the EU, especially for maize, soft wheat and durum wheat. EU grains production would then increase by 3.5% year-on-year and reach 290.1million t. Maize (72 million t, +10.8% year-on-year) and soft wheat (125.8 million t, +7.3%) would more than compensate the decline in barley production (53.5 million t) and in other coarse grains (31 million t).

After a very good harvest last season, production is expected to decline the most in ES and PL (both due to an area and yield effect). RO and FR production could increase by 43% and 14% year-on-year respectively, recovering from a low harvest last year.

Annual change in EU areas and yields for selected commodities (2020-21/2021-22, %)



Note: Size of bubbles represents EU production volume.

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

CEREALS

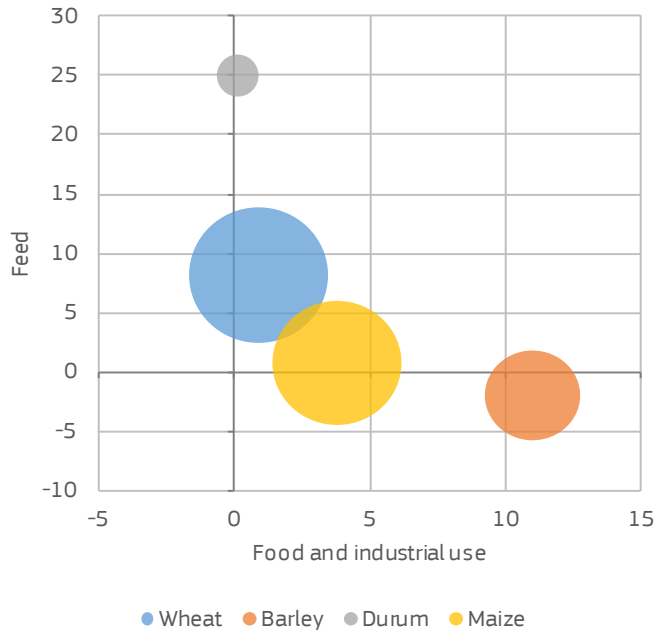
REBOUND OF EU CEREAL CONSUMPTION

The EU cereal consumption is expected to rebound year-on-year in 2021/22 (+1.1%). Particularly, feed demand should reach 163.3 million t (+0.6%) after a slight drop in 2020/21, mainly due to a decrease of the poultry production towards the end of the marketing year.

The increase in dairy and pigmeat production in the calendar year 2021 should boost the demand for feed in 2021/22. With ample availabilities worldwide, wheat use in feed should increase to 41.3 million t in the EU while maize should re-gain its share (64 million t) in the feed mix benefiting from reduced availabilities of barley. Still, relatively high cereal prices and a good availability and quality of grass could limit the need for cereals, in particular in the dairy sector.

The food and industrial use of cereals should also rebound in the EU thanks to the expected economic recovery and the associated re-opening of foodservices. Wheat would benefit the most from this situation, as well as the malting industry. The use of cereals for bioethanol production is expected to rebound and exceed 2019/20 levels, reaching 11.9 million t. EU cereals stock-to use ratio should ease by 1 pp at 16.6%.

Annual change in EU food and industrial uses and feed use (2020-21/2021-22, %)



Note: size of bubbles represents EU consumption volume.
Source: DG Agriculture and Rural Development

OILSEEDS

LIMITED OILSEED AVAILABILITIES GLOBALLY

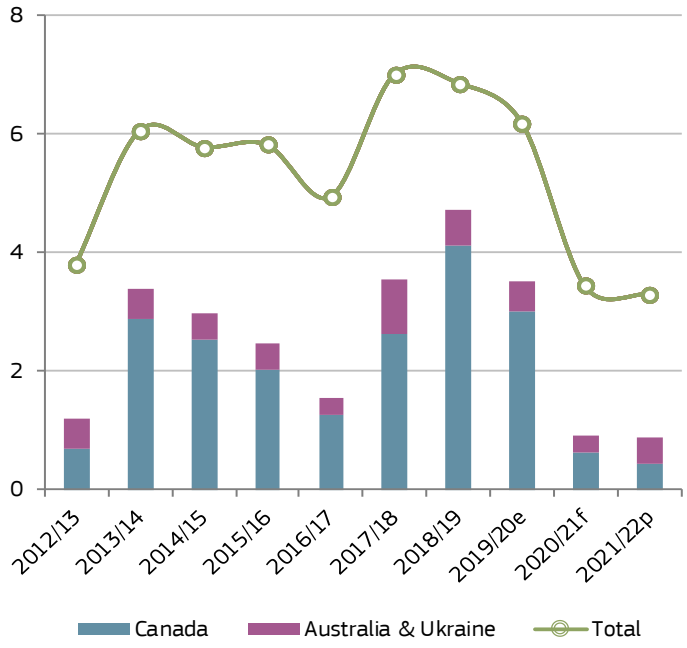
Price rally in the vegetable oil complex continued in the spring with the FAO vegetable oil price index recording its 12th successive monthly increase in May. This was mainly driven by global tightness of palm and rapeseed oil and a strong demand for soya oil.

Slower production growth in Southeast Asia and a sustained demand drove palm oil prices to their highest level since February 2011. Rapeseed and soya oil prices also increased due to market tightness for the former and a strong demand from China and US (uptake for the biodiesel industry) for the latter. US biofuel consumption of soya oil could grow by 26% in 2021/22 (year-on-year) after a 10% increase in 2020/21

"Tight rapeseed market in 2020/21 could remain in 2021/22."

Despite an anticipated global rapeseed as well as soya beans production increase in 2021/22, rapeseed stocks are not set to recover. Soya beans global stocks could also still be under pressure due to the continuous consumption growth.

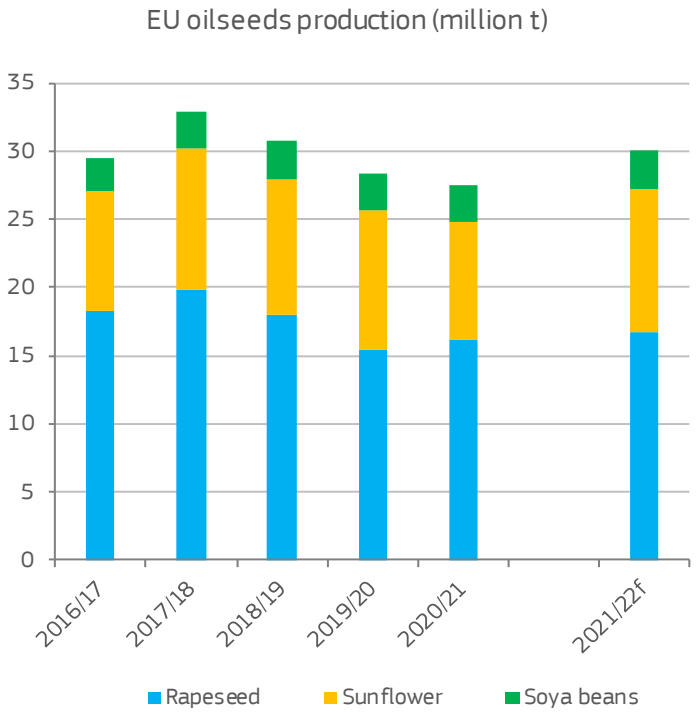
Global stocks of rapeseed/canola (million t)



Source: International Grains Council

OILSEEDS

2021/22 EU OILSEEDS PRODUCTION BOOSTED BY SUNFLOWER OUTPUT

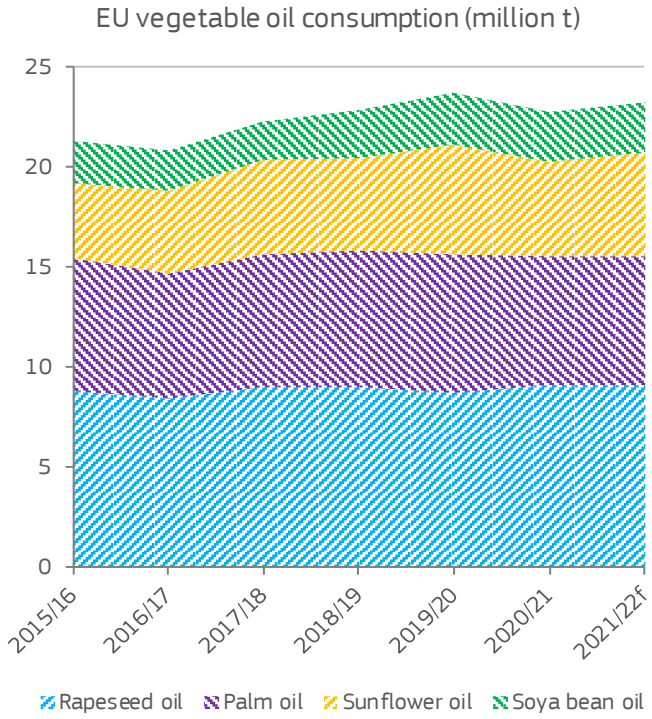


Source: DG Agriculture and Rural Development, based on Eurostat and MS notifications.

The EU oilseed production could reach 30.1 million t in 2021/22. This 9.5% annual increase after the drop in 2020/21 marketing year would ease the EU domestic market. The rapeseed market would nevertheless remain tight due to unusually low opening stocks.

The EU rapeseed production could reach 16.7 million t (+3.5% year-on-year) thanks to positive yields compensating a decline in winter rapeseed area notably in FR (-11% year-on-year) and in PL (-4%).
Sunflower seed production could reach 10.5 million t (+21% year-on-year) mainly due to a rebound in yields after the decline in 2020/21. Soya beans production is forecast at 2.9 million t (+10% year-on-year).

The EU rapeseed tight market could weigh on rape crushing volumes (-2% year-on-year). On the contrary, a sunflower production increase could allow an 11% increase year-on-year of crushing volumes. Overall, with limited soya bean and rapeseed crushing, the EU meals production would be relatively stable at 29.6 million t.



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

REBOUND IN EU OILSEED CONSUMPTION

The 2021/22 EU total oilseed consumption could increase by 0.8% year-on-year supported by an increase in sunflower seeds' use and despite a decrease in the consumption of rapeseed and soya beans influenced by the limited recovery of the EU rapeseed production and by the global market situation (see sections above).

With a stable meals production and an increase in imports (+1.2%), the overall meals consumption is expected to increase compared to the 2020/21 marketing year (+1.0%) and reach 47.5 million t. This limited increase in a context of the recovery of the feed demand is due to the rebound of cereals production and the relatively high prices of oilseeds.

The EU vegetable oil consumption could increase year-on-year to reach 23.2 million t. An increase in sunflower oil consumption, thanks to its availability relative to other oils and its crushing margin, would contribute to this situation. The additional use would be in the food industry, following the gradual re-opening of restaurants across the EU, and in the biodiesel industry.

