



SHORT-TERM OUTLOOK

FOR EU AGRICULTURAL MARKETS
IN 2020

SPRING 2020

Edition N°26



Agriculture
and Rural
Development

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

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Highlights

This short-term outlook edition coincides with the unfolding of the Covid-19 crisis, making the exercise exceptionally challenging. Market forecasts are based on market intelligence available at the beginning of April 2020 and reflect the Covid-19 impact to the extent possible, with all the caveats and limitations in view of the rapidly evolving situation. In addition, for the first time market outlooks are presented for EU-27, and assume a frictionless trade between the EU and the UK in 2020.

The Covid-19 outbreak and its dramatic consequences have cast a fresh light on the importance of maintaining resilient food supply chains. With no concerns of food shortage, the EU agri-food sector has so far responded remarkably well to challenges of historical magnitude. Thanks to sustained food demand, EU agriculture has suffered relatively less damage compared to other parts of the economy which are being more affected by lockdown measures. There have been, however, specific impacts and certain agricultural sectors have been hit more severely than others. Beyond labour issues and logistical bottlenecks, the EU food supply chain has to continue adapting to rapid changes in demand, with strong uncertainties on the duration of the crisis and the recovery path in the EU and globally.

In the EU, the immediate impact has been concentrated in logistics, with disruptions in just-in-time supply chains, which have by and large subsided in a matter of days following health policy measures. Ensuring free movement of both labour and goods, within the EU and globally, will remain critical.

In the short term, confinement measures and the closure of sectors like hospitality, tourism or travel have required redirecting supplies from foodservices to retail for direct purchase by consumers locked down at home, with further challenges due to differences in consumption patterns and packaging.



Highlights

Despite these early signs of resilience of the EU agri-food sector, the expected depth of the economic recession is bound to significantly impact **food demand**, in particular that of high-value products, animal products such as dairy, and export-oriented sectors such as wine. However, compared to the 2010 crisis, when stocks of agricultural bulk commodities were historically low, current stocks are high and harvest prospects correct. Input costs have declined, with very low energy costs which should be translated in lower fertiliser prices.

The extent and the recovery path of the current crisis remain to be seen, especially because of the **asymmetry in its geographical distribution**: starting in Asia, moving to Europe and then the Americas, with worrying signs in Africa.

The length of lockdown measures, the exit strategies and the economic stimulus which will be implemented in the EU and globally, as well as international cooperation to avoid trade-restrictive measures, will be crucial in this respect.

- **Confinement measures** adopted by the majority of Member States led to **stockpiling** behaviour at household level and short-lived spikes in retail sales. **Staple food** profited the most from the switch to home consumption: pasta, rice, flour, potatoes, canned fruit and vegetables, UHT milk, orange juice, tomato sauce and olive oil, reflecting varying national food cultures. Consumption of fresh fruit and vegetables, and fresh dairy products has also risen. At the same time, a massive increase of demand for **e-commerce** has been observed, and direct sales by farmers to consumers have reportedly been boosted.

- Compared to foodservice, **food consumed at home** differs in terms of product characteristics, packaging, quality and volume. For example, high-value beef cuts or lamb, wine and specialty cheeses see a larger share of their output consumed in restaurants. Temporary lack of **packaging material** has also been signalled.

- **Restrictions of movement** and controls at national borders within the EU have created obstacles in deliveries of agricultural raw materials and food in the first half of March 2020. The early adoption of EU guidelines for border management measures, to protect health and ensure the availability of goods and essential services (including **green lanes** for transport of all goods), has quickly helped improving the situation.



Highlights

- **Labour availability** remains a key concern, at all levels of the food supply chain. Health reasons and restrictions on free movement of people may temporarily reduce the availability of workers, from farms to transport, from warehouses and ports to retail. In addition to increasing transport costs, this could affect the product mix, favouring less labour-intensive products, e.g. milk powders in the case of dairy. Cross-border and seasonal labour is crucial in sectors like fruit and vegetables, and shortages in the upcoming harvest season would be a negative factor.

- The asymmetric geographical distribution of the Covid-19 spread, together with increased hygiene requirements, has an impact on the **fluidity and volumes of trade flows**. While the functioning of ports has not been disrupted, the availability of **containers** remains an issue regularly mentioned by operators. At the time of

the crisis peak in China, many ports were blocked due to the lack of workers and loading and unloading of containers was delayed, resulting in a backlog which takes time to recover from. Difficulties are also mentioned on road freight, where return trips are often linked to non-essential economic activities that have stopped. All these challenges have resulted in increased transport and logistical costs, which may sooner or later be reflected in food prices.

Input markets outlook

Food value chains include **accessibility of inputs** that are needed to produce food. This would include seeds and fertilizers, plant protection products, fieldwork machinery (including spare parts) and feed additives as well as veterinary products for animals.

The EU is not self-sufficient in certain inputs such as

mineral fertilizers and is importing products from Eastern European countries (Belarus, Ukraine, Russia) and North Africa (Algeria, Morocco).

As regards **plant protection products** and **micro-nutrients** for compound feed, the EU is importing from third countries, in particular China. While detailed quantitative data are not available, no major long-term trade disruptions and accessibility issues have been reported across the EU.

Agricultural markets outlook

In the **grains and oilseeds market**, ample global stocks, sizeable 2019/2020 harvest in the EU and neighbouring countries, and good prospects in the Americas for the next crop should allow a satisfactory supply of the market in the coming months.



Highlights

In the **oilseeds market**, a decrease in EU rapeseed production and reduced demand for oilseeds, linked to a decline in biofuels demand due to low oil prices, could result in an overall lower supply of proteins.

In the **sugar market**, very low energy prices and lower demand for gasoline push the ethanol production down, and more white sugar is expected to be produced instead of ethanol. With higher global supply than anticipated, world sugar prices dropped.

In the **olive oil market**, availabilities should remain high as an average production is expected, combined with a high level of beginning stocks. Due to stockpiling, some demand recovery could be expected in the main producing Member States, but consumption in the non-producing Member States is likely to decrease.

