European Commission

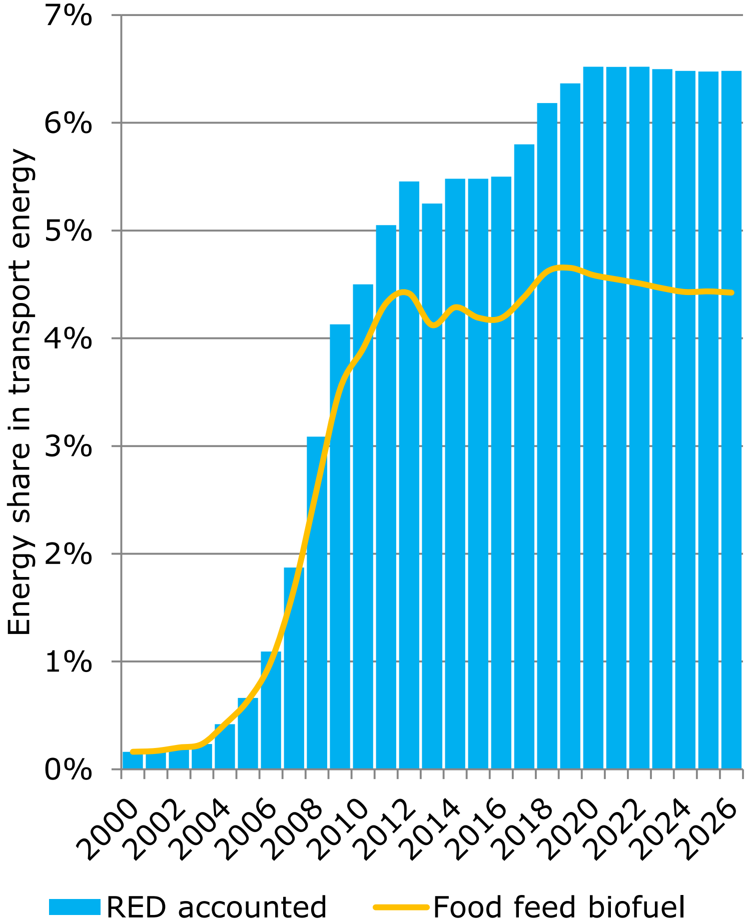
The 2016 EU Agricultural Outlook Conference

Cereals, oilseeds, protein crops, biofuels

Brussels, 6-7 December

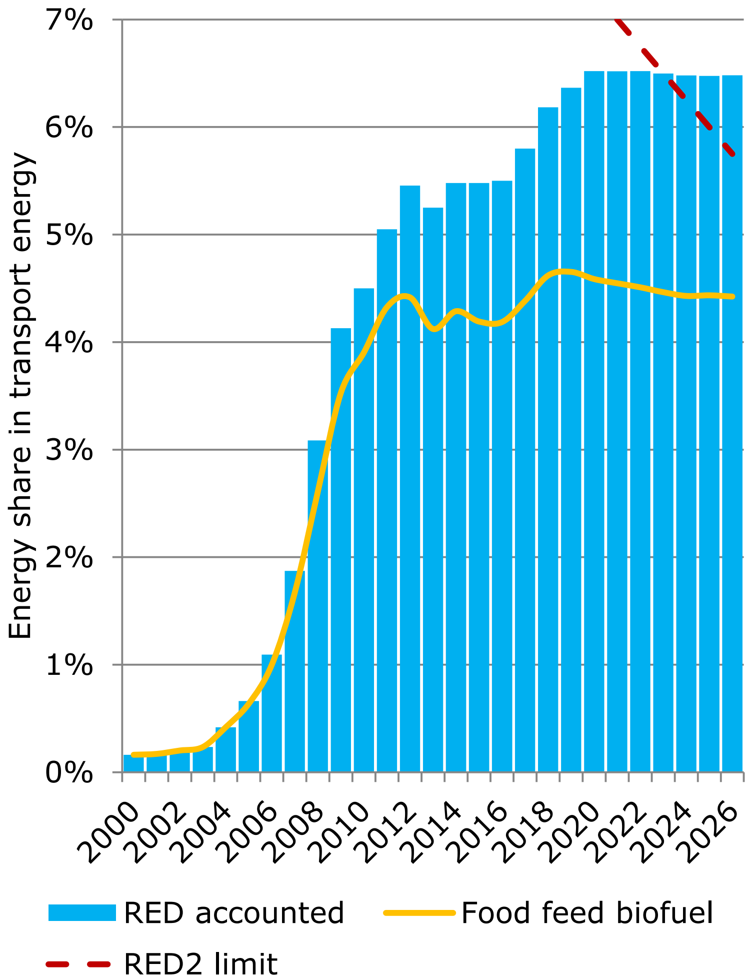
Agriculture and Rural Development

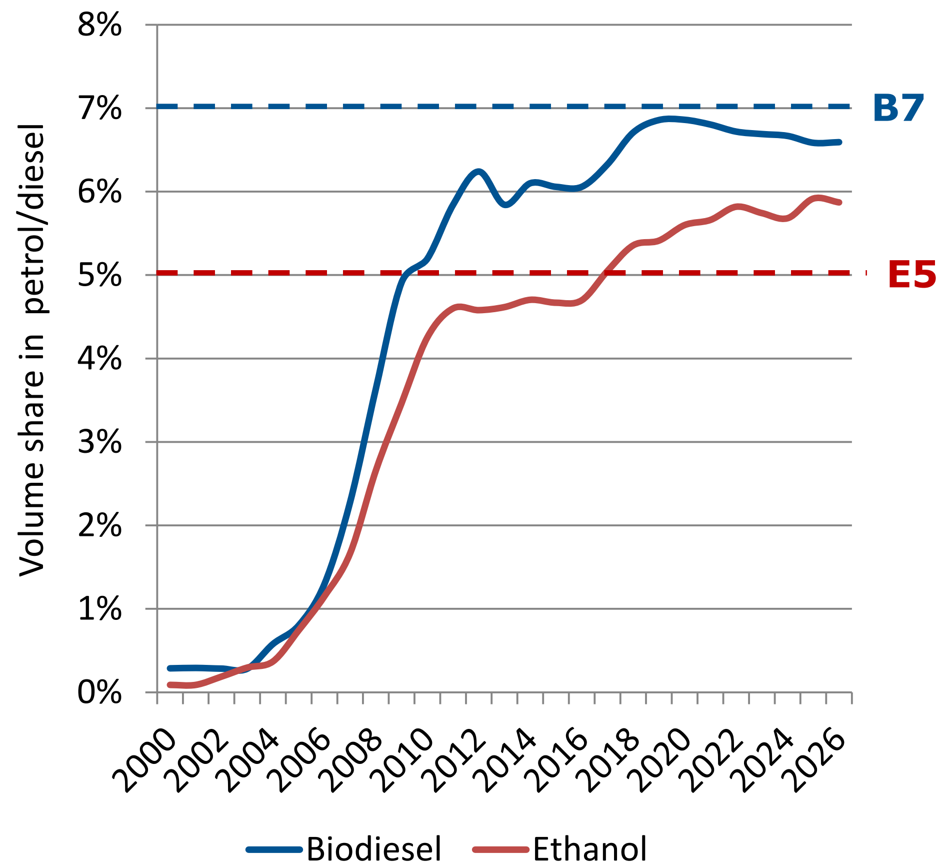
EU biofuel demand: policy aspects



- Policy driven demand
  - 10% of renewables in transport energy by 2020
  - Preference for advanced biofuels, including UCO and other residues
  - 7% cap on food and feed based biofuels
- Post-2020
  - Outlook assumption is **status quo**
  - Stronger focus on advanced biofuels
  - Other renewable energy sources
  - Limit on food and feed based biofuels

