



European  
Commission



# EU AGRICULTURAL OUTLOOK

2023 - 2035

Agriculture  
and Rural  
Development

*Manuscript completed in December 2023*

Luxembourg: Publications Office of the European Union, 2023

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PDF ISBN 978-92-68-08934-7 ISSN 2600-0628 doi 10.2762/722428 KF-AQ-24-001-EN-N

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

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Please cite this publication as: EC (2023), EU agricultural outlook for markets, 2023-2035.  
European Commission, DG Agriculture and Rural Development, Brussels.

# EXECUTIVE SUMMARY

*This Medium-term Outlook report has been drawn up considering the main drivers expected to affect the future of EU agriculture until 2035. These drivers include climate change, consumer demand, and the evolving farming sector structure. The report considers how these drivers are likely to affect the EU agriculture, under the most plausible future macroeconomic environment, and assuming that the current policy framework remains unchanged.*

*Agricultural productivity growth is challenged by pressures from climate change and impacts on key natural resources like water and soil. This would lower yield growth and could lead to a shift of agroclimatic zones towards North, affecting crop cultivation patterns as well. On the other hand, increasing farm sizes have favoured productivity growth. This trend is likely to contribute although at a slower pace than in the recent years.*

*According to the projected trends, the EU will continue to be a net exporter, and thereby to contribute to global food security. This will be reinforced by the convergence of productivity levels in Member States that joined the EU after 2004 compared to the others, although a gap is due to persist.*

*Consumer concerns about impacts of their diets are expected to contribute to lower meat consumption (especially of beef and pigmeat). At the same time, the consumption of dairy products is due to stabilise, in line with changing habits (e.g. lower consumption of drinking milk) and expanding novel uses of dairy products (e.g. increasing use of dairy ingredients). On the other hand, consumption of some plant proteins could grow (e.g. pulses) while others (e.g. vegetable oils) could record some decline as consumers are opting for alternatives.*

*The projected trends also confirm that the CAP remains crucial in supporting farmers to transit to more sustainable agricultural production systems, to become more resilient and more competitive, and to simultaneously fulfil their functions as food producers and stewards of natural resources and the land. By doing so, farmers contribute to the food security of both the EU and world more broadly. In addition to the CAP, the rule-based trade system and innovation (including digitalisation, automation, animal breeding and plant breeding) are other factors that could successfully help EU farmers to adapt to new market conditions, and cope with evolving societal and consumer demands.*

*While the policy environment is considered stable in this Outlook, macroeconomic conditions are a source of uncertainty. EU countries also face policy challenges linked to funding public expenditure due to interest rate increases by central banks to contain the inflation surge of 2021 and 2022. In this context, the baseline scenario assumes an average annual global economic growth rate of 2.5% by 2035; for the EU will return to 2%*

*average annual inflation after 2024; an exchange rate of USD 1.09 to the euro until 2025 and of USD 1.12 towards 2035; Brent oil prices of USD 102 per barrel in 2035; and a slower world population growth of 0.8% per year.*

The amount of **EU agricultural and forest land** is forecast to remain unchanged between now and 2035, but there will be relative changes in the share of different types of land. Climate and weather-related challenges lead to more volatile competitiveness of the EU on global markets, and do not incentivise any cultivation of new arable land. Within arable crops, land-use shifts from cereals to soya beans and pulses are expected. This is due to expectations of lower demand for cereals for feed, and policy incentives to support an increase of plant proteins. The amount of agricultural land given over to permanent crops is likely to remain unchanged with new and more efficient plantations replacing older ones. Permanent grassland and fodder areas may decline only marginally due to an expected extensification of animal production. More land is set to be left fallow given stronger regulatory requirements.

Yields of **cereals and oilseeds** are forecast to remain stable despite climate change and constraints on the availability and affordability of some agricultural inputs (e.g. plant protection products), thanks to positive developments applicable within a short time, such as precision farming, more crop rotation and improved soil health. This could also be further supported by technological improvements, impacts of which could be rather seen in a longer term. Cereal production is expected to continue to be driven by wheat and maize. Production of pulses and soya beans will also increase in the EU, supported by EU policies favouring protein crops, crop rotation and increasing needs for plant proteins. This is likely to lead to an overall reduction in imports of oilseeds and protein crops.

The demand for **animal feed** in the EU is forecast to decline over the coming years due to reductions in the EU's production of pigmeat, beef and also a decline in the dairy herd. A drop in crop-based feed is also expected due to a shift towards more grass-based (extensive) production systems, and towards more efficient feed conversion ratios (which are likely to be improved via genetics and better-targeted feeding systems).

Levels of EU **oilseed** crushing are forecast to remain stable, but the use of vegetable oils could decline due to a reduction in demand for biofuels, with an expected further shift away from palm oil, at the benefit of rapeseed oil.

**Sugar beet production** is due to slowly decline, leading to lower sugar production in the EU. EU sugar consumption is also expected to decline between now and 2035 because of consumers shifting to diets with a lower sugar intake, especially

by reducing the high sugar content of food products. Although the EU will continue to be a net importer of sugar, its reliance on imports is likely decline.