In the **apples and oranges markets**, no Covid-19-related production impacts are expected in the current marketing year. Demand for less perishable fruits like apples and oranges is strong.

In the **wine market**, on top of Covid-19 challenges resulting in declining exports, US tariffs remain an important challenge. Confinement measures could also affect EU consumption negatively.

In the **dairy market**, the coincidence of the spring peak of production in the EU with the Covid-19 outbreak exacerbates the downward price impact and could favour the production of more storable and less labour-intensive dairy products (milk powders) over others. The closure of foodservice and outdoor/farmers' markets negatively affects some high-value added products (e.g. PGI/PDO cheeses). On the other hand, other dairy products could benefit from increased retail sales.

In the **meat market**, the switch from foodservice to home consumption and the capacity of retail to market additional meat products may influence production, particularly for beef and sheep meat that are more negatively impacted. Despite high prices, pigmeat production growth will be limited by environmental restrictions and remaining African Swine Fever risk. Due to the Covid-19 crisis, the transport of live animals could be restricted.

The particularly severe impact of the Covid-19 crisis on the **flower and nursery sector**, not covered in this report, needs to be mentioned, with a range of factors: most outlets have been closed (except retailers and nurseries in some Member States), Easter was one of the three demand peaks in the year, and air freight has been halted.



Macroeconomic background

MACRO- ECONOMIC OUTLOOK

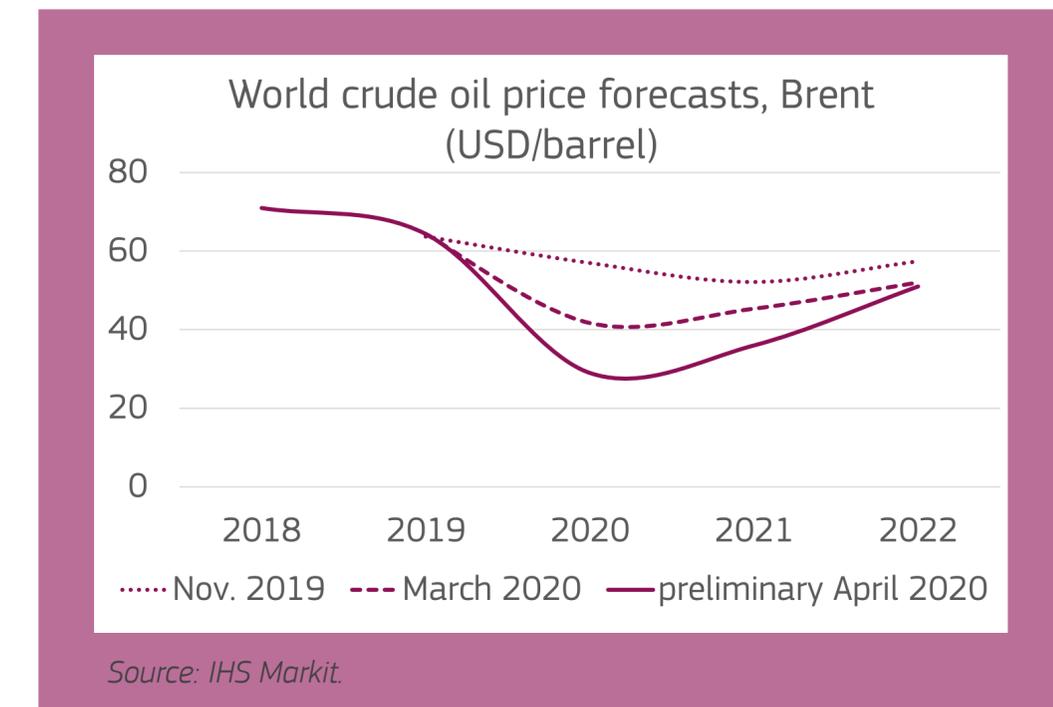
Uncertainties around Covid-19

- € The unprecedented situation amidst Covid-19 crisis gives signals for a **major multi-faceted economic shock**, which is expected to last at least until mid-2021.
- € However, it is still early to say how deep the shock will be, and to predict the speed and shape of the recovery, especially as **the crisis affects regions at different times**.
- € The macroeconomic situation will very much depend on the **effectiveness of economic stimulus measures undertaken** or being considered by governments across the world.

Confinement measures to reduce economic activities

- € As the virus spreads, countries aim at **limiting physical contact between people** by imposing confinement measures.
- € Early April, IHS Markit estimates that about **half of global private consumption expenditures are at risk**, especially in transport services, recreation, hotels and restaurants. The impact is due to hit economies differently, as the share of reliance on tourism differs.