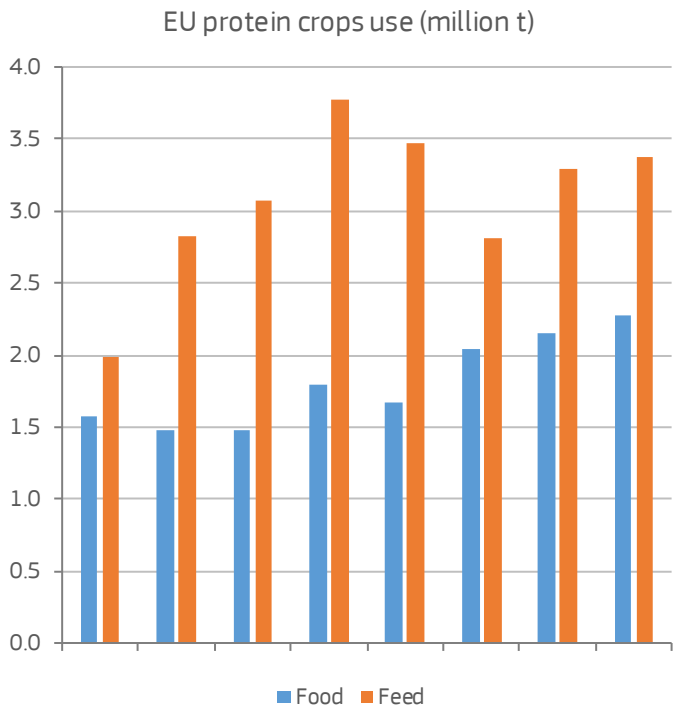
PROTEIN CROPS

EU PROTEIN CROPS MARKET KEEPS ON RISING

The total EU production of protein crops could increase to 4.6 million t in 2021/22, thanks to an increase in area and yields (assuming normal weather conditions). The output of all protein crops would increase with the exception of broad beans (-9% year-on-year mainly due to reduced yields after an exceptional year). EU field peas production could increase at 2.3 million t (+11.8% year-on-year), mainly thanks to a yield effect. Lentils production could increase to 132 000 t and chickpeas to 181 000 t.

"EU 2021/22 protein crops production to rise at 4.6 million t."

Contrary to the majority of field peas and broad beans, targeted towards feed use, lentils and chickpeas are mostly consumed as food. EU total food use of protein crops could increase to 2.2 million t, a 23% increase compared to the 5-year average in 2021/2022. Feed use would reach 3.4 million t (a 2.4% increase year-on-year) thanks to the increased availability of field peas and lupins. Imports are expected to slightly reduce at 1.6 million t, mostly due to decline of field peas imports.



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

ISOGLUCOSE

ISOGLUCOSE PRODUCTION TO REACH 600 000 t

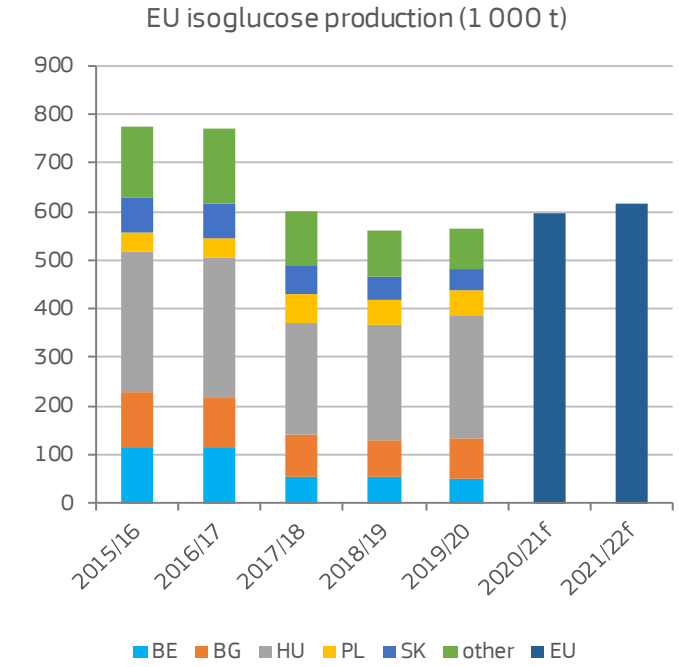
2020/21 EU isoglucose production is forecast to increase to almost 600 000 t.

The growth is driven by a strong foreign demand, with isoglucose exports expected to increase to a record level of around 68 000 t in 2020/21. Imports have become negligible since the end of the EU production quotas in October 2017.

EU isoglucose exports to reach record levels in 2020/21.

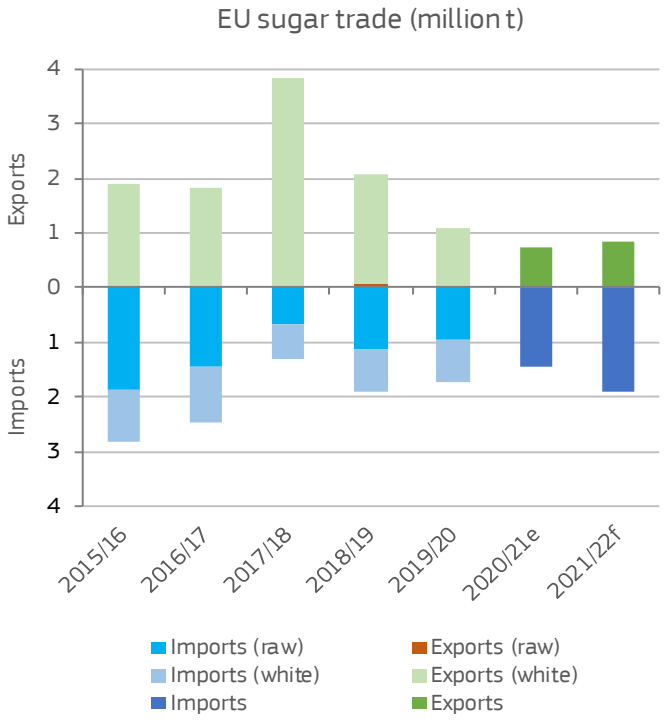
The use of isoglucose in the EU should remain stable, helped by the post pandemic recovery of the soft drinks market, which is the main destination for isoglucose.

With a stable demand for isoglucose and strong exports in 2021, the 2021/22 EU production is forecast to increase further, exceeding 600 000 t for the first time since 2017/18.



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

SUGAR



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

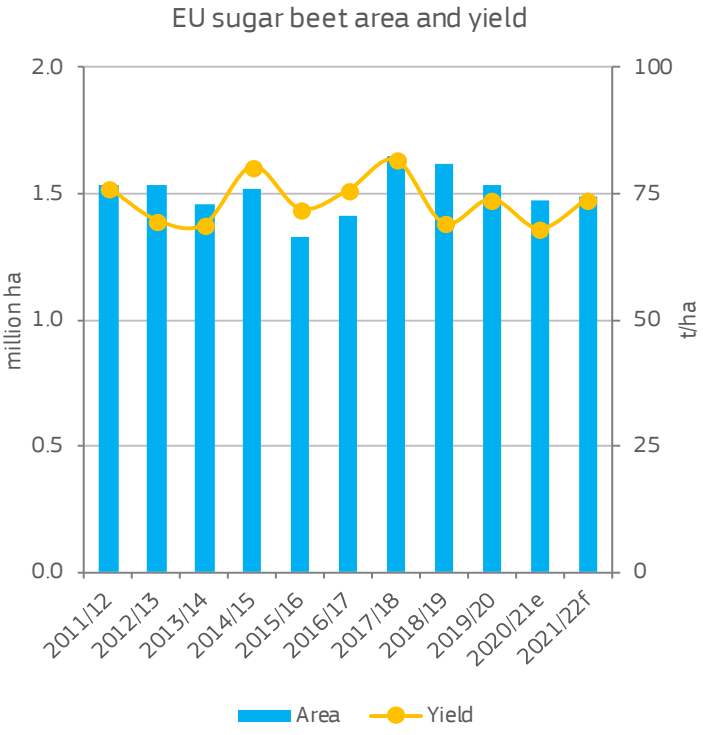
EU ENDING STOCKS LOW, BUT NOT CRITICAL

EU human sugar consumption is expected to remain stable at 14.8 million t for the forecast period as the long-term decline in per capita consumption is slowed by the post-pandemic recovery of the catering sector. A smaller use (1.4 million t) is anticipated for industrial products, mainly for the production of bioethanol, and for sugar in exported processed products.

World sugar prices have dropped sharply at the start of the COVID-19 pandemic in 2020, but fully recovered by spring 2021. The EU average white sugar price was very stable at EUR 370-380/t in 2020 and resumed growth in 2021 towards EUR 400/t.

Smaller EU sugar price premium resulted in sluggish sugar imports forecast to reach 1.5 million t in the current marketing year (-16% compared to 2019/20). Exports also remained low due to a small production surplus and could reach a record low at 0.8 million t (-30% year-on-year).

The combination of a small production (14.4 million t), relatively stable domestic consumption and decreasing trade result in the reduction of 2020/21 EU ending stocks, which are forecast to reach 1.1 million t (-48% year-on-year), but still above critically important



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

2021/22: EU SUGAR PRODUCTION TO INCREASE TO 15.5 MILLION t

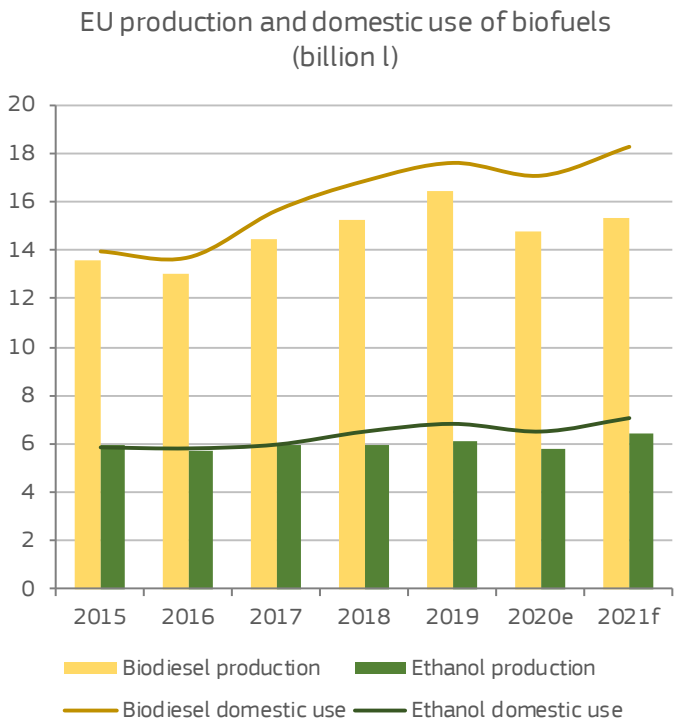
The EU sugar beet area is estimated to expand by 1% in 2021/22 to reach 1.5 million ha. Cold spells and frosts during the sowing campaign led to some lost plantings, although most of them could still be re-sown. The cold weather in the spring has reduced the pest and disease pressure, which is having a positive impact on yields.

Early sugar beet yield estimates are forecast at 74 t/ha, which is in line with a 5-year yield average and 10% higher compared to the previous season.

Under these conditions, the EU sugar beet production would reach around 110 million t in 2021/22, significantly above the 99 million t of the previous marketing year. Sugar production could increase by over 1 million t compared to 2020/21, to 15.5 million t.

Global sugar production in 2021/22 is expected to grow moderately as a production drop in Brazil due to a very significant dry spell should be easily compensated by the production in other key sugar producers: the EU, Russia, Thailand and India.