Demand for **biofuels** in the EU is also expected to decrease as the decarbonisation of road transport, the use of crop-based feedstock to produce biofuels is limited by a production utilisation cap set in 2020, and the use of advanced biofuels is expected to grow.

Despite significant challenges, the **EU dairy sector** showed remarkable performance in recent years. EU milk productivity should continue to increase in the coming years, albeit at a slower pace than in the past, with high quality and sustainability standards generating more added value in the sector. EU and national environmental policies already in place are due to lead to a decrease in the size of the dairy herd, so EU milk production could slightly decline by 2035. Despite this, production of some dairy products is still expected to grow (e.g. cheese, whey, skimmed milk powder) albeit at a slower pace than in the past. Butter production is likely to remain stable. These developments are supported both by positive domestic and global demand. On the contrary, there will be a further decline in the production of drinking milk and whole milk powder. EU per capita consumption of dairy products is forecast to remain stable, but lifestyle changes and the health requirements could increase the demand for fortified, functional dairy products and nutrition (e.g. elderly, sportsmen/women, pregnant women). The product portfolio of EU dairy exports will also need to adapt to changing demand in trading partners, favouring dairy products of greater added value. The EU raw milk prices are expected to be well above pre-2022 levels by 2035.

EU **beef** consumption remains challenged by high price, consumer health and sustainability concerns. This, combined with low profitability, stricter environmental and climate regulatory framework, is expected to lead to further production decline by 2035. Coupled income support and eco-schemes under the new CAP, together with a relatively good price outlook, will help slowing down this trend but will not reverse it. The average slaughter weight will continue its slightly upward trend thanks to better feed and herd management, and a larger share of beef-type animals in the productive herd. Declining EU production may contribute to keep beef prices at a higher level than in the past. Although EU beef meat exports are due to grow slowly between now and 2035, EU exports of live bovine animals are expected to decline gradually due to increased competition and existing concerns about long-distance transport.

Consumption of **pigmeat** is challenged by sustainability and health concerns as well and is therefore projected to decrease between now and 2035. Intensive pigmeat production systems are likely to face further societal criticism. African Swine Fever is assumed to remain in the EU, with no major or uncontrolled outbreaks forecast. EU pigmeat exports - which increased in the previous decade - are expected to decline between now and 2035 due to a recovery in pigmeat production in Asian countries.

Imports are likely to remain low and stable. Pigmeat prices could stay higher than past levels due to increased costs and reduced EU supply.

Among meats, **poultry** could continue benefitting from a relatively healthier image, absence of religious constraints, and a cheaper price. Together with further export opportunities, this would push poultry production upward between now and 2035, albeit at a lower yearly growth rate than seen in the past decade. Due to environmental laws, expansion may only be possible in certain EU regions. In the future, the incidence of *Avian influenza* is expected to extend over the whole year instead of being a seasonal event. It will challenge the sector, especially free-range production systems. EU poultry exports are due to regain momentum, despite the continuing price gap with world prices.

A decline in the EU production of **sheep and goat meat** is expected to continue, following a decline in sheep and goat herds. These declines are expected despite coupled income support and favourable prices, although these prices are likely to increase more slowly than was the case in the past decade. EU per capita consumption should remain relatively stable due to sustained consumption patterns related to migration and cultural traditions.

On **specialised (permanent) crops**, the area of land given over to **olives for oil** is forecast to remain stable, but climate change will lead volatility in yields and oil quality. These negative impacts could be reduced by both the introduction of more resistant varieties and the changes in production systems (towards more intensive ones), together with research and innovation, could reduce the negative impacts. Diverging consumption trends should persist across the EU, with decreasing consumption patterns in the main producing countries due to higher prices, while consumption is expected to keep increasing in other EU countries due to the growing popularity of the Mediterranean diet, and health awareness campaigns promoting the benefits of olive oil over other fats. As growth in EU consumption of olive oil remain is set to remain relatively stable, the share of EU production accounted for by exports on will grow.

**Wine** consumption is projected to continue to decline by 2035. Moreover, reduced availability of plant protection products, further irrigation restrictions in some EU countries and volatility due to climate change could reduce both the area and yields of vineyards, leading to large fluctuation and on average lower production volumes. Although uncertainties remain, EU wine exports could grow over the coming years, albeit at a much lower rate than in the recent years, while the level of wine imports to the EU remains low and is expected to decline further.

The production of **apples, peaches, nectarines, and tomatoes** will also face challenges related to extreme weather events, increasing energy costs, limitations on the use of pesticides, and pest outbreaks. Because of these factors, the EU apple sector could lose competitiveness and reduce its harvested area. At the same time, EU per capita consumption of apples could increase

due to consumer preferences for eating more fruit. EU production of peaches and nectarines is projected to decline between now and 2035, as consumption is also declining due to a higher competition of other fruit. Energy costs are an additional limiting factor for the development of fresh tomato production in some EU countries such as the Netherlands. However, new investments in Spain and Portugal could lead to higher tomato yields and greater areas under processed tomato cultivation. The trade performance of both streams (for fresh consumption and processing) could remain as in the present, with the EU being a strong net importer of fresh tomatoes and a net exporter of processed ones, especially of high value products like peeled and tomato sauces. At the same time, in fresh consumption small-sized varieties continue to be demanded more, reducing overall consumption volumes.