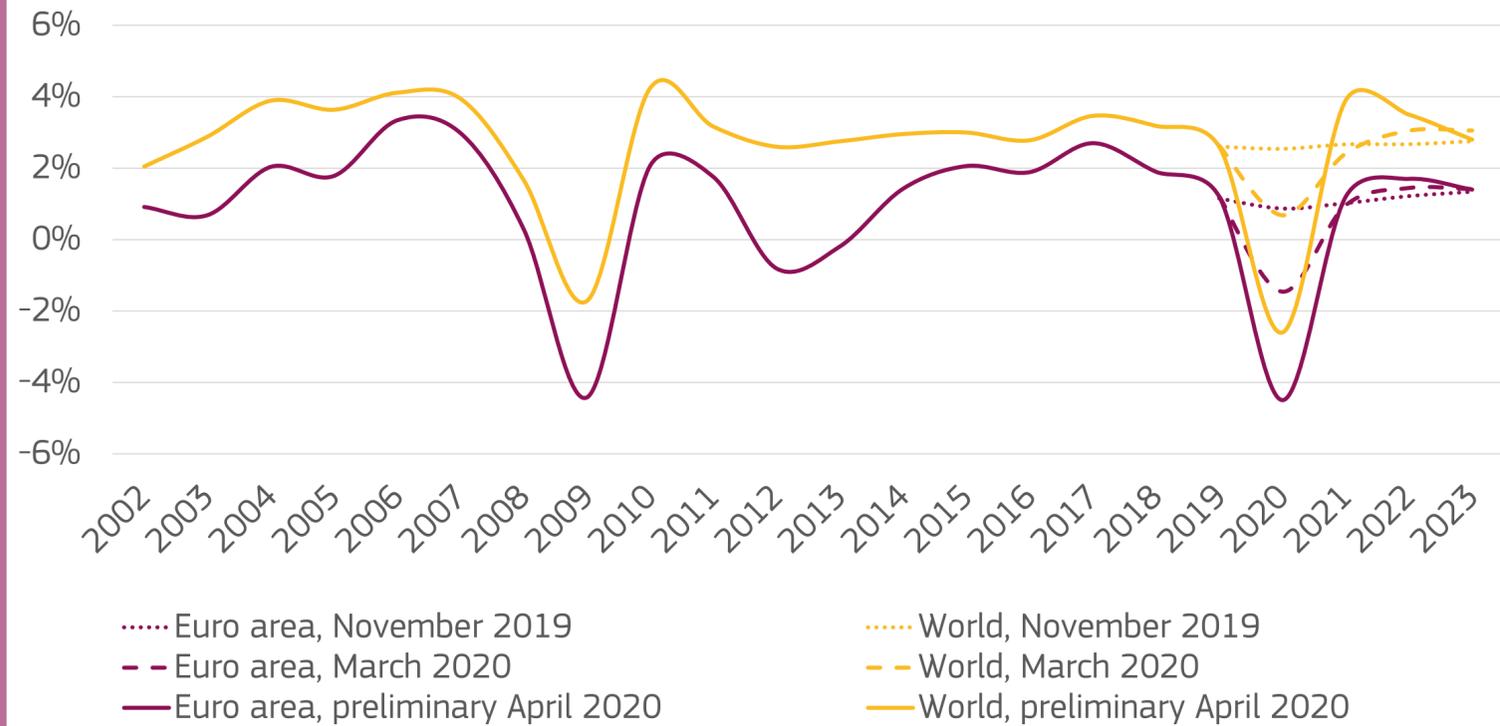
- € **Demand for transportation fuel plummets** due to confinement measures. Some airline companies have completely suspended all flights for several weeks. Overall transport fuel use could decrease by up to 50% during the confinement period.
- € On the supply side, the breakdown of oil price discipline early March brings an additional shock. With producers falling short of storage capacity, the **Brent crude oil price hit a lowest point** in the second half of March at USD 25/barrel. Early April, OPEC producers agreed to cut supply to keep prices under control, however it is still unclear how that move will succeed.



Macroeconomic background

Global recession expected

Real GDP growth rate forecasts

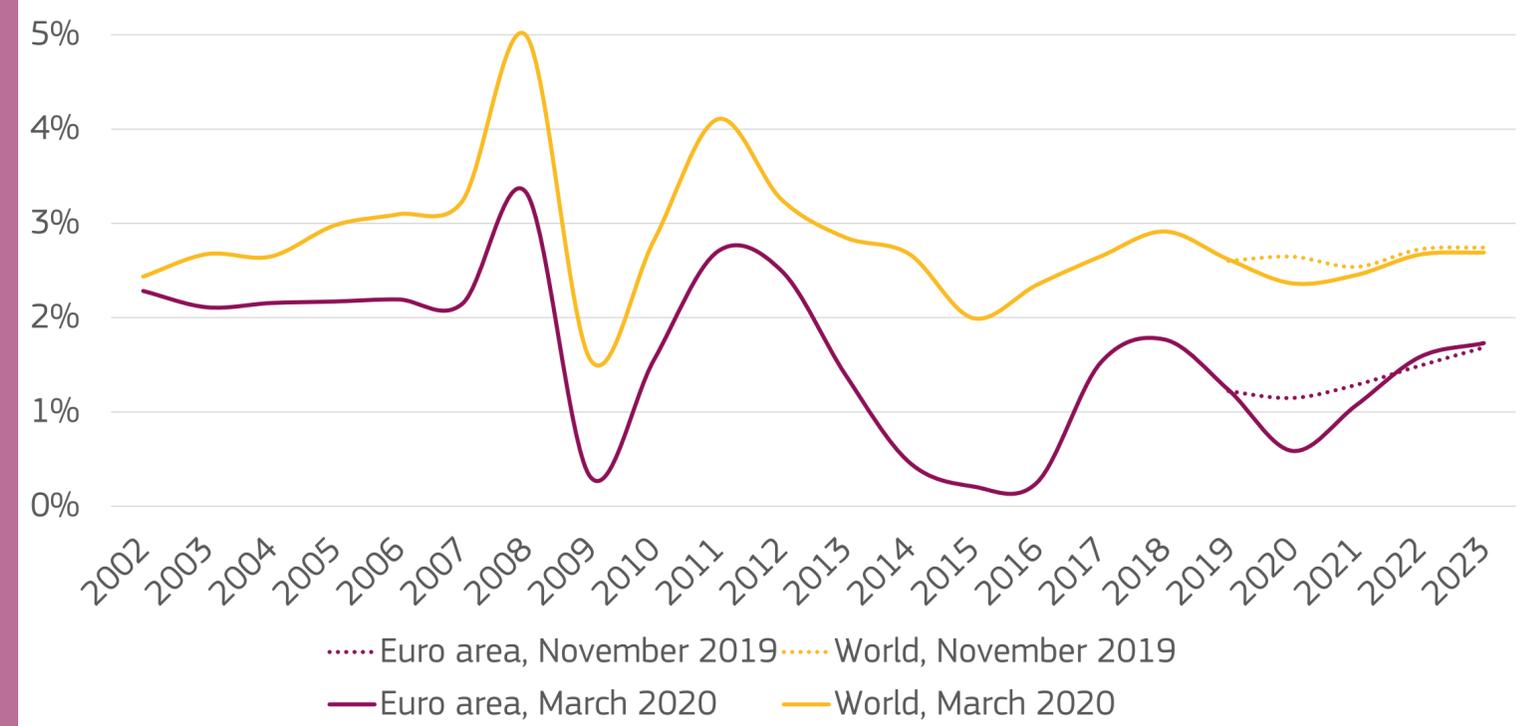


Source: IHS Markit.