EU biofuel demand: policy aspects

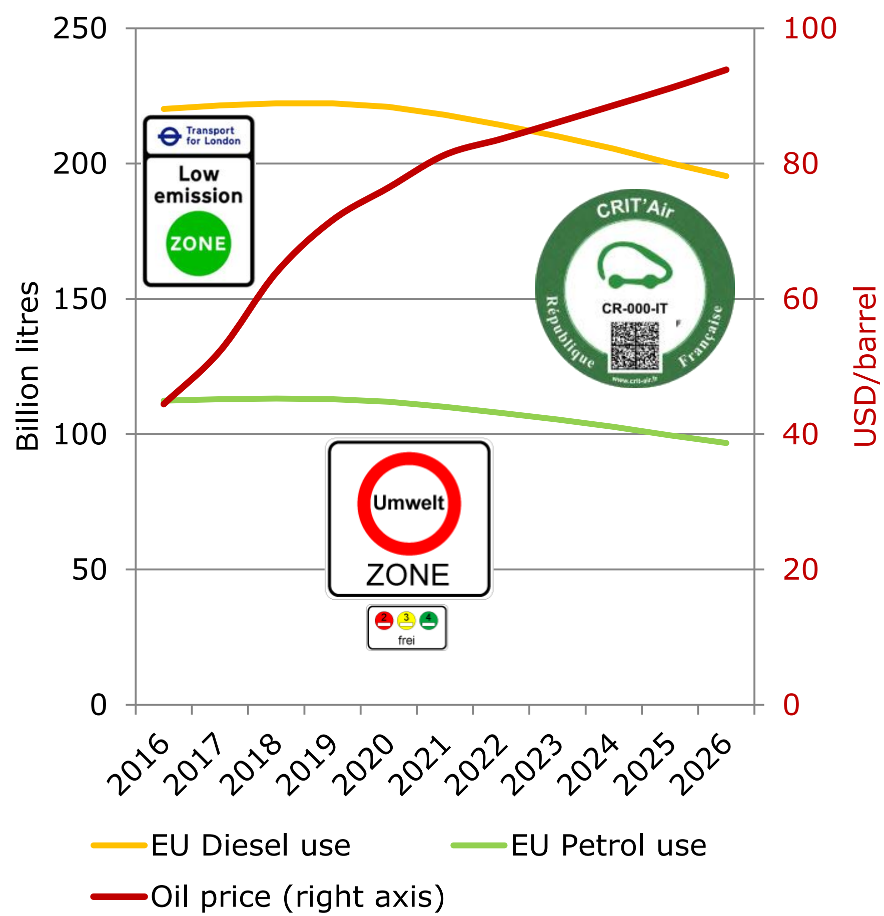




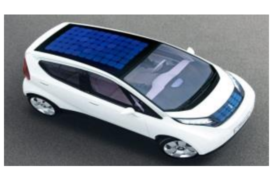
EU biofuel demand: market aspects

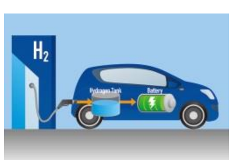
- Overall road transport energy use going down
  - Oil price
  - Energy efficiency regulation
  - Member State initiatives

- Biofuel demand
  - Increased biofuel competitiveness
  - Lower overall liquid transport energy effect on share based targets



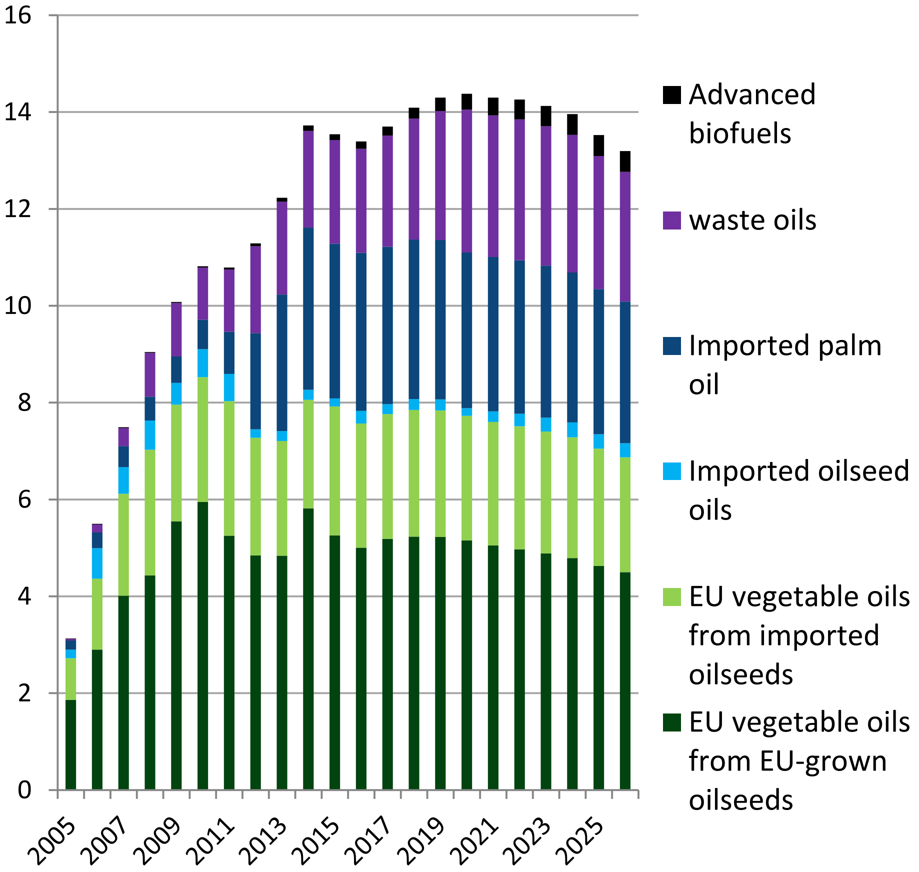
Source: DG CLIMA reference scenario (POLES)



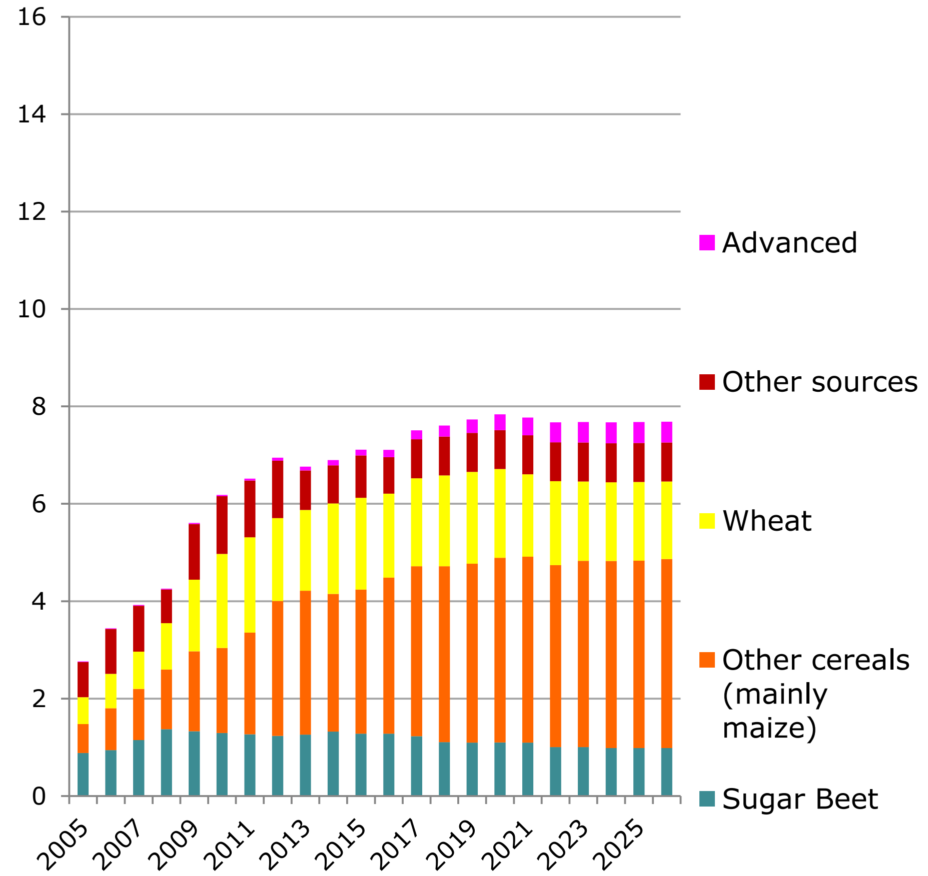


Feedstock use for EU biofuel production

Biodiesel (billion litres)



Bioethanol (billion litres)