BIOFUELS



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

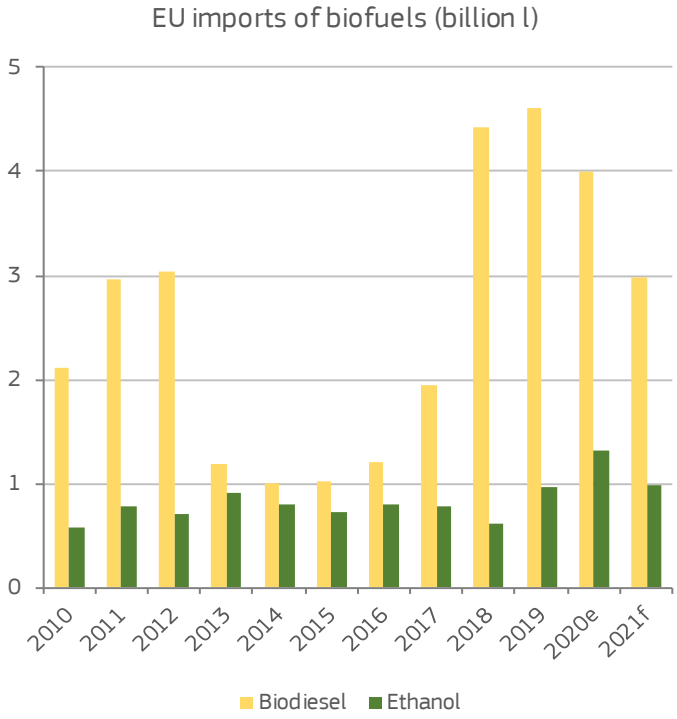
DEMAND FOR BIOFUELS TO RECOVER IN 2021

Lower fuel use due to COVID-19 lockdown measures translated into a decline in biofuel use for transport in 2020 and the first half of 2021. However, the demand for biofuels declined less significantly than the overall demand for transport fuels.

Biodiesel use was supported by higher blending rates and the fact that the demand for diesel, which is used for road freight, was less affected than the one for gasoline. Ethanol use was helped by higher demand for industrial use, but that was not sufficient to avert fuel use losses.

In 2021, the demand for both biodiesel and bioethanol are forecast to recover and exceed pre-COVID-19 levels, mainly due to recovery in the use of transport fuels and higher blending rates.

The EU biodiesel production increase should be fuelled by used cooking oil and other waste feedstock, which also saw a significant increase in imports from Asia. The EU bioethanol production is expected to grow mainly thanks to higher use of wheat and maize.



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

BIOFUEL IMPORTS FORECAST TO DECLINE

Lower fuel demand also resulted in reduced EU biodiesel imports. Imports of bioethanol, however, increased by 37% following a wave of late 2020 deliveries from Brazil, which had abundant and cheap supplies.

"Used cooking oil imports increased significantly in 2020 and it should continue to grow as a share of biodiesel production."

Some feedstock of biodiesel saw significant increase in demand. Namely, imports of used cooking oil from China and other Asian countries increased by over 30%.

Biodiesel produced from used cooking oil is considered advanced and counts double towards biofuels mandates. It is therefore anticipated that the share of this feedstock would continue growing in 2021.

Due to abundant unused stocks, imports of biofuels are expected to decline in 2021 by about 25% to 3.0 billion l for biodiesel and 1.0 billion l for ethanol.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KEY MESSAGES

Olive oil: +7%

EU olive oil exports in 2020/21

Wine: +4%

EU wine exports in 2020/21

Tomatoes: +5%

EU production of tomatoes (+9% for processing)

P&N: -20%

EU production in peaches and nectarines in 2020/21

SPECIALISED CROPS

HIGHLIGHTS

Despite an increase of EU olive oil production in 2020/21, growing exports and the recovery in domestic demand (+5%) are expected to contribute to reducing stocks which are expected to fall below 2017 level. Thanks to these developments, EU prices of extra virgin olive oil already reached above-average levels in ES, IT and EL.

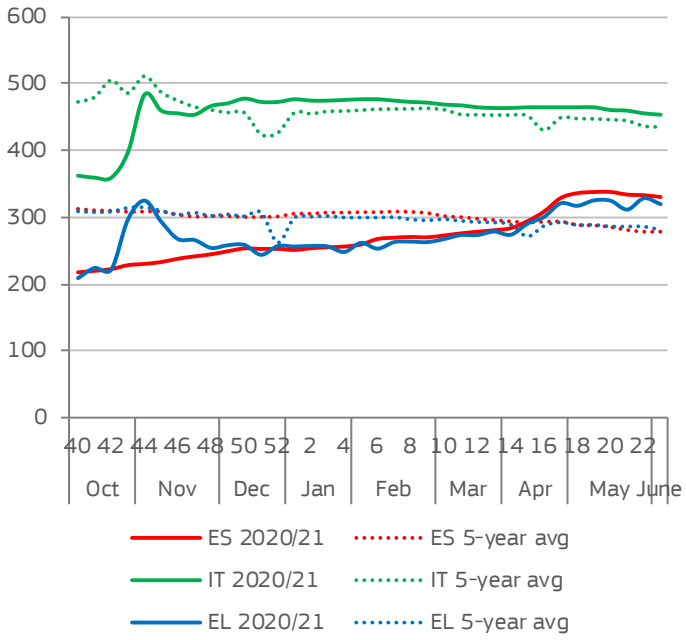
Despite an EU wine production above average in 2020/21, stocks are expected to be stable, driven by a recovery of the domestic wine consumption after the record low consumption in 2019/2020, an increased use of vinified production for 'other uses' including crisis distillation, and growing exports.

While the EU production of fresh tomatoes continues the declining trend since 2016, the production of tomatoes for processing, driven by a strong demand and low stocks, is due to grow by 9% in 2021.

Production of peaches and nectarines in the EU is at a record low for the second consecutive year due to adverse weather conditions. In 2020 the EU production reached its lowest level since 2004. In 2021 it is expected to further drop by 20%.

OLIVE OIL

Weekly producer prices of extra virgin olive oil in selected EU countries (EUR/100 kg)



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

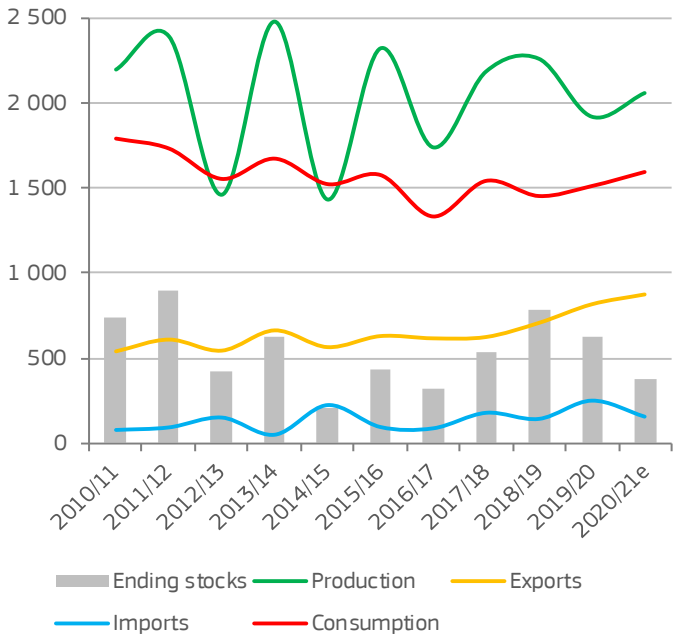
EU OLIVE OIL EXPORTS HEAD FOR NEW RECORD

Lower olive oil production estimate for ES resulted in an overall 2020/21 EU olive oil production of 2.1 million t (7% above the previous campaign). This reduction is linked to an overall decline in oil yield (-12%). ES and IT suffered the most from this (-31% and -39% respectively).

After a continuous increase, EU prices stabilised in the last weeks. Producer prices of extra virgin olive oil are above 5-year averages in ES, IT and EL. In Jaen, the price of extra virgin olive oil was close to EUR 330/100 kg in May (20% above 5-year average). Export unit prices rose as well. In the first six months of the 2020/21 campaign, they increased by 7% (EUR 340/100 kg in March). Compared to skyrocketing prices of oilseeds, the lower olive oil prices in some countries could incentivize EU domestic consumption and it could grow by 5%, driven by an increase in main producing countries (+7%). The consumption in other EU countries could remain stable at last year's (high) level.

In Oct-April, EU exported 24% more to the US and this more than compensated losses in other markets. The elimination of retaliatory tariffs should help sustain this growth. A recovery is expected in Asian markets after facing some logistical issues at the beginning of 2021. That could result in EU exports of 880 000 t (29% above 5-year average).

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



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

REDUCED ENDING STOCKS AND UNCLEAR IMPACT OF COLD SPELL ON 2021/22 HARVEST

In Oct-April, EU imports stayed below the 2020 high levels (-15%). Despite a reported low availability in Tunisia, they could still grow further to reach 160 000 t. This, together with positive prospects in global and EU demand, could help to reduce stocks further. They are currently expected to be below 2017 level (around 380 000 t).

Despite reported cold weather in some EU producing regions, the actual impact on the new harvest is yet to be seen. In general, cold spell had a limited impact on flowering in ES, which in last weeks reported a slight drought. Dry and hot weather over summer will be a factor to monitor. In IT, southern producing regions (e.g. Puglia) suffered from a temperature drop that came after high temperatures that had triggered early flowering. This raised some concerns about potential lower yields. A cautious estimate would suggest the EU 2021/22 harvest to be comparable to the current one.

An average production combined with low beginning stocks would continue supporting EU olive oil prices in the short term.

WINE

INCREASING WINE TRADE WITH CHANGING PATTERNS

EU wine exports could increase by 4% in 2020/21 compared to 2019/20. While exports in the first nine months of this marketing year (Aug-April) increased both in volume (+2%) and value (+4%) compared to the same period last year, the recent confirmation that US retaliatory tariffs have been suspended for the coming 5 years is expected to push exports further up. Trade figures show that the sector has been able to adapt well to the challenging market situation (COVID-19, US tariffs).

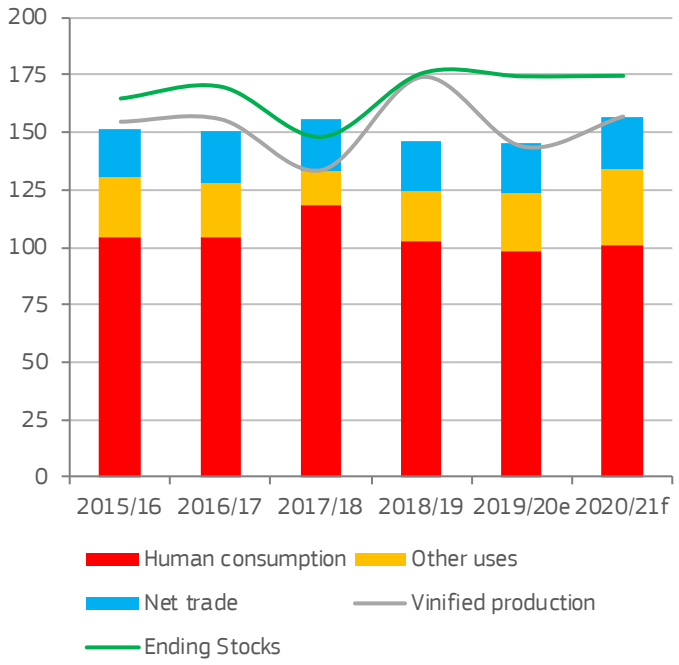
The US and the UK, with a share of 22% in volume and 26% and 19% in value, are the main EU export markets. While the exported volume to the US increased by 3% in Aug-April 2021 compared to the same period last year, exports to the UK declined (-1%). This decline is driven by a drop of exports in the beginning of the year (-15% Jan-April) after accumulation of stock in the UK prior to the leaving the single market (exports +8% Aug-Dec 2020). In terms of value, the exports to the US declined (-8%) and the UK (+2%) increased.

With regard to other markets, exports to China increased both in volume (+7%), but declined in value (-15%), whereas the exports to Japan declined by -9% in volume, but increased by 18% in value.