- € According to the IMF, **the magnitude of the crisis could be far worse than that of 2008-2009**: the world economy could contract by 3% year-on-year in 2020, and by 7.5% in the euro area. It could rebound in 2021 to 5.8%, and to 4.7% in the euro area.
- € Over 2020 and 2021, the IMF estimates that **the cumulative loss to global GDP could amount to USD 9 trillion**, which is almost half of EU's GDP.

Consumer price index to drop

Consumer price index change rate forecasts



Source: IHS Markit.

- € With a possible stagnation of economic growth and a likely recession, **unemployment rates across the EU are likely to increase**. This would set pressure on overall consumption in value terms, and particularly value chains targeted to export markets, as well as tourism and foodservice. As a result, agricultural income will remain under pressure in this economic environment.

Market developments in the EU

ARABLE CROPS

CEREALS 	2019/2020		2020/2021	
Production		+9.4%		-2.2%
Exports		-20%		-2.2%
Imports		-8.3%		-12%
Consumption		+40%		-18%

OILSEEDS 	2019/2020		2020/2021	
Production		+30%		-11%
Exports		+0.9%		+54%
Imports		+9.4%		+13%
Consumption		+49%		+4.2%

PROTEIN CROPS 	2019/2020		2020/2021	
Production		+4.8%		+4.4%
Exports		-6.3%		-3.3%
Imports		-13%		-14%
Consumption		+0.2%		+0.0%

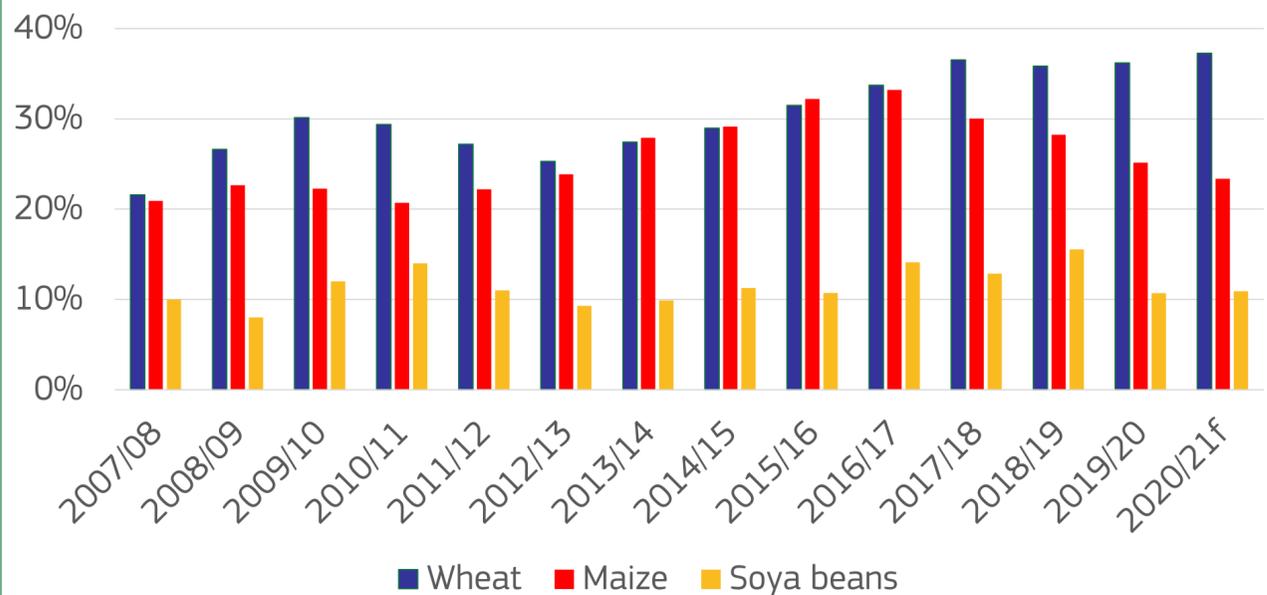
SUGAR 	2018/2019		2019/2020	
Production		-17%		-1.5%
Exports		-52%		-32%
Imports		+47%		+6.7%
Consumption		-2.8%		-1.0%

Trade is estimated based on a business as usual scenario average. Projections for 2021 calendar year are based on a purely technical assumption of status quo in terms of trading relations between the EU and the UK. This is for forecasting purposes only and reflects no anticipation or prediction of the outcome of the negotiations between the EU and the UK on their future relationship. This means that the 2021 projection does not reflect the fact that, even in a scenario where a free trade agreement is concluded, the resulting situation will be less beneficial to EU-UK trading relations than when the UK was in the Internal Market and the Customs Union.

For confidentiality reasons with regard to Member States notifications on stocks, EU+UK sugar balances are presented in this report.