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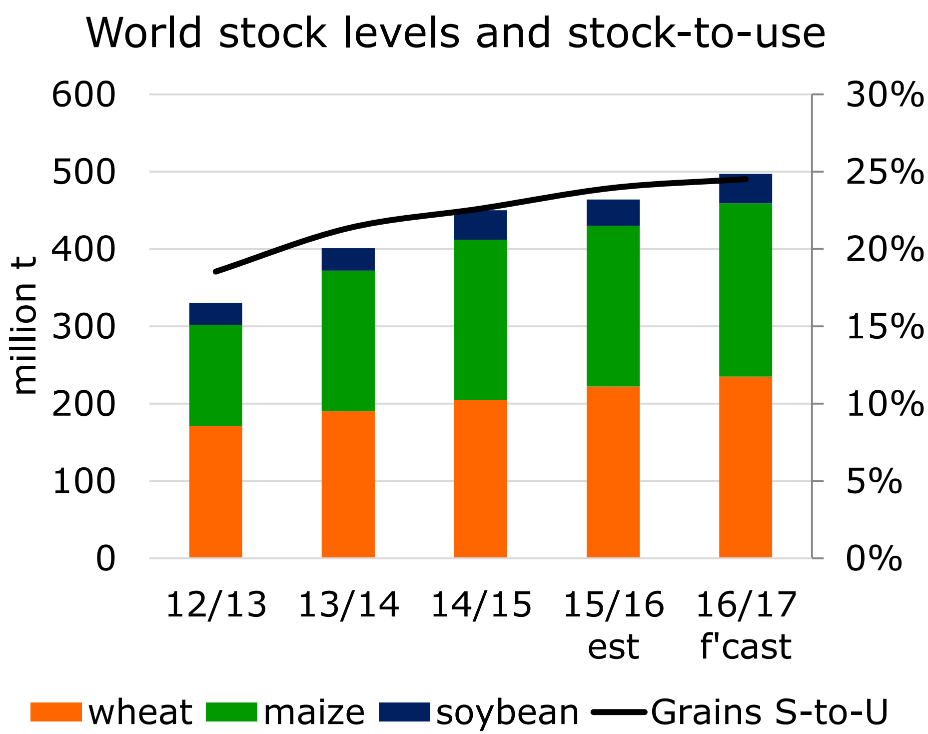
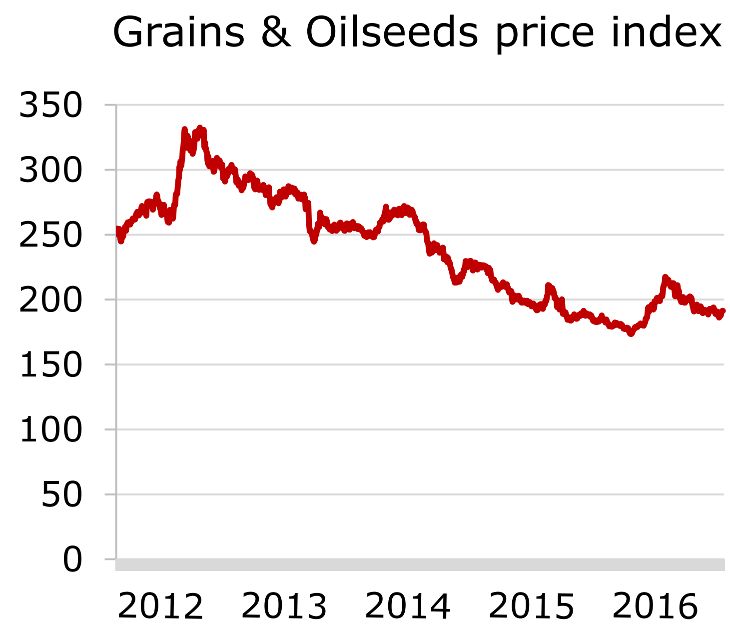
Extraordinary production recovery…

- Cereals and oilseeds: 3 years of worldwide beneficial agroclimatic conditions



Source: IGC monthly report, 24/11/2016



Source: IGC, 28/11/2016 (January 2000=100)

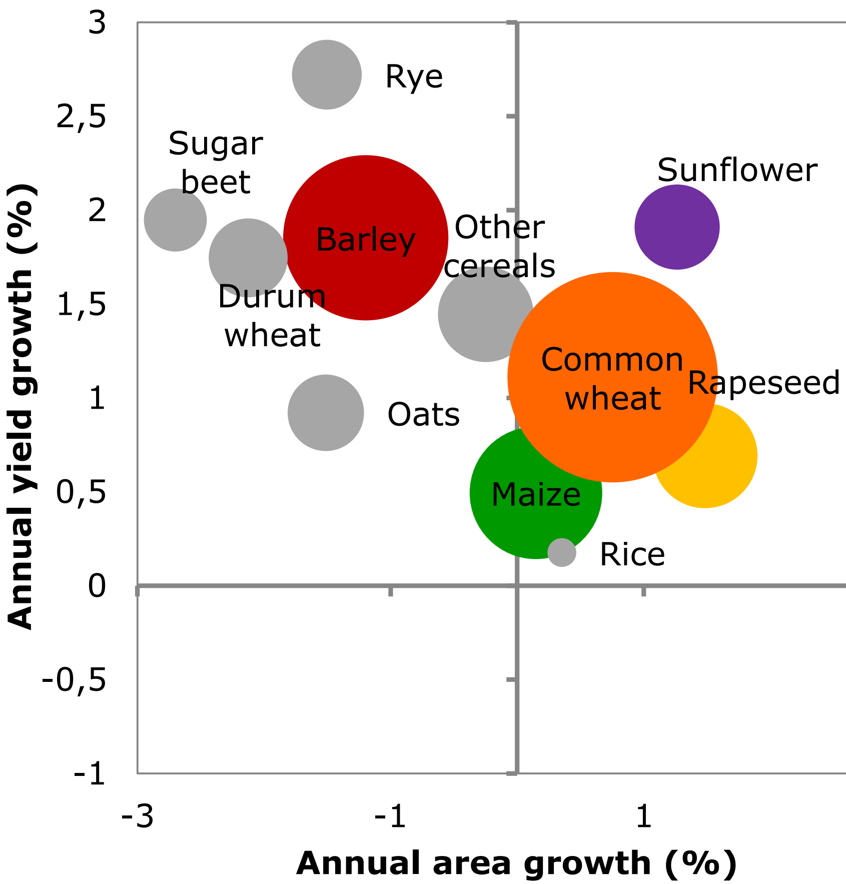
Production drivers

Area

- Competition from other uses
- Crop allocation: drive towards specialisation and scale economies