EU wine trade in volume and value

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

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



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

CRISIS DISTILLATION AND INCREASE OF HOME CONSUMPTION PUSH DOMESTIC USE UP

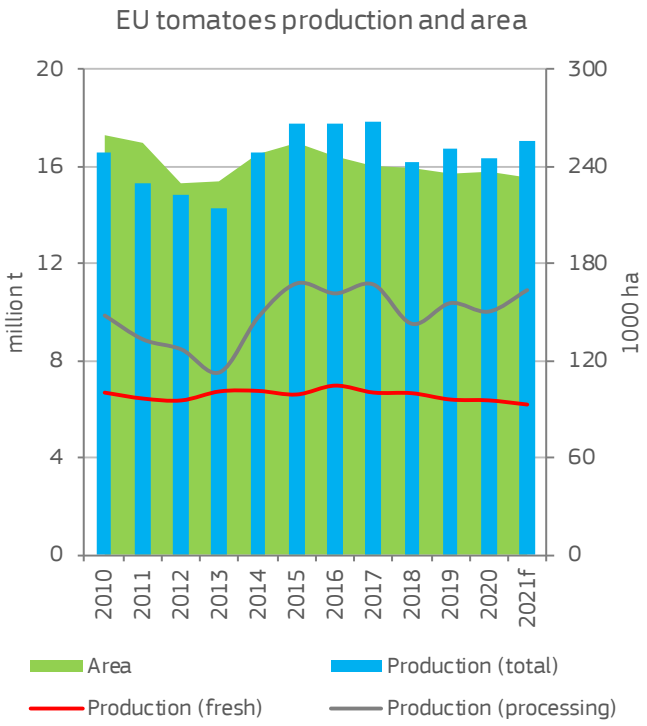
In 2020/21, EU wine imports could grow by 1% in 2020/21 compared to 2019/20, following a similar growth in Aug-April this year compared to the same period last year. In this period imports from South Africa (+19%) and Australia (+10%), previously entering the EU via the UK, more than offset the drop in EU imports from the UK (-35%).

The value of EU wine imports declined by 5% in Aug-April 2021 compared to the same period last year due to the growing share of relatively cheaper wines in imports. This is a due result of the COVID-19 pandemic that pushed down the demand for the higher segment of imported and EU wines.

EU domestic use of vinified production could increase by 2% compared to 2019/2020 driven by an increase of wine consumption to 22.6 l per capita (+2%) and an increase of vinified production used for 'other uses', such as vinegar, brandies and crisis distillation (+32%).

The re-opening of restaurants is expected to push consumption up compared to the record low consumption in 2019/20. Based on EU countries' requests, 7 million hl could go into crisis-distillation to relieve the market.

TOMATOES



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

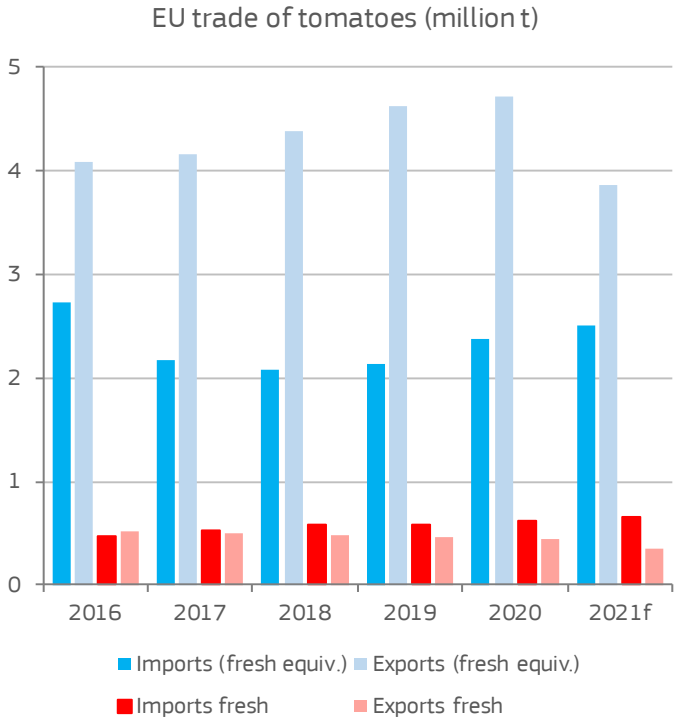
STRONG INCREASE IN PROCESSED TOMATOES CONSUMPTION

The EU production of tomatoes is expected to increase by 5% in 2021. This growth is driven by the production of tomatoes for processing (+9%). Strong demand and low stocks (after last year's strong demand) push production up in all main producing countries: IT (+5%), ES (+17%) and PT (+11%).

Apparent per capita consumption of processed tomatoes is expected to increase by 4 kg (to 21.2kg) driven by a strong demand for tomato paste and peeled tomatoes. The strong demand for processed tomatoes last year has resulted in low stocks.

On the other hand, the EU production of fresh tomatoes may decrease by 2% in 2021 (-5.2%/5-year average), driven by a decline in ES (-10%), the largest EU producer, and in FR (- 2%). In ES, producers switch to more profitable vegetables.

Per capita consumption of fresh tomatoes (14.7 kg) is expected to remain stable thanks to the high level of home consumption, in particular of smaller-sized tomatoes, and the re-opening of food services. It is still 1 kg below the record consumption level in 2016.



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

RECORD LOW EXPORT OF FRESH TOMATOES CONTINUES THE DECLINING TREND

EU imports of fresh tomatoes are expected to continue to increase in 2021 (+7%/2020) while exports are expected to decrease (-21%). Morocco remains by far the largest source of imports (70% in 2020). Whereas imports from Turkey (17%) were in Jan-April 2021 36% above imports in the same period last year, imports from Morocco were stable.

EU exports of fresh tomatoes, declining since 2013, are expected to further decline in 2021 and reach a record low level of 350 000 t (-21%/2020). The sharp drop is driven by a decline of exports to the UK (-37% in Jan-April 2021 compared to the same period last year), the largest EU export market (52%).

Driven by the high demand for processed tomatoes and low stocks, EU imports of tomatoes for processing are forecast to continue growing (+5%/2020). The main countries of origin are China, US and Ukraine. Although the export of tomatoes for processing continuously increased between 2013-2020 a decrease of 18% is forecast in 2021 (-12%/5-year average).

PEACHES and NECTARINES

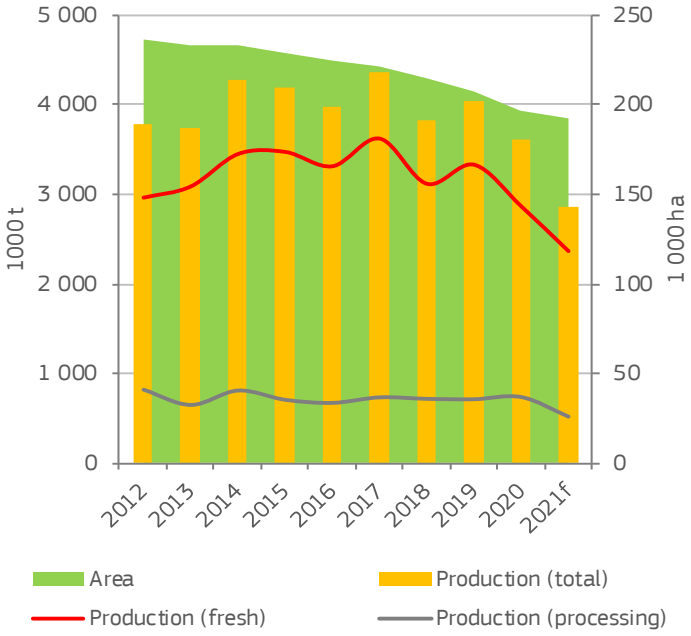
RECORD LOW PRODUCTION DUE TO FROST AND DECLINING AREA

Total EU production of peaches and nectarines is expected to drop by 20% to 2.8 million t, compared to an already record low production of 2020 (-27%/5-year average). This is due to frosts damaging the flowering buds after high temperatures in early spring and the further grubbing up of area (-3%/ 2020).

"EU production of peaches and nectarines in 2021 -20% due to spring frost and grubbing up"

While production of peaches and nectarines for fresh consumption declined in all EU main producing countries, the drop is expected to be the strongest in EL (-45%) and in FR (-34%). In ES and IT, with an EU market share of 40% and 35% (2020) respectively, production is due to decline by 7% and 11%. The production of peaches aimed at processing is forecast to fall the most in EL (-50%) which accounts for 65% of EU production (2020). Whereas production is also to decline in ES (-3%) and FR (-23%), production in IT is forecast to increase (+15%).

EU production and area of peaches and nectarines



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

RECORD LOW PER CAPITA CONSUMPTION

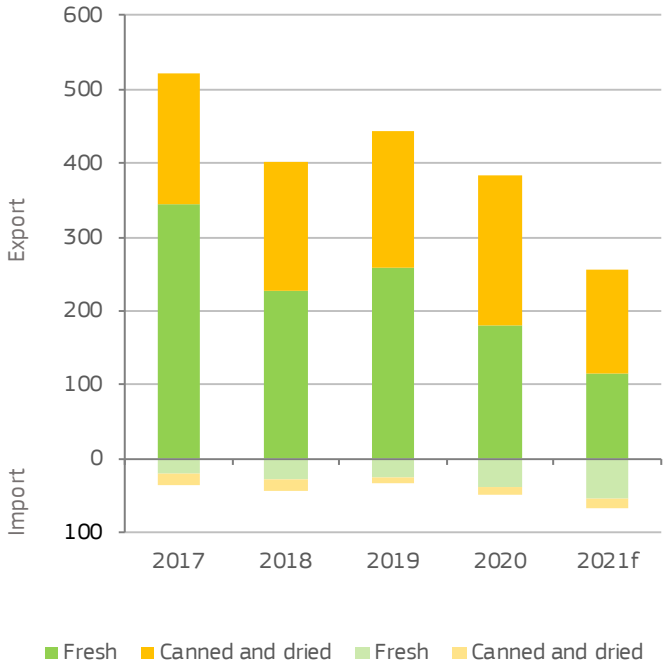
Adverse weather conditions are expected to result in a drop of yields by 15% for peaches for fresh consumption to 14.5 t/ha and by 30% for peaches for processing to 17.6 t/ha in 2021 compared to last year.

Low availability on the EU market and high prices are expected to result in a record low per capita consumption of fresh peaches and nectarines, at 5.1 kg (6.1 kg in 2020). Driven by the shortage on the EU market, EU exports are expected to strongly decline in 2021 (-36%) the majority of peaches being consumed on the domestic market.

The shortage of peaches for fresh consumption may also impact the availability of peaches for processing as part of the production originally aimed at processing may be consumed fresh. This, together with the drop in production, will also lead to a shortage of peaches for processing in 2021. As stocks of canned and dried peaches are low, thanks to good exports last year, exports are expected to decline in 2021 (-30%), despite strong demand.

Apparent per capita consumption of processed peaches and nectarines is expected to decline below 1 kg in 2021.