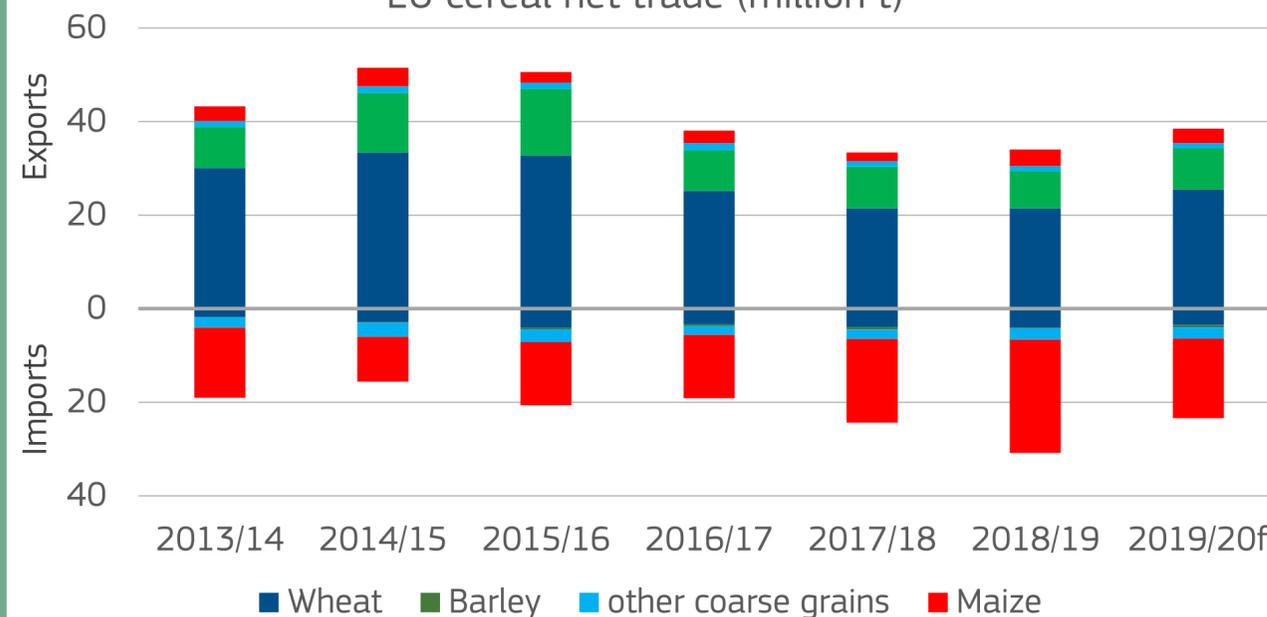
Note: % compared to previous season

World stock-to-use ratios



Source: DG Agriculture and Rural Development, based on International Grains Council.

EU cereal net trade (million t)



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

Ample grain supplies in the world market

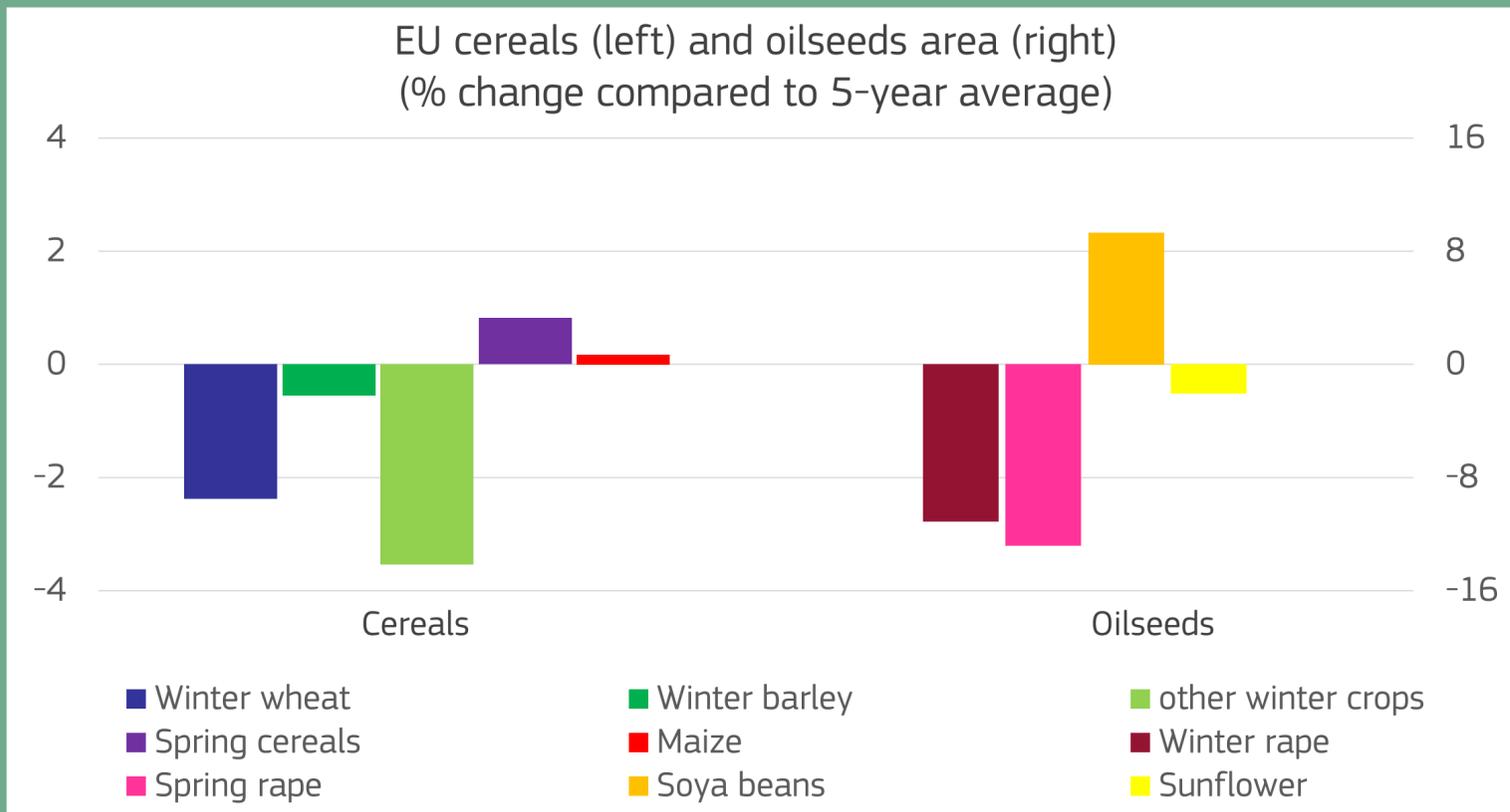
- Ample global cereal availability characterises the current marketing year 2019/2020, despite the decline in US maize production. Following current projections, **2020/2021 global production could reach a new peak**. The wheat and maize crops are expected to be historically high. Crop conditions in the US are favourable with good soil moisture combined with a rebound in total acreage. Russia and Ukraine expect an increased production of wheat and maize, respectively.
- Recently, the **world wheat market has been dynamic**. Sudden peaks in wheat demand from importing countries and trade-limiting policies lifted the world prices (reaching last year's level). Rice exporting countries also implemented trade restrictions, e.g. Cambodia and Vietnam.
- Nevertheless, given ample supplies worldwide, **prices are relatively stable**. Wheat prices increased while maize prices are low due to the drop in ethanol demand/production in the US.