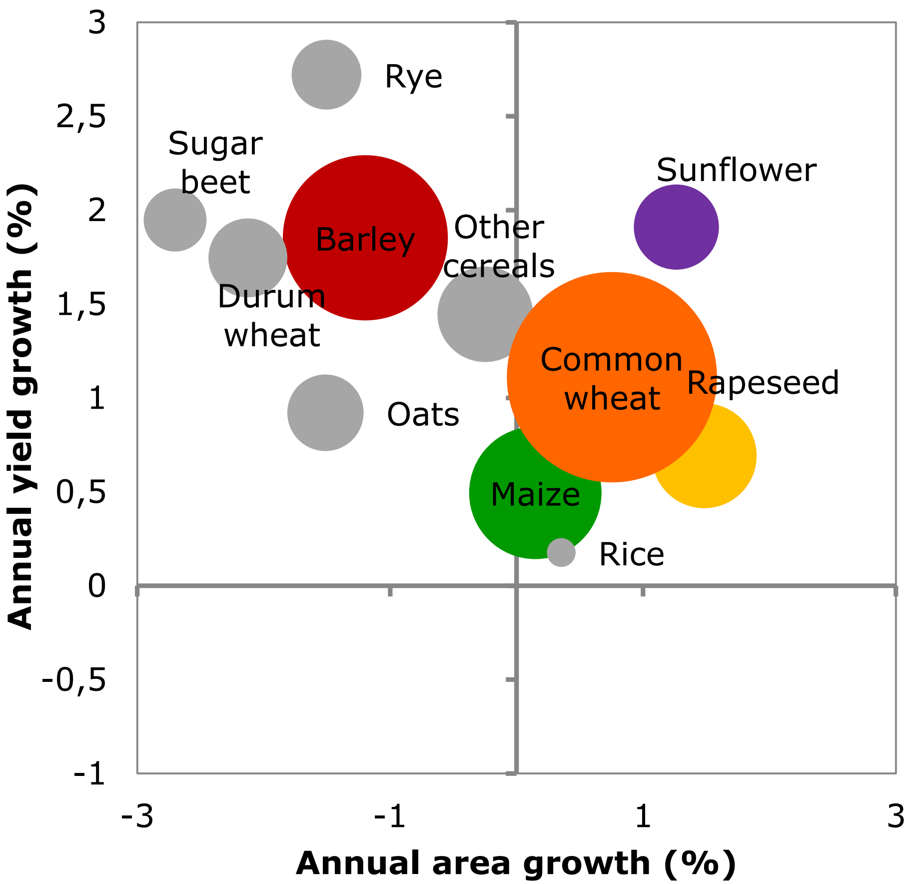
In the past: shift towards major crops

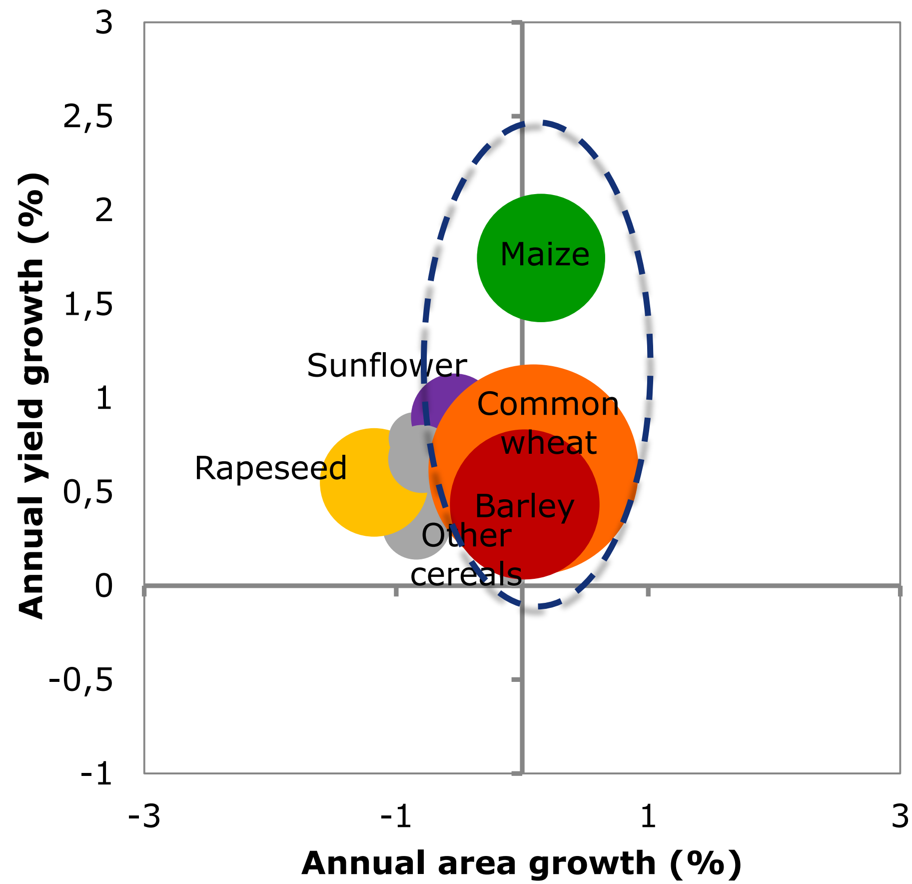
Annual area and yield change between 2006 and 2016



In the future: further concentration

Annual area and yield change between 2016 and 2026





Production drivers

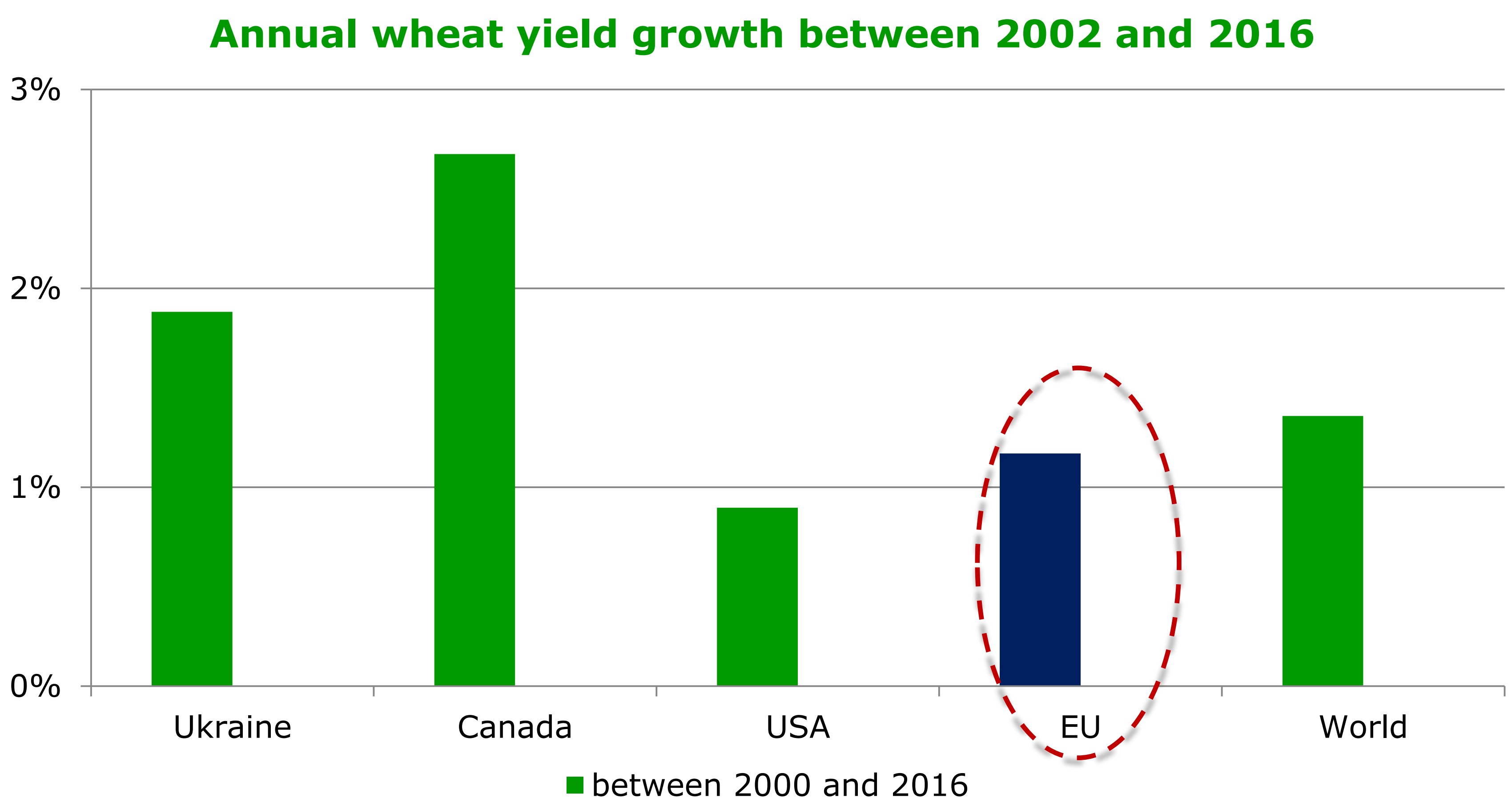
Area

- Competition from other uses
- Crop allocation: drive towards specialisation and scale economies

Yields

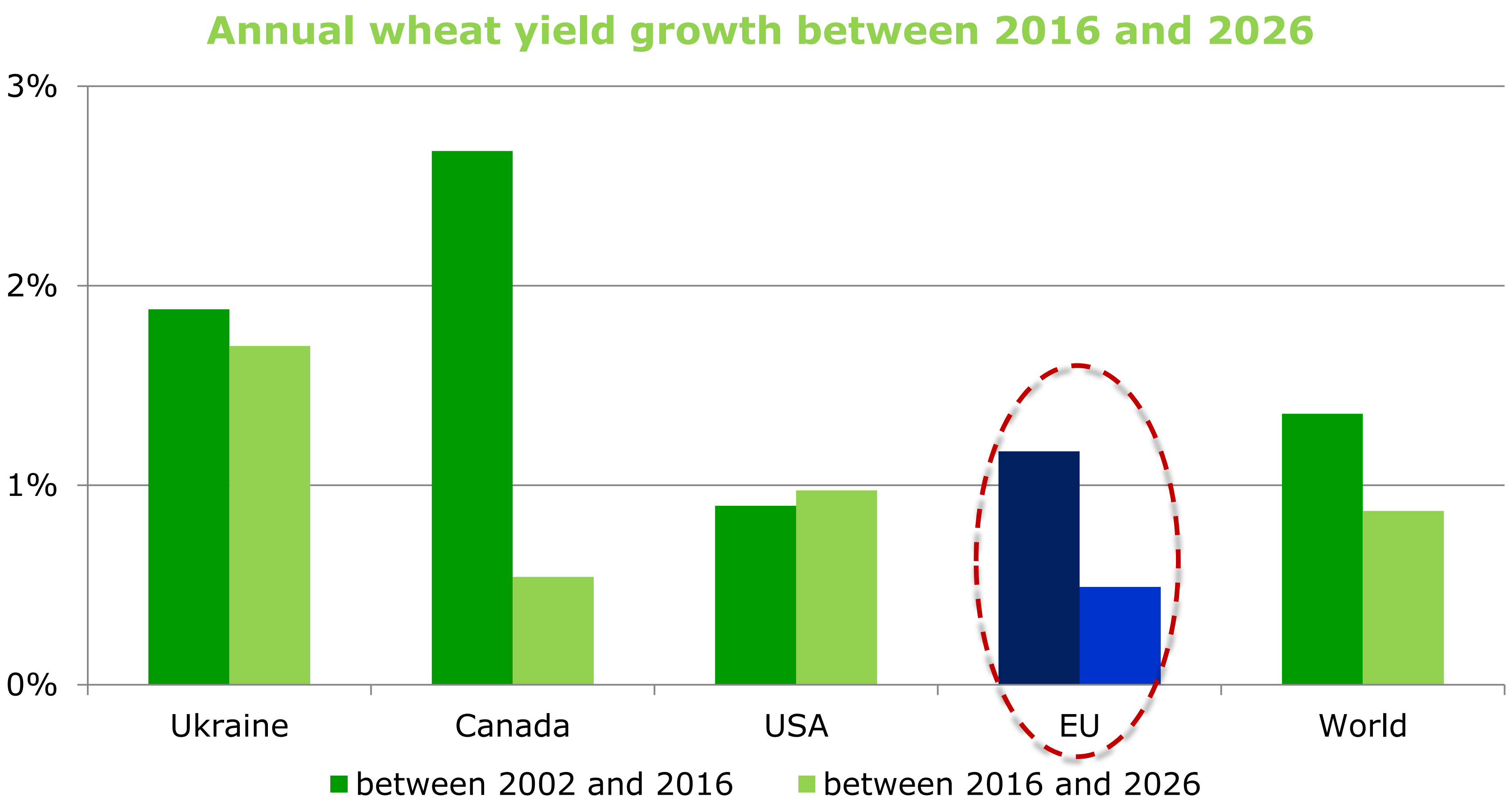
- Close to biophysical and agro-economic potential
- Catching-up in some regions
- Regulatory, economic and agro-climatic constraints