EU trade of peaches and nectarines (1 000 t)



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

+5%

EU butter price above 5-year average in April

Stable drinking milk

EU production in 2021

+7%

EU whey exports growth in 2021 driven by the demand from China

MILK AND DAIRY PRODUCTS

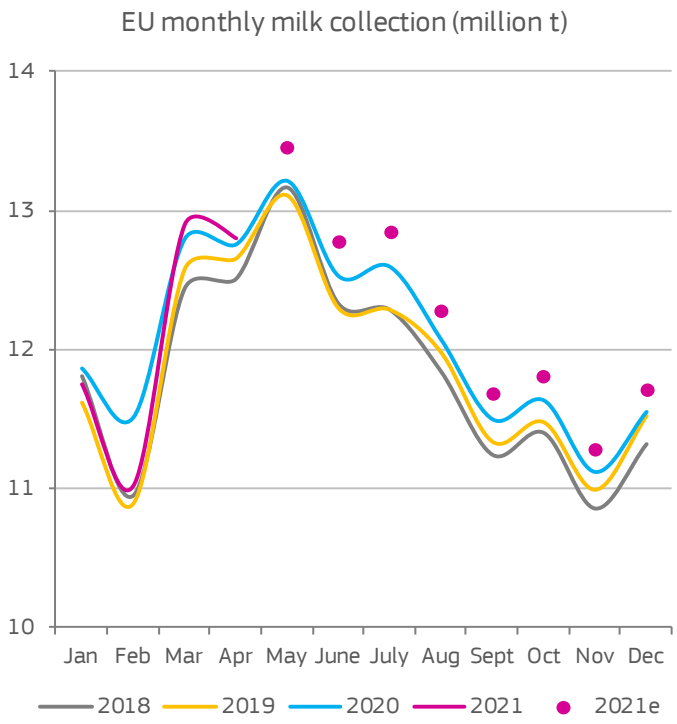
HIGHLIGHTS

The EU milk collection dropped in the spring due to cold weather that delayed the seasonal peak. Rainfall in May should support grass quality and availability in the upcoming months leading to an expected growth recovery of around 2% in May-June and an increase of EU milk collection by around 0.8% in 2021. Yield could grow at a lower pace than in 2020 (1.6%) due to a slow start at the beginning of the year while cows' slaughtering could accelerate towards the end of the year and result in a dairy herd reduction of around 0.9%.

EU dairy prices continue improving, mainly due to the Chinese demand which drives world prices. This should support raw milk prices and to some extent offset rising feed costs.

The EU butter and SMP production could recover after a drop at the beginning of the year during which cheese was a preferred option, together with whey for which export demand remains strong. Despite an expected drop in the EU consumption, drinking milk production could remain stable due to an increasing import demand from China.

MILK



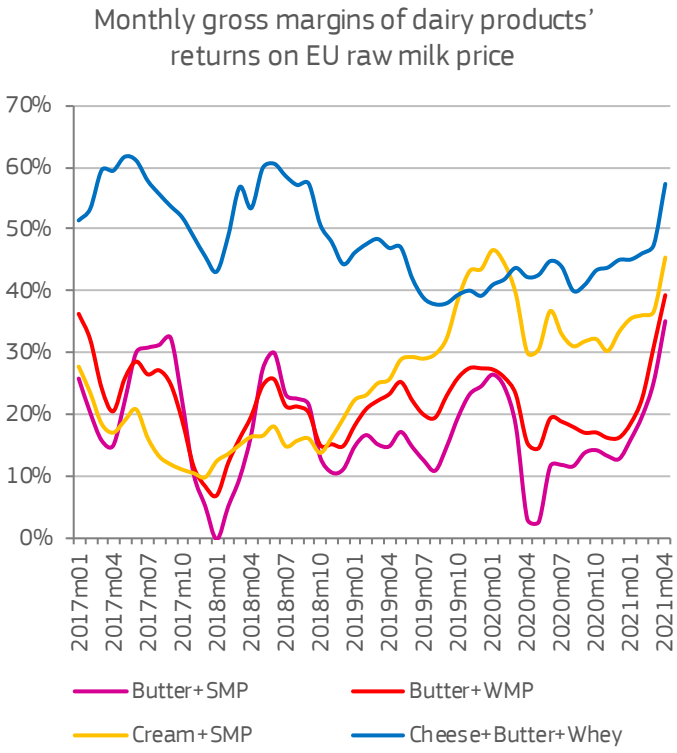
Source: DG Agriculture and Rural Development, based on MS notifications and Eurostat.

EU MILK COLLECTION TO RECOVER AFTER A COLD SPRING

EU milk deliveries dropped in Jan-April (-1%) due to cold weather. Among the main producing countries, DE and FR recorded a decline of more than 2%, compensated to some extent by a growth in milk collection in IE (8.6%) and stable levels in PL and IT. The intensified use of feed during Jan-Apr improved the milk fat content (only -0.3%, below the EU milk collection decline). Milk protein supply dropped to a similar level as milk collection.

Rainfalls in May had a positive impact on grass quality and availability. With EU dairy prices supporting raw milk prices and to some extent offsetting rising feed costs, EU milk collection could grow from 2% in May-June down to 1.5% in December. As a result, the annual growth would be 0.8% in 2021.

Cows' slaughterings went down in Jan-March (-4%) due to positive market sentiments and decisions to keep cows in production. Given the milk decline in milk collection over spring this implies lower yield growth at the beginning of the year. This is expected to weight on total annual yield growth (+1.6%), while dairy herd could drop by -0.9%.



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

EU RAW MILK PRICE OUT OF SEASONAL TRENDS

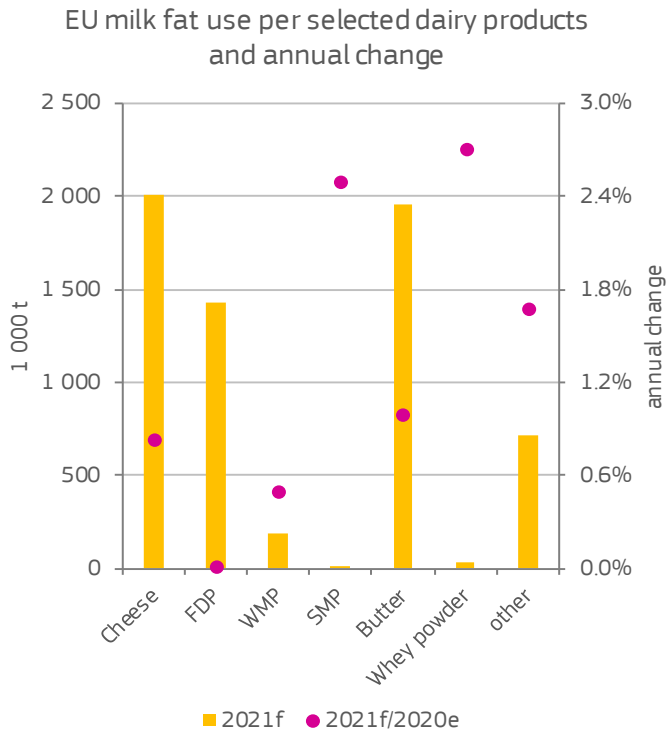
EU dairy prices continued improving, benefiting from strong world prices driven by Chinese demand, as well as tight supplies in the case of butter. In April, the EU butter price was around EUR 4000/t (+5% above 5-year average) and the EU SMP price reached almost EUR 2500/t (+44% above 5-year average). This should translate into better EU raw milk prices, having exceeded EUR 35/100 kg in April and moving counter to seasonal trends. In recent history, higher prices during the seasonal peak happened only in 2014.

The increase in EU butter prices supported the stronger valorisation of the butter and SMP production stream, comparable to the valorisation of the butter and WMP stream. From January until April the former recorded the strongest growth (+11%). However, stable EU cheese prices (around EUR 3100/t for cheddar) and increasing EU whey prices (at almost EUR 1000/t) offered the strongest EU milk valorisation (around 57% of EU raw milk price in April).

On the world market, the EU remains competitive for butter and WMP with the main global supplier (Oceania). EU is however less competitive than the US for butter, SMP, and cheese. This could worsen the EU position in some export destinations, especially for dairy commodities.

DAIRY PRODUCTS

MORE MILK TO BE CHANNELLED TO BUTTER



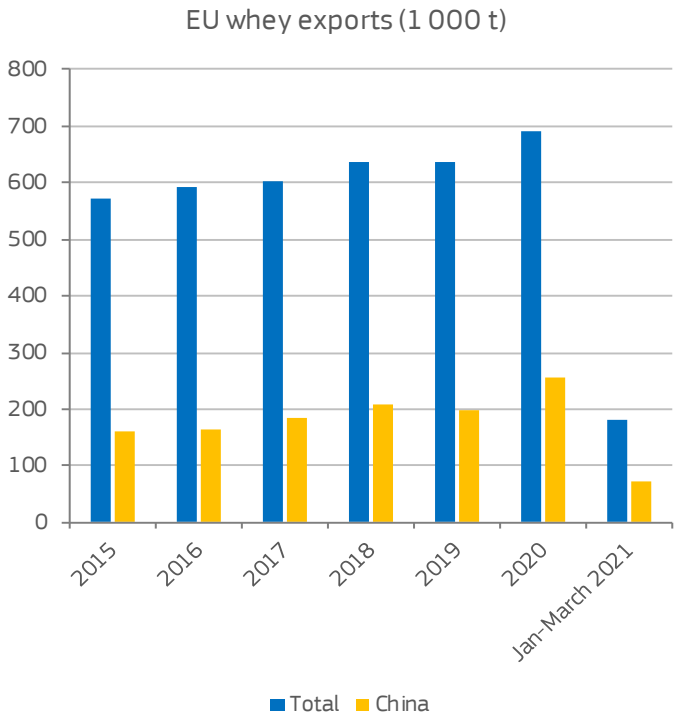
Source: DG Agriculture and Rural Development, based on Eurostat.

Despite the drop in EU milk deliveries in the spring, the EU cheese production increased in Jan-April (+3%) absorbing the majority of milk fat produced. This resulted in less milk fat availability for other dairy products and the EU butter production falling below last year's level (-2%). With the expected EU milk production growth, more milk could be channelled to butter (+1% annual growth) and cheese growth slow down (+0.8% annual growth).

The progress in the EU vaccination campaigns allowed foodservices to start reopening in many EU countries. This should support cheese and butter consumption until the end of the year. Home cooking due to working from home could continue supporting retail sales. In both cases, EU domestic use growth could be around 1%.

In Jan-March, EU cheese exports decreased by 3%, mainly due to the drop of EU exports to the UK (-21%). The evolution of the EU shipments to Japan (+14%), Switzerland (+15%) and above all China (+150%) where foodservices are recovering fast only partially compensated. Despite this slow start, EU cheese exports could recover and increase by 3% in 2021. Reduced trade flows to the UK affected also the EU butter total exports (-24%). They could record a limited growth in 2021 (+1%) despite the price competition with the

EU WHEY EXPORTS DRIVEN BY CHINESE DEMAND



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

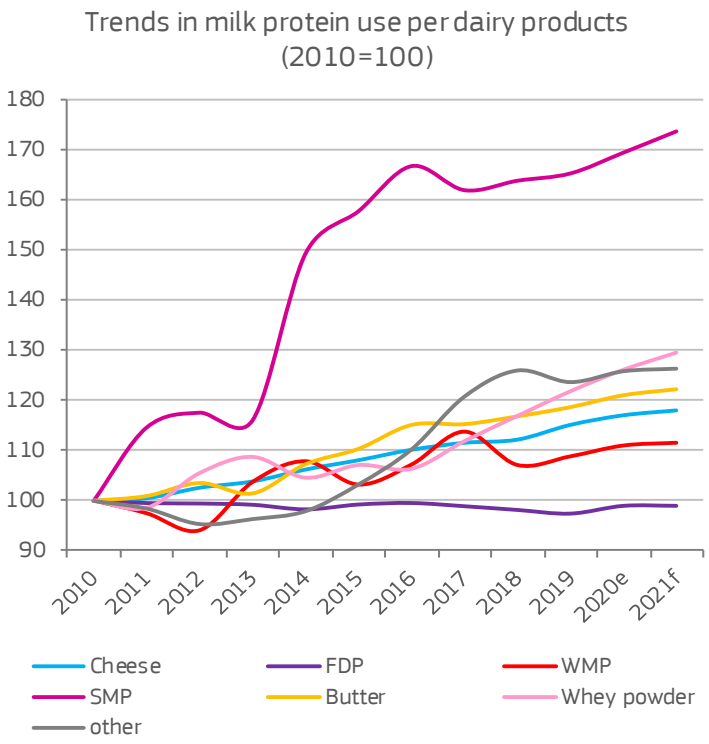
With an increase in cheese production and a strong demand, especially from China, the EU whey production increased at the beginning of the year.