High availability and dynamic trade for the EU

- The **EU cereals crop** in 2019/2020 reached **294 million t** (+4.5% compared to the 5-year average). Wheat production reached 131 million t, barley 55 million t and maize 70 million t.
- Trade is dynamic on the export side**, with EU wheat becoming more competitive. EU wheat exports should reach 31.8 million t. Barley exports are also picking up at 10.8 million t, after a 3-year low. On the **import side**, maize imports are expected at 19.4 million t (+34% vs 5-year average). Durum wheat imports should reach 2.1 million t. **Logistical disruptions were reported** in the EU due to Covid-19 border restrictions and truck drivers' availability, but have since positively evolved.
- Staple food demand is inelastic**, and its increase compared to last year was on trend. However, the impact of foodservice closure versus household consumption under lockdown measures is yet to be seen. The short-term increase in food demand for staple commodities should not translate in a long-lasting trend. Wheat flour demand by the baking industry could decrease temporarily.
- Total **compound feed demand is increasing on trend**, especially with good pig and poultry market prospects. For dairy cows, the grazing season starts with an overall good pasture situation, which could reduce the compound feed demand.

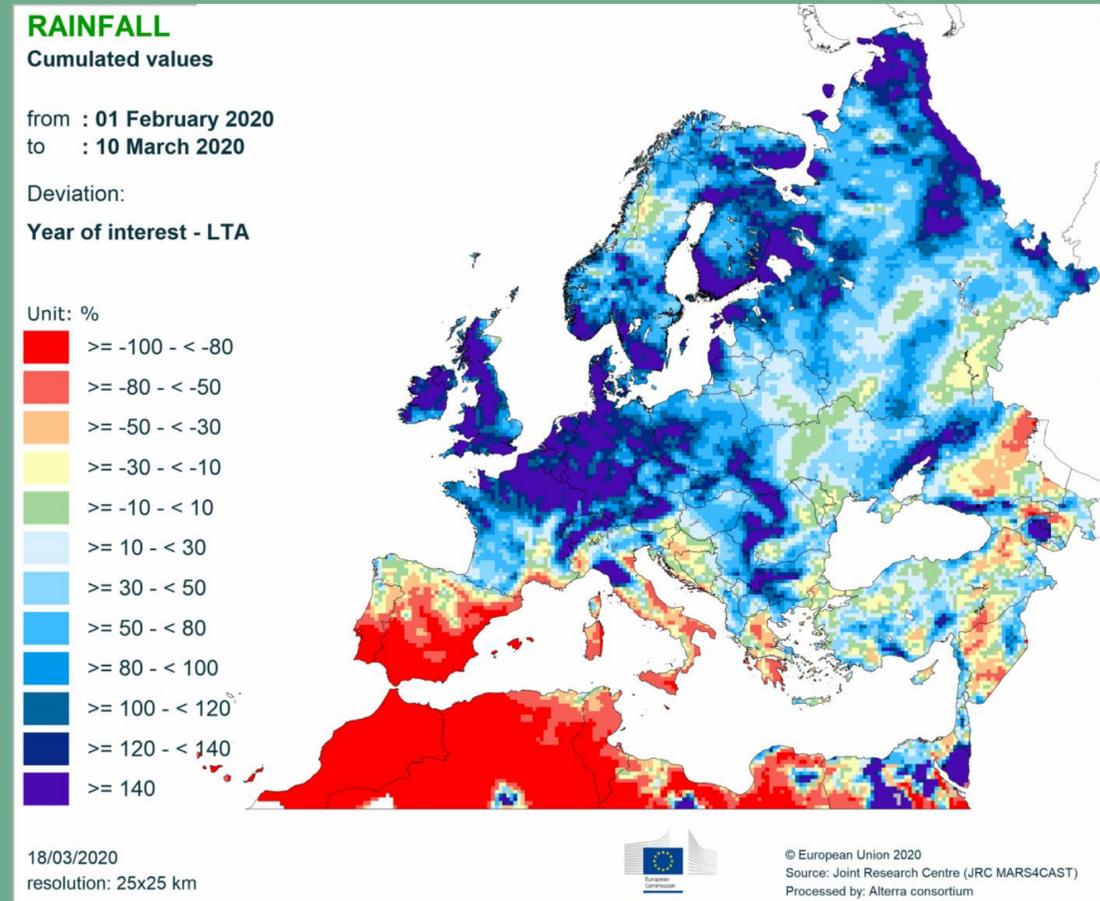
EU cereal production and uses in 2020/2021

Winter crop area lower but overall arable sowings up



Source: DG Agriculture and Rural Development.

Wet conditions prevailed in many regions across the EU



Source:
Joint Research Center.