While yield growth low in the EU



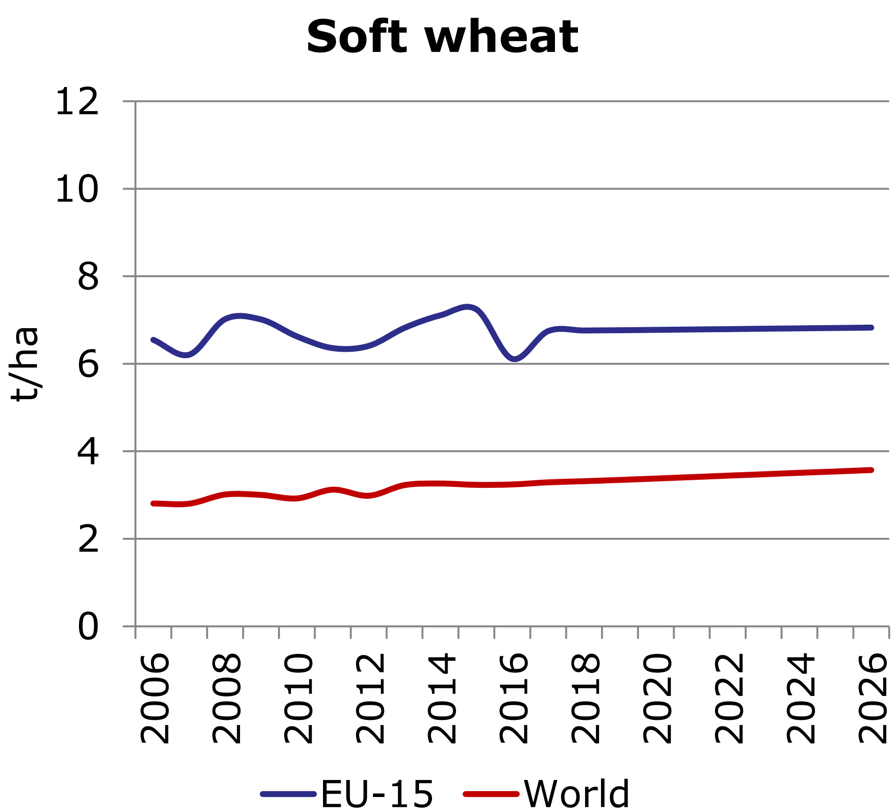
3 year averages taken
Sources: DG AGRI, OECD-FAO Outlook 2016

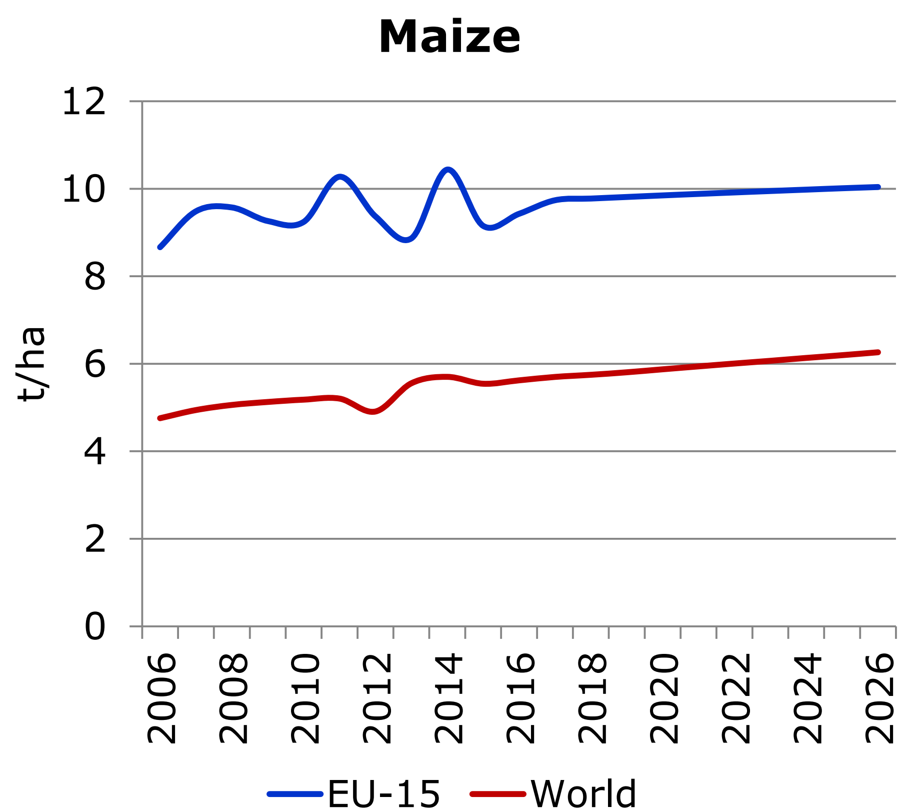
While yield growth low in the EU



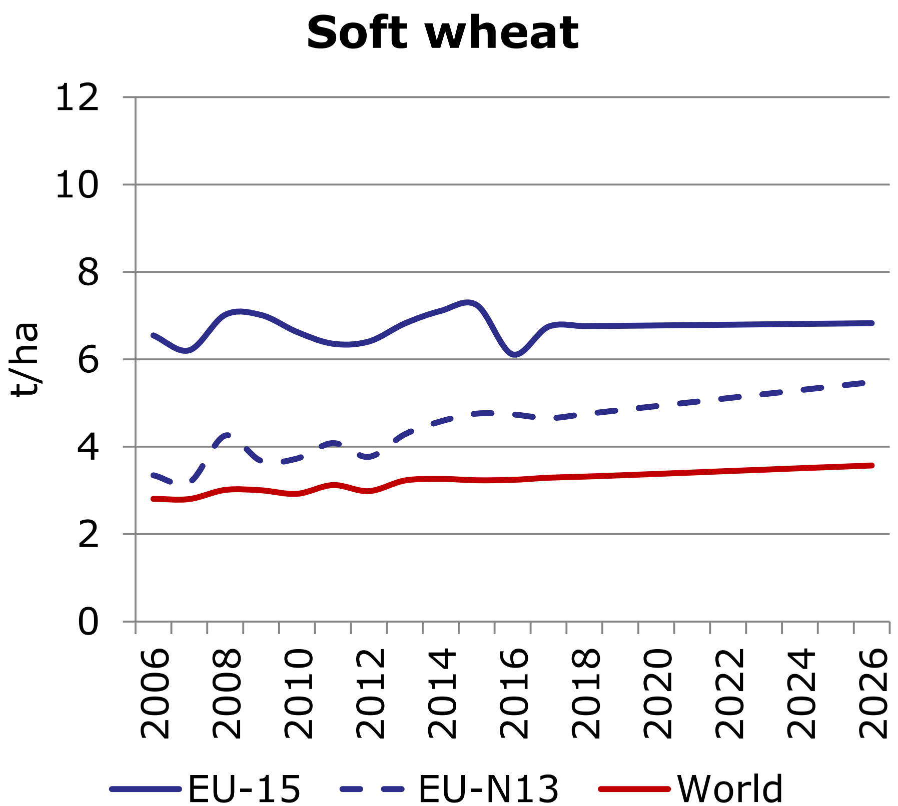
3 year averages taken
Sources: DG AGRI, OECD-FAO Outlook 2016