An upward trend of the overall agricultural **production value** is projected between now and 2035. After coming down from the currently high levels, prices of input could continue growing at a slower pace, in line with past trends. This would be mitigated by an adoption of cost-efficient practices and further productivity gains, although lower than observed in the past. Based on the difference between production value and changes in costs, income margins are due to grow in nominal terms. In real terms, their evolution will depend on inflation developments, and the level of competitiveness of the EU compared to global markets which could further impact evolution of prices.

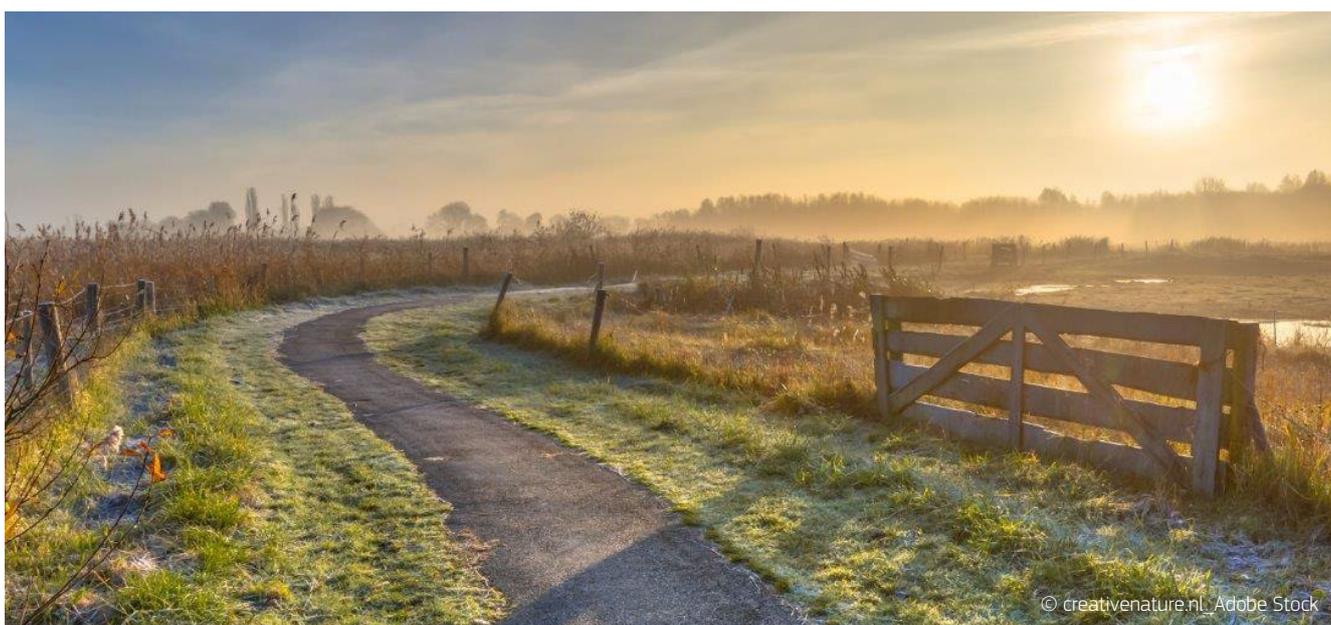
Despite limitations, some further productivity gains could be achieved through mechanization and automation. These, along with the low attractiveness of the sector, the variability of profits is all expected to cause agricultural labour to keep declining.

In addition to the Agricultural Outlook, this report also contains **scenario analyses** to investigate two different “*what if*” future situations: one scenario on the impact of climate change on world agricultural yields, trade, and commodity prices; and another scenario on the environmental and economic impacts of a wider adoption of soil management practices promoting carbon sequestration and reducing soil greenhouse gas (GHG) emissions, namely winter cover crops, tillage management and peatland restoration.

Results from the first scenario analysis reveal that climate change can favour an expansion of harvested area for maize, rice, soya beans and wheat at the expense of others (assuming the current agricultural area would remain stable, with no further area gains due to global warming).

However, yields are to be impacted more negatively and so the area increase would not be sufficient to counterbalance the drop in production, leading to higher prices of these commodities. Due to lower and more expensive feed availability, pigmeat and poultry production would decline. On the other hand, grazing livestock could benefit.

Results from the second scenario analysis show that peatland restoration can effectively contribute to decreasing GHG emissions, N surpluses and NH<sub>3</sub> emissions, while soil management practices can help to reduce nutrients leaching to water, soil erosion, and emissions of GHGs and NH<sub>3</sub>. However, the long-term cost-efficiency of soil management practices with respect to GHG mitigation is not guaranteed as the carbon-sink capacity of soils is finite. The scenario analysis showed moderate negative effects on farm income that are mainly due to higher costs associated with these practices.



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ISBN 978-92-68-08934-7



Publications Office  
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