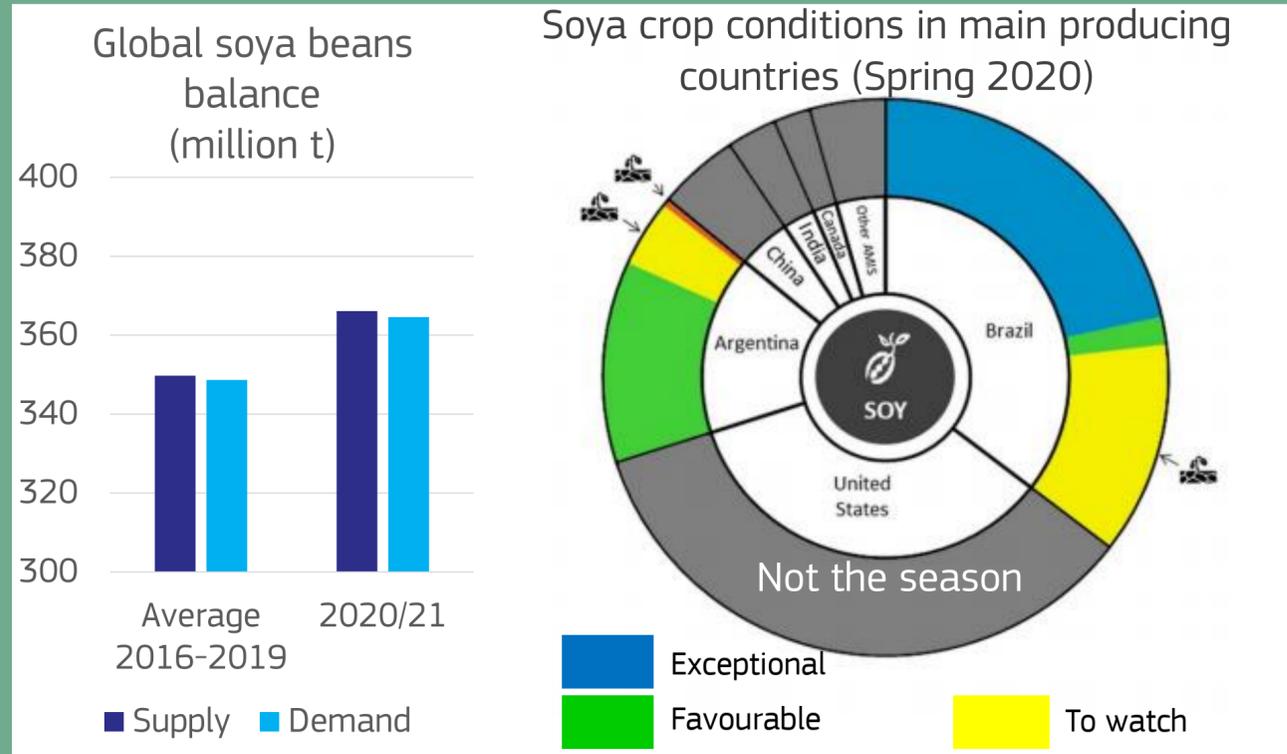
Winter sowings declined across the EU, especially triticale (-8%) and winter wheat (-3%). Winter barley and durum wheat are overall stable, though lower than their 5-year average. Plant development of winter crops has been delayed by the wet conditions prevailing in some regions. First estimates for **spring and summer crop sowings are favourable**, particularly for spring wheat (+17% compared to last year). No major issues in terms of availability of inputs linked to the Covid-19 crisis are expected (though some local problems for seeds or spare machinery parts could arise). **Fertiliser prices may even decline** reflecting low energy prices.

With no major weather disruptions along the season, **EU cereal production should reach 287.8 million t** in 2020/2021. It is 2.2% lower than last year, but still 2.2% higher than the 5-year average. The wheat output, both winter and spring, is expected to slightly decline to 126.1 million t, due to the higher share of spring wheat plantings.

Barley and maize production should also slightly decrease and reach 54.3 million t and 69.3 million t, respectively. Other crops outputs are expected to grow, especially oats (+6%), rye (+5%) and durum wheat (+2%). The domestic market remains on trend, as well as the continuous increase in food and feed use.

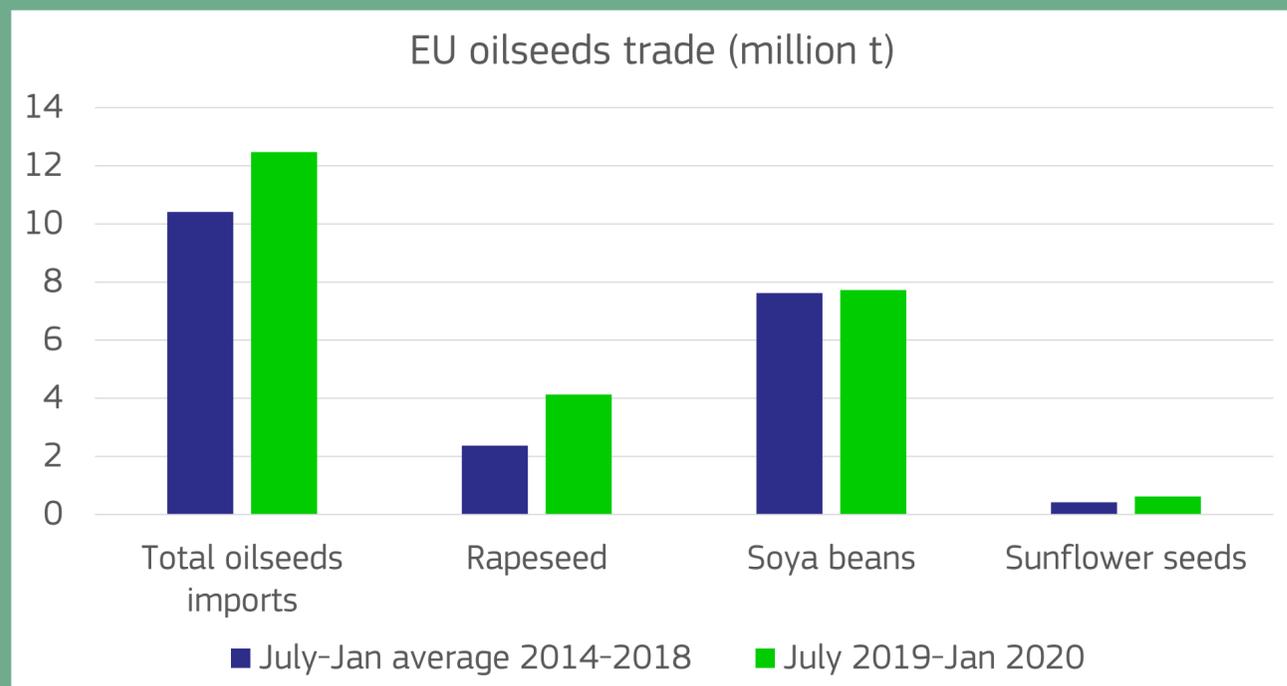
The **economic slowdown** is likely to have minor effects on the overall EU staple food consumption, but could lead to a **lower overall feed demand** (see dedicated section).