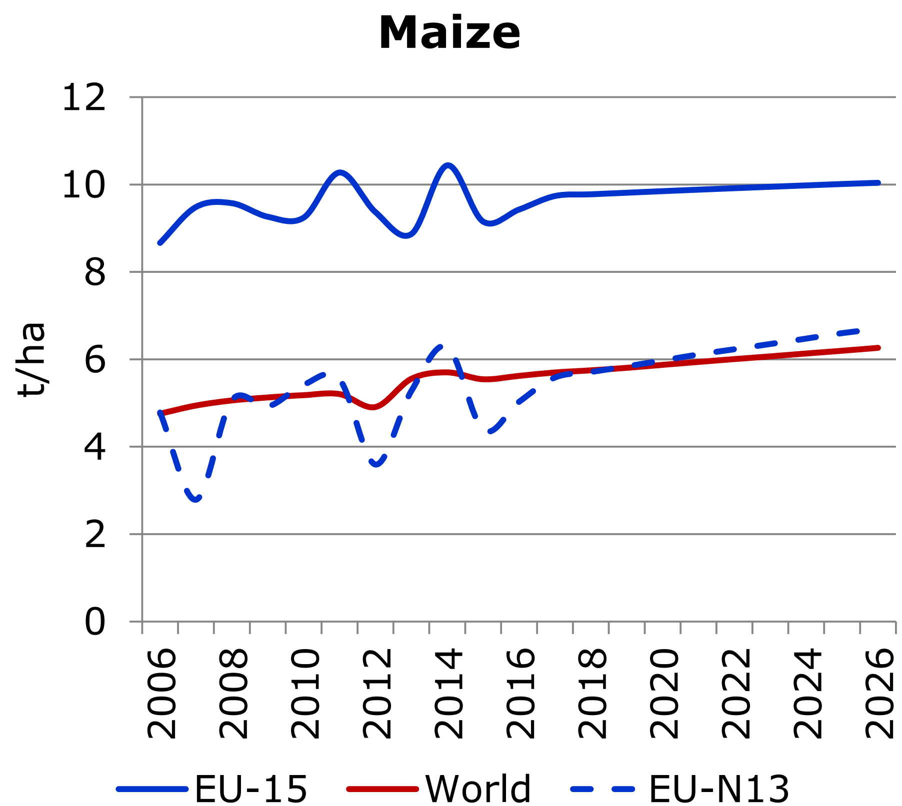
… while gap with world level remains high…





… within the EU the yield gap closes further…





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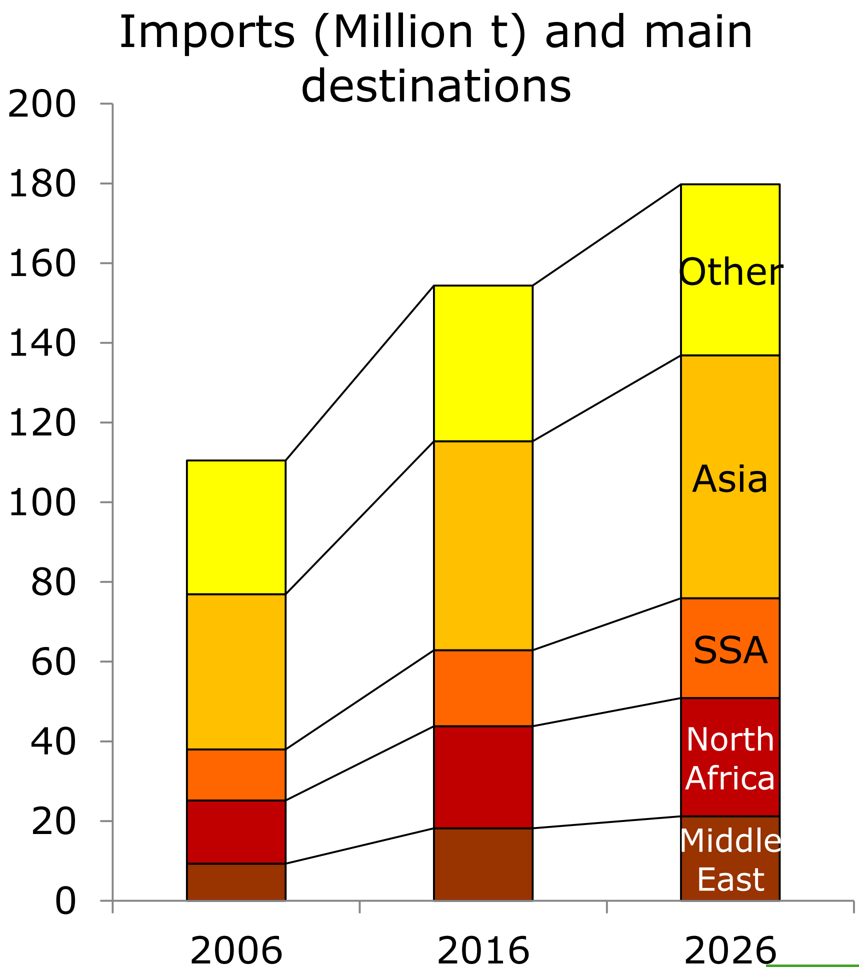
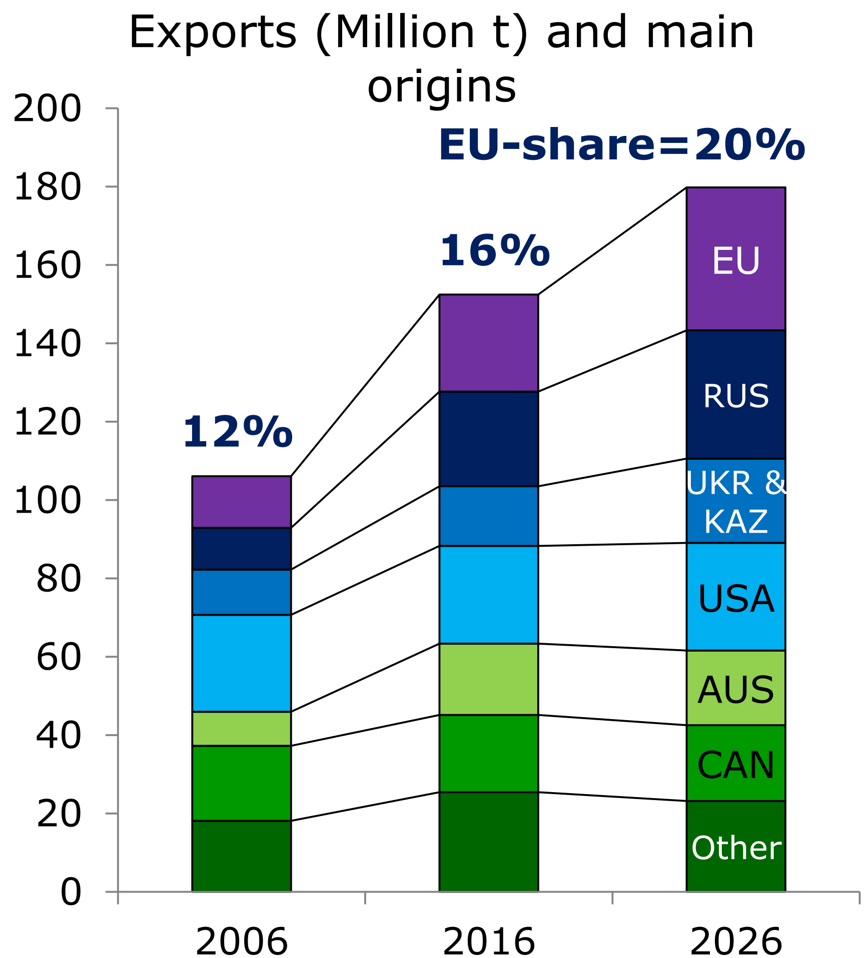
Market drivers