In Jan-March, EU exports grew by 13%. China represented 41% of the total volume traded. This represents an increase of 54% compared to the same period last year. The main driver is the rebuilding of the Chinese pig herd and a related increasing need for feed. Because of the uncertainties arising from a resurgence of ASF in some regions in China, this trend is likely to slow down and EU exports could grow by around 7% in 2021.

Whey is more often used for food products such as infant formula. It is also used as an ingredient to clinical products, both for aging and active-lifestyle population. In the EU, the domestic use is expected to grow by 0.6%.

This, together with exports, could result in a 2.7% production growth in 2021.

DAIRY PRODUCTS



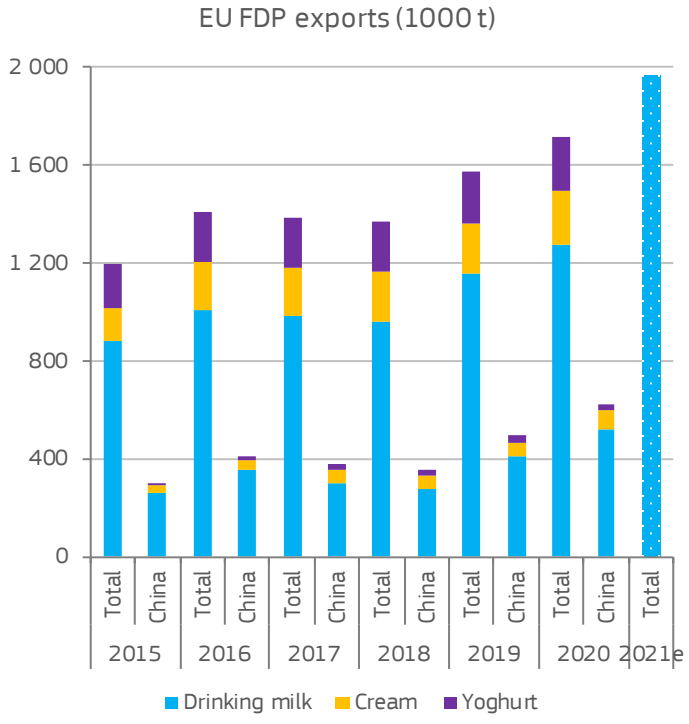
Source: DG Agriculture and Rural Development, based on Eurostat.

EU SMP EXPORTS CONTINUE INCREASING

The EU SMP production should also benefit from additional milk in the upcoming months to compensate for a decline in Jan-April (-6%) and continue its long-term production growth. An estimated annual growth (+2.5%) could be supported by an increase in EU exports (+6%) and relatively stable domestic processing use (+0.5%). This could lead to a slight decline in private stocks. They could drop to around 75 000 t by the end of 2021.

In Jan-March the EU increased its shipments to the Asian markets in particular (China +5%, Indonesia +87%, Philippines +129%) despite a very competitive US SMP price. These markets represent around one third of the total EU exports. EU prospects there are expected to remain positive notwithstanding more exports to these markets from the US due to abundant availability there and existing stocks.

The EU WMP production could accompany the evolution of the butter production and grow in the upcoming months to reach around 730 000 t (+0.5%/2020). This change should be supported by an increase in domestic use (close to 1%) and stable EU WMP exports driven by demand in oil producing countries (benefiting from favourable oil prices) and in China. In the case of the latter, increasing demand for imported milk powders is driven by high domestic milk prices.



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

STABLE EU DRINKING MILK PRODUCTION

In Jan-March, the EU FDP exports grew by 12%, with shipments to China accounting for 54% of the total volume of drinking milk exported (+45% year-on-year) and 46% of the cream volume exported (+178%). For the former, high Chinese domestic milk prices drove the increase in demand in particular in processing. For the latter the growth was a consequence of the foodservice recovery. EU yoghurt exports grew as well (+41%), mainly driven by exports to the UK.

In Jan-April, EU drinking milk production was 1% year-on-year. Despite this decline (especially in April), it should remain stable until the end of the year, considering there were already high growth rates during spring and autumn last year. The EU cream production was more than 1% above last year, due to high growth in March and April. With more milk fat directed to butter and WMP, the annual production is expected to remain slightly above last year (+0.5%).

Even if the EU exports of drinking milk could remain overall positive and drive an overall increase of FDP exports (+10%), the EU domestic market remains the main outlet and it is unlikely that the EU consumption of drinking milk would grow above the exceptionally high levels of last year. The overall consumption of FDP is forecast 0.5% below 2020.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KEY MESSAGES

-1.4%

EU beef production in 2021

+26%

EU pigmeat exports in Q1 2021 year-on-year

+15%

EU broiler price in weeks 17 to 24 2021

-1.2%

sheepmeat availability in the EU

MEAT PRODUCTS

HIGHLIGHTS

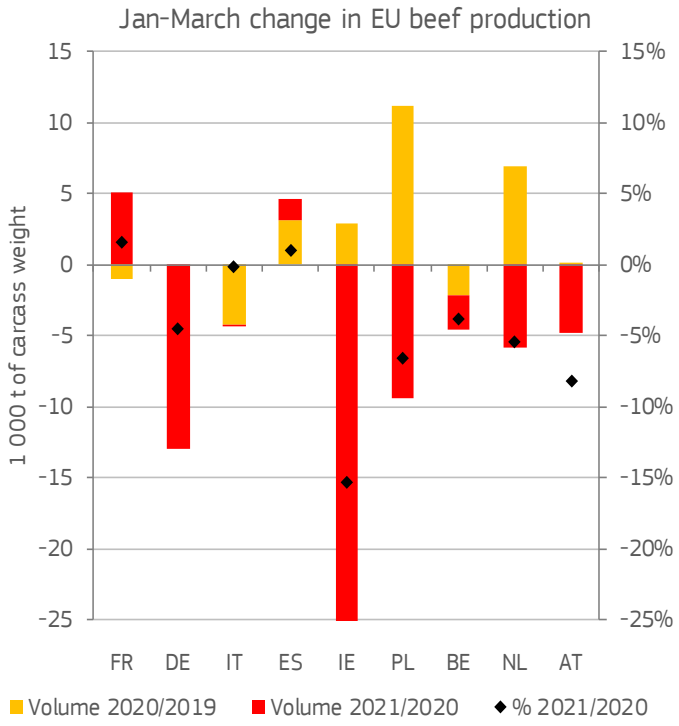
EU beef production is expected to decrease in 2021, mainly due to a reduction of cow herd in the beef and dairy sector combined with lower demand from food services. Exports to high-value markets should continue to increase thanks to recent trade agreements (e.g. Canada, Japan) and while other destinations show a small decline, despite the shortage of beef at world level.

EU pigmeat production is expected to continue increasing in 2021, as additional production in some EU countries more than compensated the decrease due to ASF in DE. Although the exports to UK are strongly reduced, overall EU pigmeat exports should grow again in 2021.

As AI hits major EU poultry producers including PL, EU production is expected to decrease in 2021. Demand is not expected to rebound sharply with the reopening of foodservices and overall exports should decrease. Despite high prices, margins are under pressure because of high feed costs.

The EU sheep meat market faces strong global and domestic supply shortages (EU production being stable), leading to relatively high prices. Exports from New Zealand are partly redirected to Asia, while facing at the same time higher shipping costs. The current trade situation between the EU and the UK adds downward pressure on exports and imports.

BEEF AND VEAL



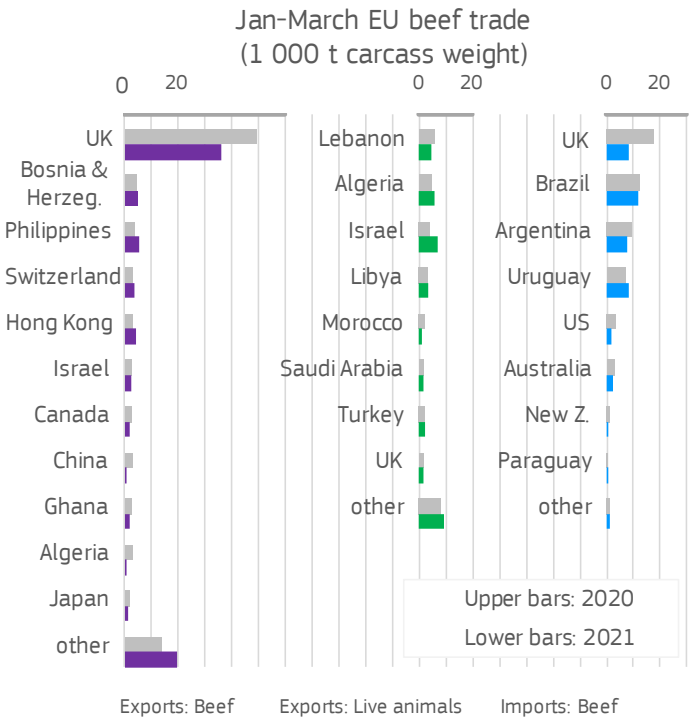
Source: DG Agriculture and Rural Development, based on Eurostat.

EU BEEF PRODUCTION CONTINUES DECREASING IN 2021

In Q1 2021, EU beef production declined by 3.7% year-on-year in volumes. The main contribution to this decline came from IE (-15.4% or 26 000 t). This was mainly due to the uncertainties around the management of the border between the UK and IE after the UK left the single market, and the anticipation of potential tensions that led to a higher production at the end of 2020. Beef production in DE showed a reduction of -4.6% (13 000 t) in Q1, reflecting as in many other EU countries structural adjustments in the sector, the continuing COVID-19 measures and a low demand from foodservices. In FR, on the contrary, the production increased by 1.5% (14 000 t), mainly due to a significant increase of slaughterings in March 2021 compared to the same period last year. Increasing demand is at the basis of this evolution.

The overall economic situation is gradually improving, and so should it be for the beef sector, with the decline in beef production projected at only -1.4% in 2021.

The declining trend of apparent consumption may continue in 2021 (-1.1%), despite the expected recovery of demand in Q3 and Q4, assuming a progressive reopening of restaurants and return of tourism.