Exports

- strong demand for cereals
- in particular EU wheat but also barley

… so opportunities remain to export wheat





Market drivers

Exports

- strong demand for cereals
- in particular EU wheat but also barley

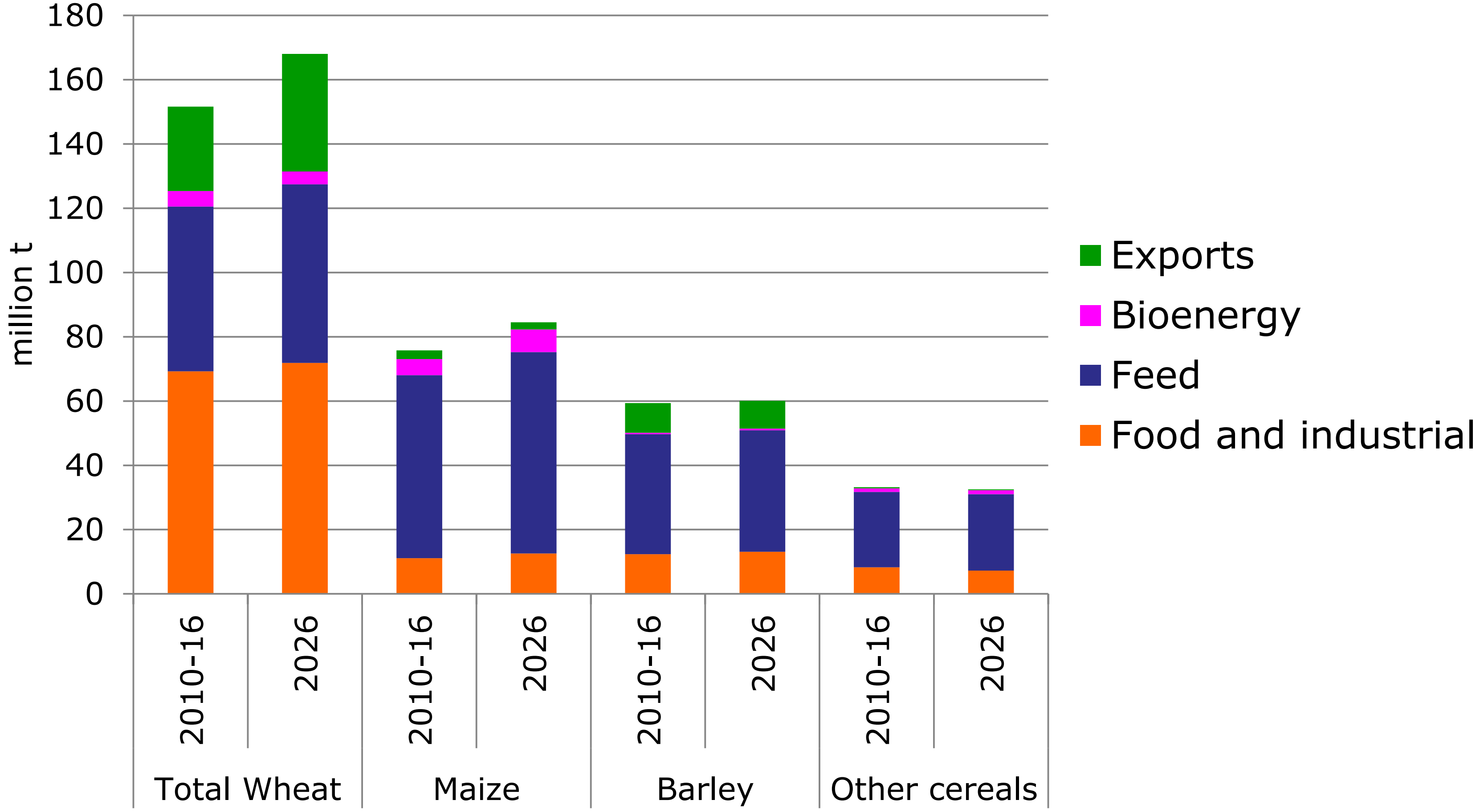
Feed

- Increased milk yields
- Firm poultry and pig production

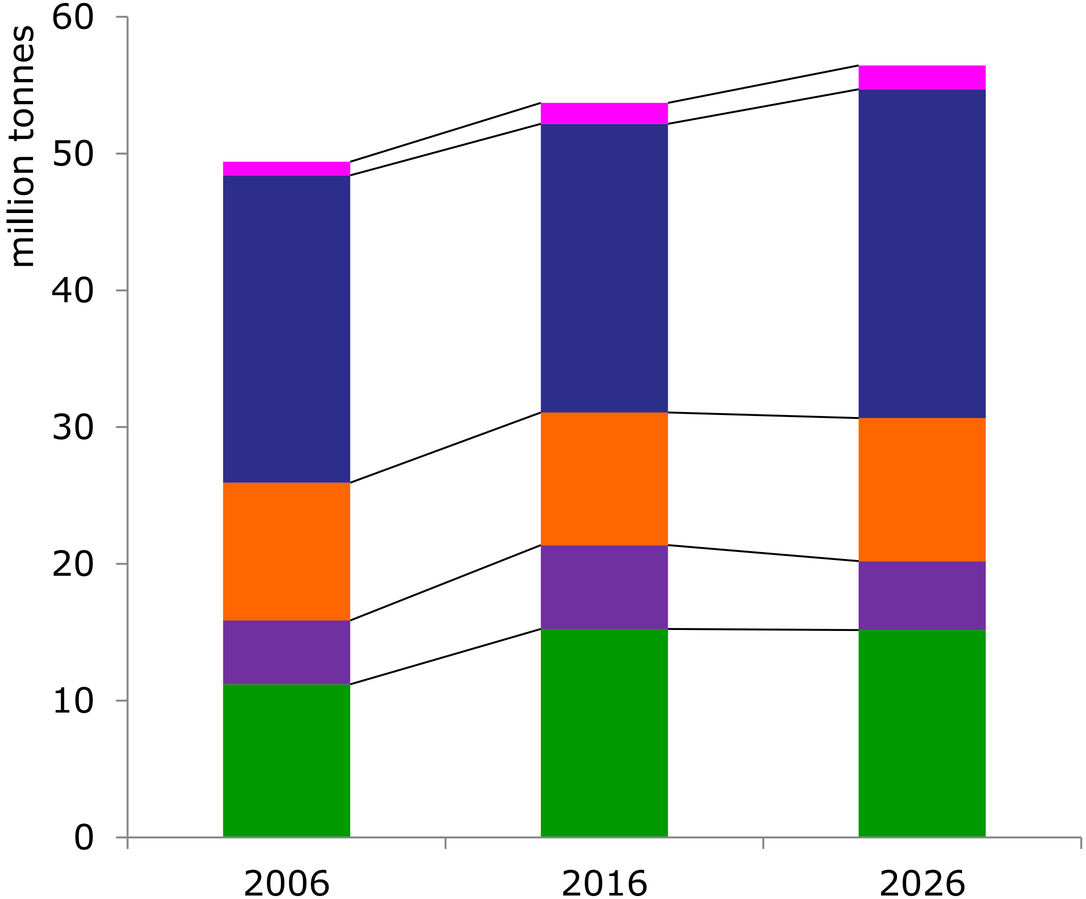
Biofuels

- Limited growth in domestic oilseeds
- Increased maize use for ethanol

Domestic feed use dominates EU cereal use
...stimulating maize



Feed use will also dominate oilseeds
…soybean gains