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

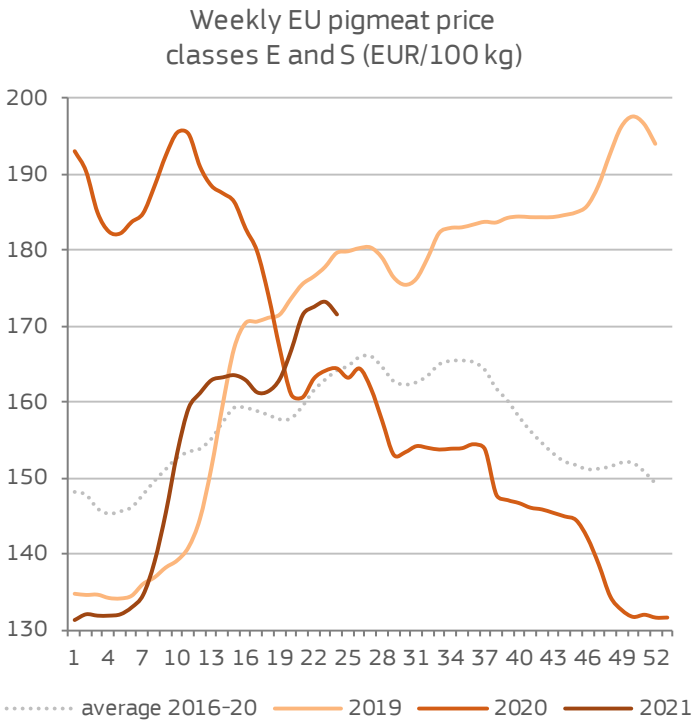
RECOVERY OF IMPORTS AND EXPORTS IS EXPECTED

There is currently a short supply of beef on the international market. Australia and Brazil are restocking and therefore have less beef available for export. Argentina suspended several times its export licences and Indian slaughterhouses are impacted by COVID-19 measures. Only the US seems to keep the pace. Despite this situation, EU beef exports decreased by 10% in Jan-March, mainly driven by the drop in exports to the UK (-23 000 t). Trade between the UK and the EU is still facing administrative and logistical challenges (certification requirements and grouping of confinements). The atypical BSE-case in IE recorded in May 2020 reduced the exports to China significantly. On the other hand, exports to certain high-value markets such as Hong Kong, Norway, Saudi Arabia and the US keep growing. Therefore, a small increase is expected on an annual basis in 2021 (+1%).

Imports in Jan-March are still down (-13%), due to the drop in demand in the EU related to foodservices' closure and the shortage of beef on the world market. The UK and Brazil redirected their shipments to the Asian markets. EU imports are expected to recover by 8% in 2021 driven by the gradual reopening of foodservices in many EU countries.

PIGMEAT

EU PRODUCTION TO CONTINUE INCREASING



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

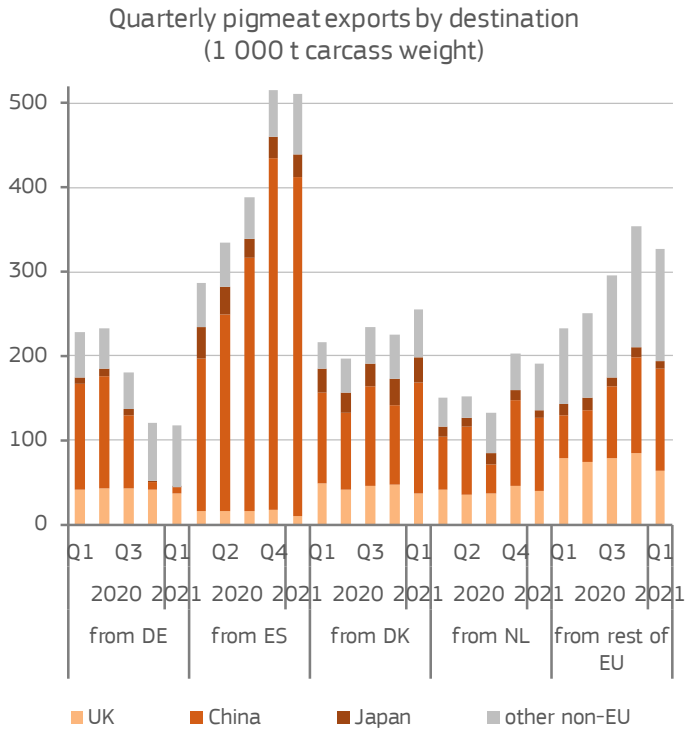
The increase of the EU pigmeat production is expected to slightly accelerate in 2021, with an annual growth of +1.7%. The steady trend towards heavier animals continues (+1 kg annually on average since 2016) and some slaughterings were transferred from 2020 to 2021.

Additional production in BE, DK, ES, FR, IT, NL and PL should largely compensate the slight decrease of the DE production due to ASF (-3%). The strongest production increase is projected in DK, with lower live exports to DE and a relatively high number of young pigs in 2020.

Prices surged in Feb-March and again in May-June, reaching more than EUR 170/100 kg early June, thanks to sustained demand from the domestic market and for export, especially to Asia. These high prices should mitigate the pressure on producer's margin due to particularly high feed costs.

Apparent per capita consumption may increase slightly, reaching 32.5 kg in 2021 (+0.7%/2020).

STRONG MEAT EXPORTS DESPITE BREXIT



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

The impact of UK leaving the EU is lower on EU pigmeat exports to the UK (-17% in Q1 2021 year-on-year) than on imports from the UK (-52%) and is stronger on EU pigmeat trade than that of ASF. Overall, EU pigmeat exports are expected to continue increasing in 2021 – albeit at a slower pace than in the last two years (+5%). EU pigmeat imports could increase by +1% in 2021.

New ASF outbreaks in China are slowing down the rebuilding of the herd. Despite the fall of Chinese prices compared to pre-COVID-19 levels the Chinese market is still profitable for EU exporters. China should remain the main destination for EU pigmeat exports in 2021. China also imports from the US, and increasingly from Brazil where the OIE recognised late May 2 of the 3 biggest producer states as "free from FMD without vaccination."

While DE, one of the biggest EU pigmeat exporters, lost access to most Asian markets because of ASF, other EU exporters were able to fill the gap by increasing their exports.

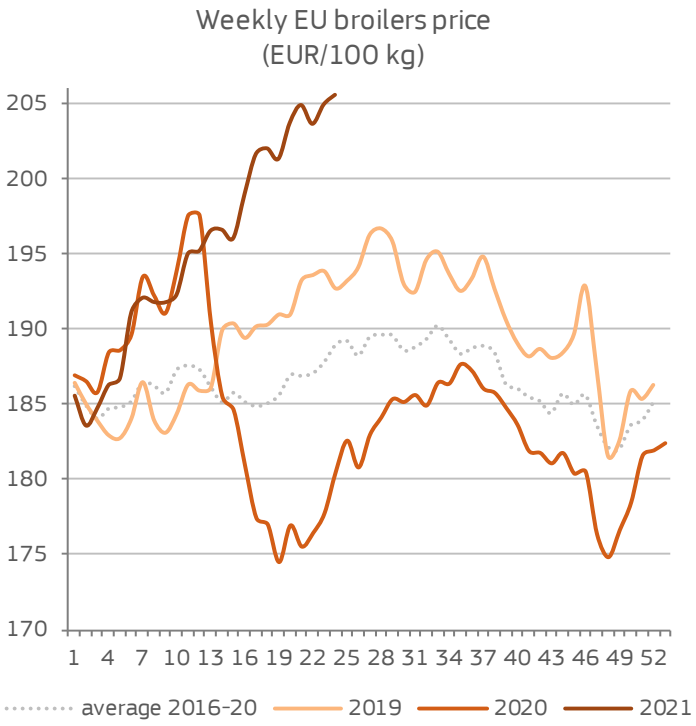
POULTRY

SLIGHT DECREASE OF PRODUCTION

The EU poultry meat production is expected to decrease slightly in 2021 (-0.9%). The widespread AI outbreak that hit 18 EU countries continues to hinder the production in major producing countries, notably PL (the largest EU poultry producer). While the overall production impact in terms of birds culled remains limited, the epizootic affected also breeder farms, making production recovery challenging. Importantly, AI-related bans restrict export prospects for poultry meat which led the EU poultry chain to cut production markedly in Q1 2021 (-4.4% year-on-year).

EU domestic demand is expected to increase with the reopening of foodservices. Frozen stocks should partly satisfy that extra demand. Hence, the apparent consumption is expected to remain almost stable, moving by only -0.1% in 2021, to reach 23.7 kg per capita.

As a result of low supply combined with low imports and increasing demand, the EU broiler prices reached exceptionally high levels in Q2 2021 (+8%/5-year average), at more than EUR 200/100 kg early June. Despite high prices, producers are under pressure, with feed costs rising even quicker.



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

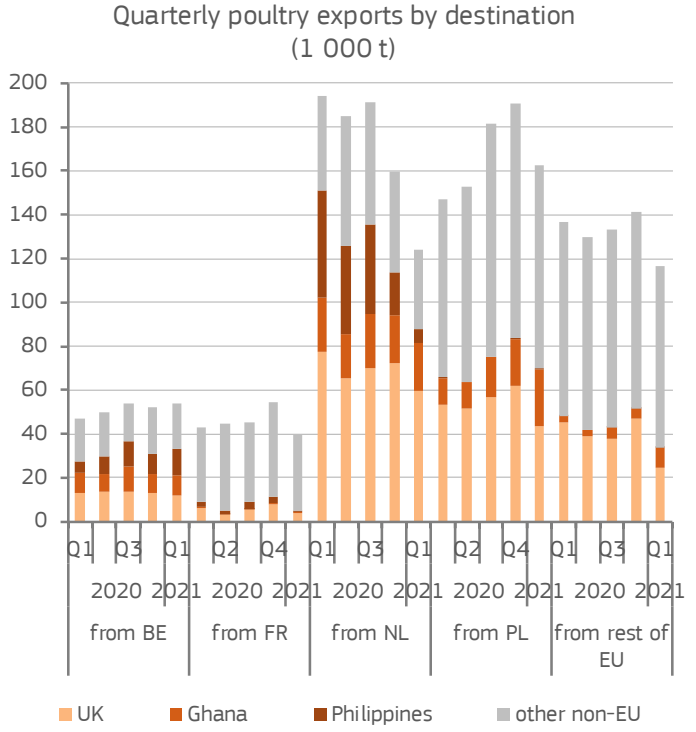
SHRINKING MEAT EXPORT PROSPECTS

The EU poultry meat imports are expected to remain stable in 2021 after a sharp decline in 2020 and in Q1 2021. All major EU suppliers were concerned: Brazil targeted more attractive markets (e.g. China) while more than 20 Brazilian establishments were delisted and could not ship poultry to the EU; imports from Thailand are only slowly recovering while imports from Ukraine were constrained by AI-related restrictions in Q1 2021.

EU poultry meat exports are expected to continue decreasing in 2021 (-5%). The seasonal AI outbreak finally fades away but ensuing export restriction still hamper EU exports. That situation is likely to persist throughout 2021, as AI-related bans may be lifted only gradually.

The UK imports of EU poultry meat dropped by -29% in Q1 2021 despite border checks not yet enforced. On the other hand, full-fledged SPS checks of UK exports to the EU - applied since January – led to a fall by -40% in Q1 2021.