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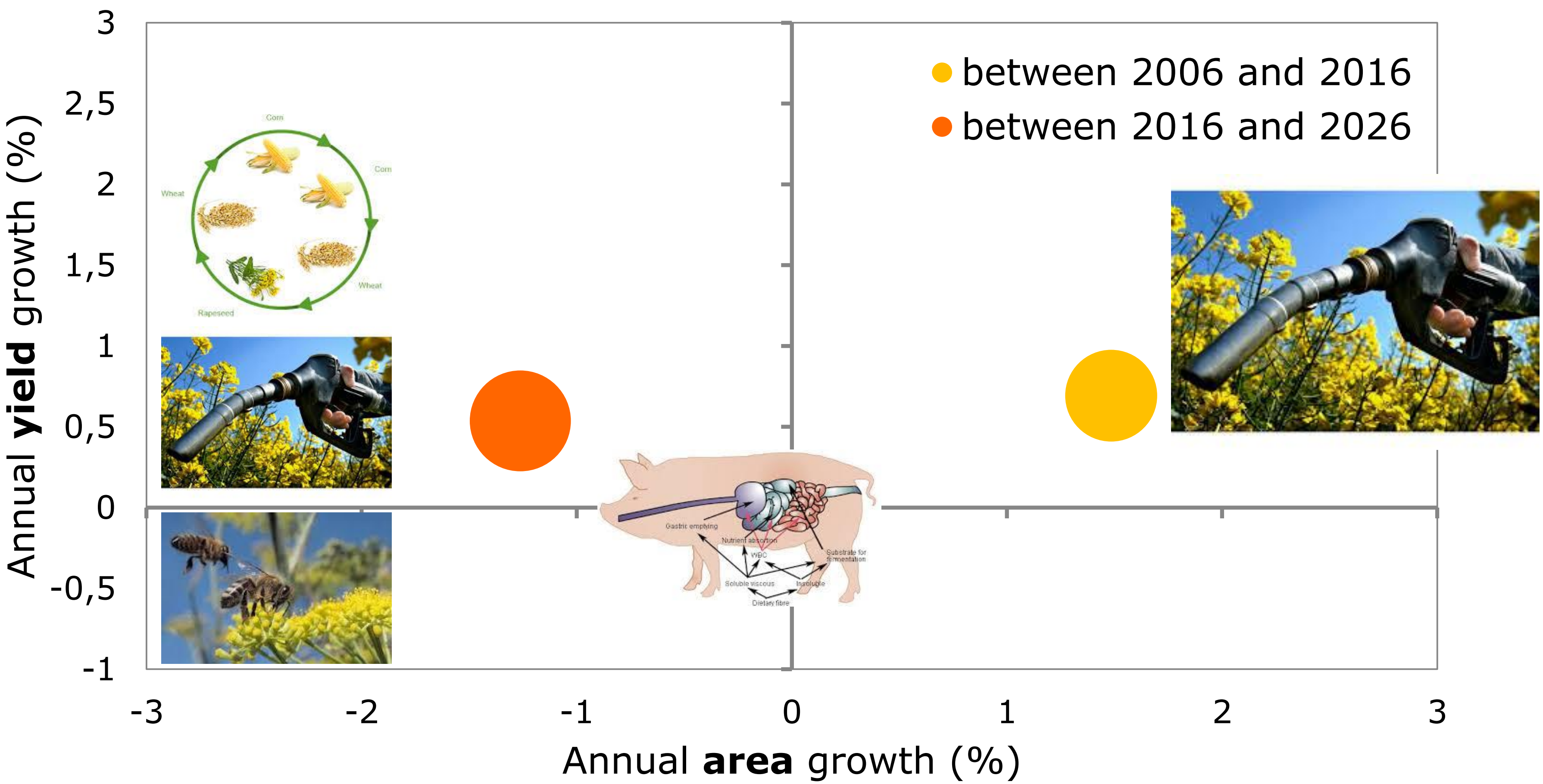
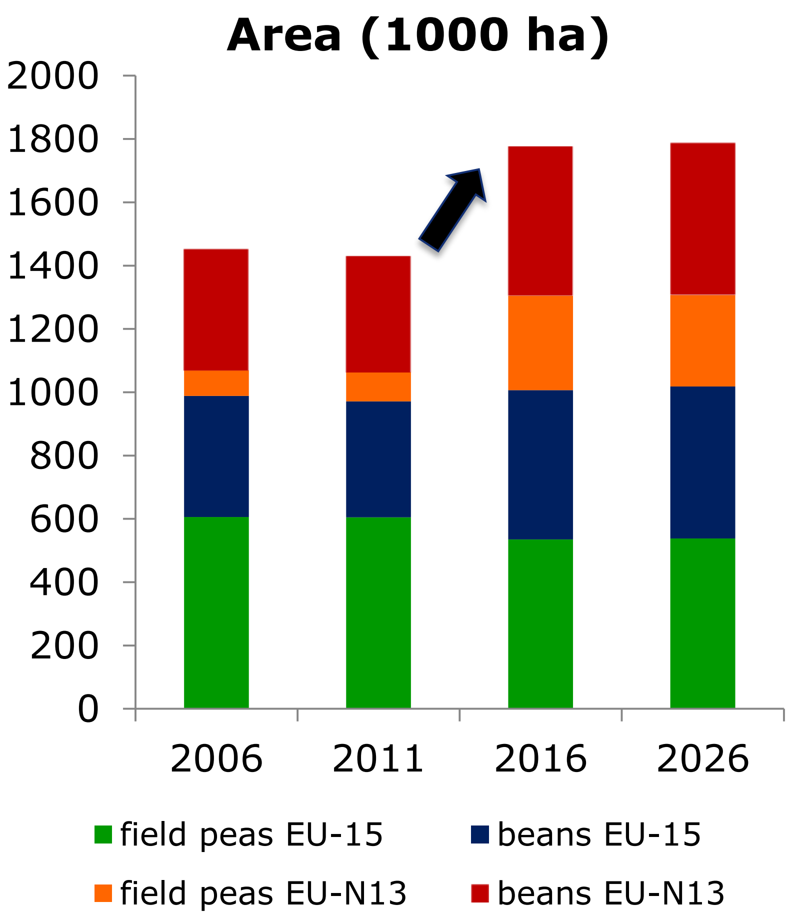
… having effect on rapeseed production

Annual area and yield change

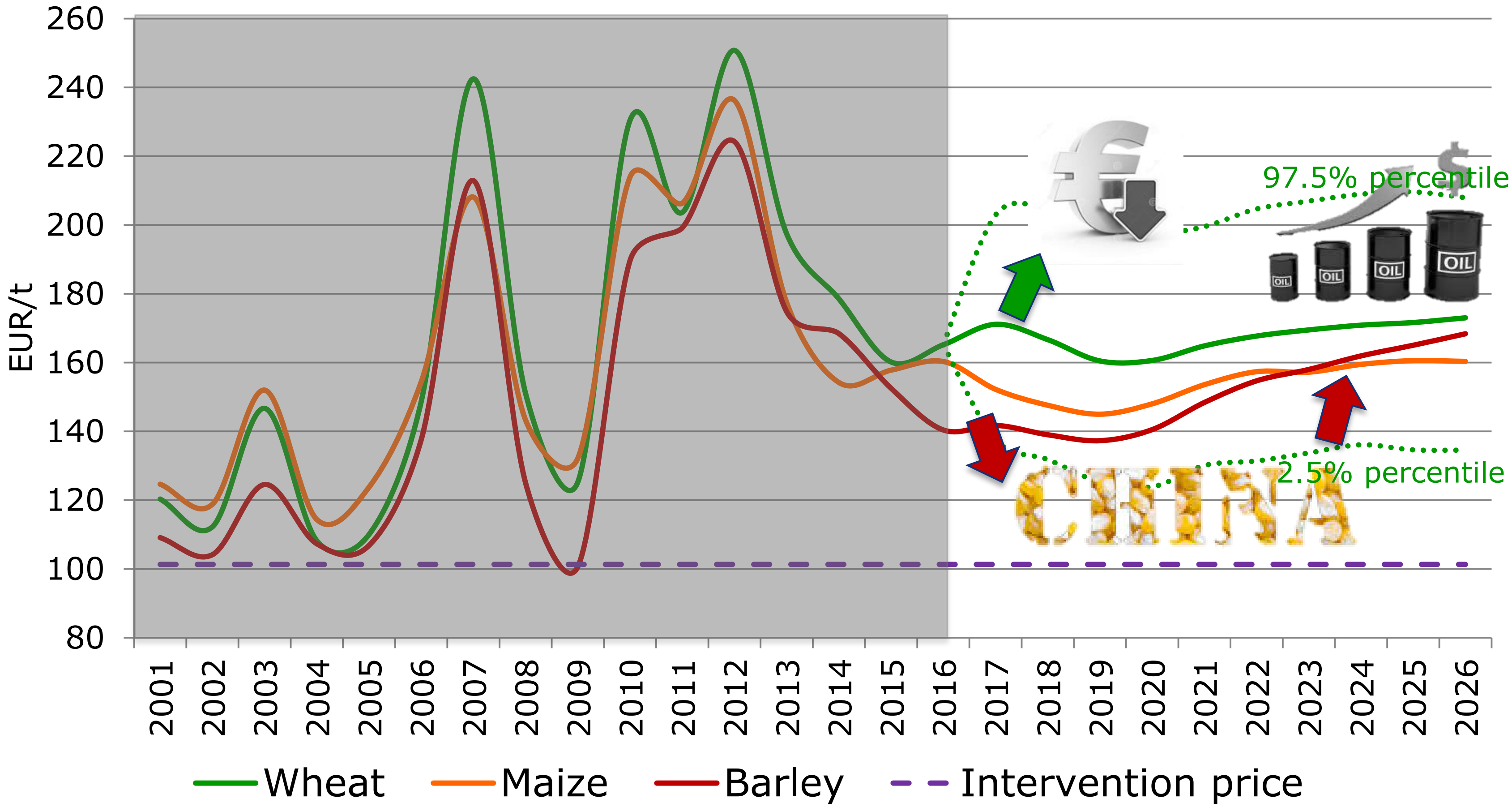


Protein crops recover in the EU



...but area of protein crops remains small in total...

EU cereal prices still affected by exogenous factors



Prospects for crops in the EU

Main cereals more dominant in area but yield growth fairly low

Increase of production and use of main cereals mainly driven by feed use

Meals more important in oilseed complex