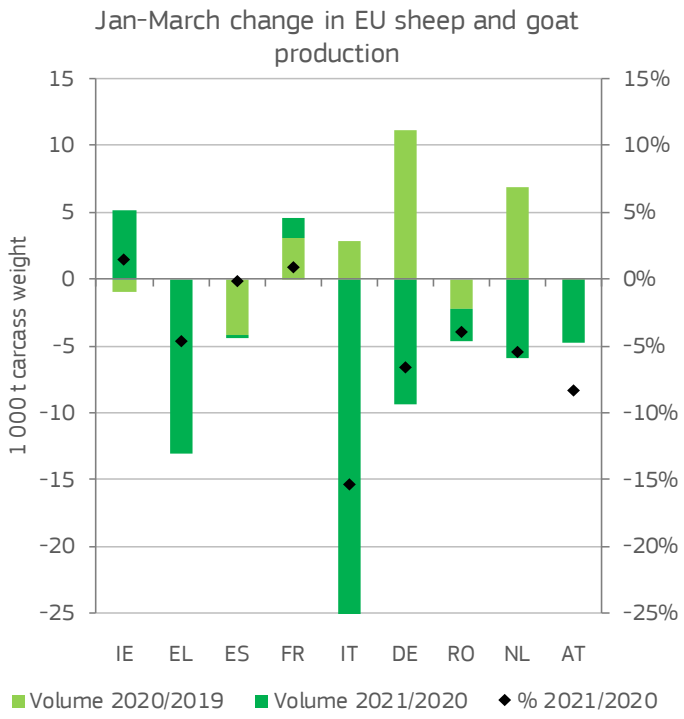
EU live exports of day-old chicks surged in April 2021. 50% went to Ukraine, where the production issues are believed to be temporary. Overall, live exports are expected to reach again 2015-2019 levels in 2021.



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

SHEEP/GOAT MEAT

SHEEP AND GOAT MEAT PRODUCTION STABLE IN 2021



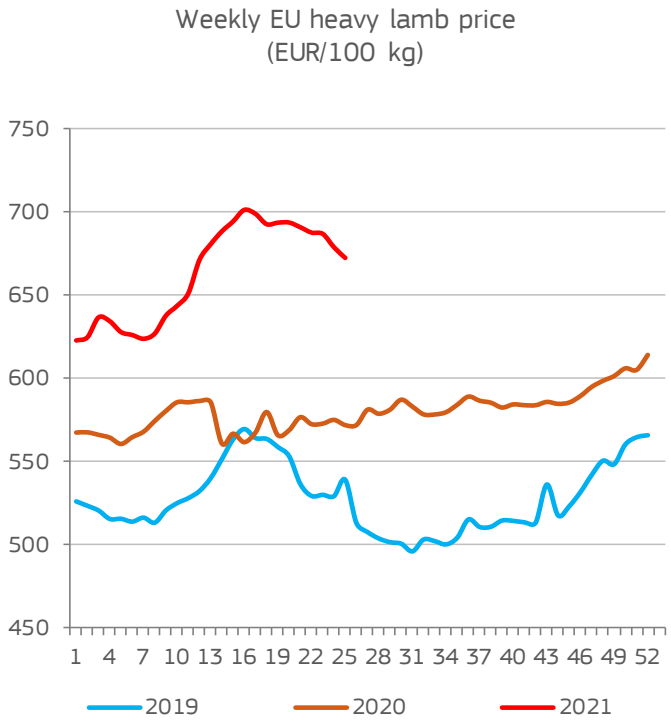
Source: DG Agriculture and Rural Development, based on Eurostat

EU sheep and goat meat production increased by 8.6% in Q1 2021 (only counting slaughterings in slaughterhouses). Due to the seasonal character of sheep and goat slaughterings and the changing dates of religious festivities, this production increase should be taken with caution.

Nevertheless, the relatively high sheep prices since the beginning of the year favour indeed more slaughterings, especially in FR, ES and IT. On the other hand, production in IE faces a challenging time with the uncertainties related to the trade relationship with the UK, while the decline in EL is mainly due to structural herd adjustments.

Despite these favourable prices, the structural decline of the EU flock size will limit any substantial increase of slaughterings in 2021. EU production is therefore stable, with a 0.1% increase.

The reopening of foodservices should have a positive effect on the demand in the second half of 2021.



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

TRADE LIMITED BY SUPPLY SHORTAGES AND INCREASED LOGISTICAL COSTS

EU sheep meat exports are heavily affected by the trade relation with the UK. The current high domestic prices and supply shortage also keep the produce within the EU. During Q1 2021, sheep meat exports went down by 14%, despite the substantial higher volumes to Switzerland (+15%). Export markets in the Middle East showed positive and negative evolutions. Overall, a decline of 5% in EU exports is expected by the end of 2021.

In contrast, exports of live animals increased by 32% in Q1 2021, driven by higher demand mainly from Saudi Arabia and to a lesser extent from Israel. Fewer animals were shipped to Libya and Lebanon. Exports of live animals are set to stabilise in 2021 due to the sustained demand in the Middle East and limited domestic supply.

Imports of sheep meat were down by 21% in Q1 2021 due to lower shipments from the UK and New Zealand. Imports from New Zealand went down by 23% due to higher shipping costs and the attractiveness of the Asian market. The relatively high EU prices should give some scope to additional imports in the second half of the year, leading to a decrease in imports of only 8% in 2021.

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

- DG Economic and Financial Affairs
  - Annual macroeconomic database (AMECO)[1]
  - European Economic Forecast (Spring 2021)[2]
- Eurosystem staff macroeconomic projections for the euro area (June 2021)[3]
- IHS Markit
  - DataInsight database
  - Commodity Price Watch (June 2021)
- COVID-19 Vaccine Tracker of the European Centre for Disease Prevention and Control[4]
- Johns Hopkins Coronavirus Resource Center[5]
- World Bank, Commodity Markets (June 2021)[6]
- Eurostat
  - Agricultural production yearly for historical data and monthly data for previous and current year for meat and dairy production.
  - Farm livestock survey.
  - Gross Indigenous Production (GIP) forecast for meat.
  - Early estimates for crop products.
- Comext database (extra and intra-EU trade statistics)

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

Production forecast for current and next year is based, depending on the sector, on Eurostat monthly data, official estimates of ministries, national statistical institutes, national or European organisations, MS notifications to DG Agriculture and Rural Development and on the Crop Monitoring and Yield Forecasting projections (JRC MARS AGRI4CAST[7]) 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 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 preceeding the publication date.

Since November 2020, the UK stopped reporting trade data to Comext database. In order to ensure consistency of time series for analytical purposes, EU flows to/from UK are extracted from GTA database.

Although the UK is considered to be a third country partner of the EU since January 2021, Member States continue reporting trade flows to/from the UK in INTRASTAT database which causes a delay compared to other extra-EU countries (70 days instead of 45). This reporting is also impacted by inconsistencies reported earlier. Therefore, GTA database provides more timely data for the purpose of analyses, while reporting and drafting relies on COMEXT data only.

[1] https://ec.europa.eu/economy_finance/ameco
[2] https://ec.europa.eu/info/business-economy-euro/economic-performance-and-forecasts/economic-forecasts/spring-2021-economic-forecast_en
[3] https://www.ecb.europa.eu/pub/projections/html/ecb.projections202106_eurosystemstaff~7000543a66.en.html
[4] https://vaccinetracker.ecdc.europa.eu/public/extensions/COVID-19/vaccine-tracker.html
[5] https://coronavirus.jhu.edu/
[6] https://www.worldbank.org/en/research/commodity-markets
[7] http://mars.jrc.ec.europa.eu/mars/About-us/AGRI4CAST/Crop-Monitoring-and-Yield-Forecasting

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

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 or area is estimated through the trimmed average of the last five marketing years or assuming no changes compared to the previous year.

Yields

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

Trade

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

Balance sheets

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

Cereals

Human consumption, seed use and other industrial use is based on historic relations regarding population and planted area in the relevant marketing year. Feed use is based on calculations. Forecast is based on information about the ethanol production development. Stocks are closing the balance for cereals[8]. Intervention stocks equal official figures of the Directorate-General for Agriculture and Rural Development for the past and estimates based on past experience for the current marketing year, if applicable.

Oilseeds

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

Sugar

For sugar beet area, yield and production, the procedure is similar to the other arable crops. It includes sugar beets for sugar production and for ethanol production. The balance sheet includes only sugar beet production processed into sugar[9] and white sugar. The link with white sugar production is made through the white sugar production as notified under the Common Market Organisation (CMO) for sugar. The presented balances do only consider sugar expressed in white sugar equivalent (e.g. no isoglucose) and take into account sugar beet production outside of the quota (up to 2016/2017). 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 or for the projections they are closing the balance. The reported stocks include carry-forward sugar (up to 2016/2017).

For confidentiality reasons with regard to Member States notifications on stocks, EU+UK sugar balances are presented in this report up to 2019/2020. For the same reason, only change in EU stocks is presented for 2020/2021.

Isoglucose

Production and stocks data originate from MS notifications under the Common Market Organisation (CMO) when they become available. The balance closes over consumption. 2019/2020 estimates and 2020/2021 forecast are based on trends and experts judgment.

Biodiesel

The balance sheet is based on calendar year. Production data comes from Eurostat. Data covers production from various feedstocks, including vegetable oils, used cooking oils, animal fats and waste (e.g. 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.

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

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

2019 estimates and 2020 forecast are based on trends and experts judgment.

Ethanol

The balance sheet is based on calendar year. Production and consumption data is taken from MS notifications. To these data, an estimate is added for ethanol produced from non-agricultural waste directed to fuel use. Production data covers production from various feedstocks, including cereals, sugar (beet) and molasses, other agricultural feedstocks (e.g. wine and potatoes) and (non-)agricultural residues and waste (e.g. straw). Consumption includes fuel use, use for food and beverages, and industrial and other use. Trade data covers undenatured and denatured ethyl alcohol, applying a conversion coefficient to pure alcohol of 92%, and excludes trade in blends. Stocks are the closing variable. 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 main producing countries (Spain, Italy, Greece and Portugal) and the rest of the EU. In the former, the link between a variation of annual production and consumption change is taken into account. The balance closes on ending stocks.

Wine

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

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

Exports and imports are based on trends and market expertise.

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

Apples

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

The forecast of total apple production is based on forecasts of national or European sectoral organisations. These data, as well as last years' production and consumption, are used to estimate use of apples for processing.

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

Exports and imports are based on seasonal trends and trends observed in previous years in main export destinations. Trade of processed apples is expressed in fresh apple equivalent. The conversion coefficients used to convert processed products into fresh apple weight rates vary between 1.3 and 6[10].

Tomatoes

The balance sheet is based on a calendar years 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 2020 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[11].

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.

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

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

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

Oranges

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

Area, yield and production data comes from Eurostat. Own estimates are used for oranges produced for processing. Trade of processed oranges is estimated using conversion coefficients into fresh equivalent[12]. No stock data is currently available. The balance closes over apparent consumption. 2020/2021 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[13].

Production forecast for the year 2021 is based on annual and monthly data on slaughtering, Member States expert forecast, on the trends in livestock numbers and meat consumption patterns. Net production refers to data on 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 2019 is based on Eurostat annual statistics, estimates for 2020 are based on the available monthly statistics, taking into account the country coverage and sample characteristics. Forecast in 2021 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'.

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

ABBREVIATIONS

AI	avian influenza
ASF	african swine fever
AT	Austria
BE	Belgium
BG	Bulgaria
BSE	bovine spongiform encephalopathy
CY	Cyprus
CZ	Czechia
DE	Germany
DK	Denmark
ECB	European Central Bank

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

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

ECDC	European Centre for Disease Prevention and Control
EE	Estonia
EL	Greece
ES	Spain
EUR	euro
EVOO	extra virgin olive oil
FDP	fresh dairy products
FI	Finland
FMD	foot-and-mouth disease
FR	France
GIP	gross indigenous production
HR	Croatia
HU	Hungary
IE	Ireland
IT	Italy
LT	Lithuania
LU	Luxembourg
LV	Latvia
MMBtu	million British thermal units (approximately 293.1 kilowatt hours)
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
UK	United Kingdom
US	United States
USD	US dollar
VAT	value-added tax
WB	World Bank
WMP	whole milk powder

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