Oilseeds – Oilmeals – Vegetable oils



Source: DG Agriculture and Rural Development, based on International Grains Council.

Source: AMIS market monitor, April 2020.



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

Rebound of soya and rape global production in 2020/2021

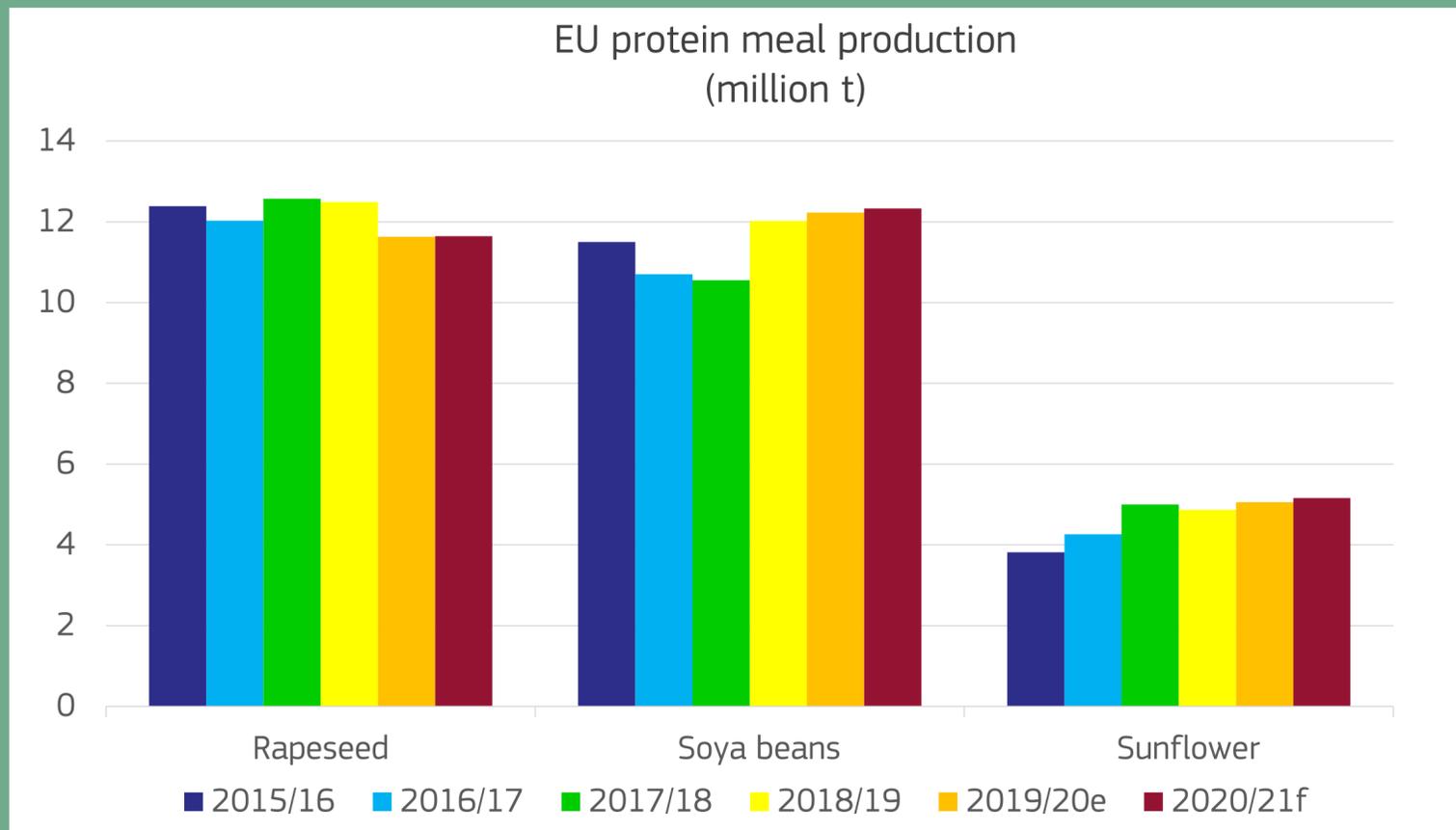
- Despite a lower global soya bean crop in 2019/2020, total use increased resulting in a tightening of stocks. With a **good crop** expected in **South America** and the **rebound in US acreage** for 2020/2021, good soya beans supplies should be available on the global market.
- On the trade side, **some disruptions** in port facilities in exporting countries (Argentina, Brazil) due to Covid-19 were **rapidly tackled**. The **strengthening of the US dollar** vis-à-vis national currencies favoured exports from these countries.
- Prices remain relatively low for soya beans** due to the good crop prospects in major exporting countries. Record low stocks in China and the increase in the Argentinian export taxes have contained the dip in the global market. The sharp decline in the oil price drove vegetable oils prices down. Rapeseed prices fell in Q1 2020 and are still lower than a year ago.

Dynamic oilseed trade for the EU in 2019/2020

- In 2019/2020, the EU market has been characterised by a **low rapeseed production** and a slight decline in crushing volumes. Rapeseed production hit a 12-year low at 14.9 million t due to a lower acreage (at 5 million ha, 17% less than the 5-year average).
- This has been partly counter-balanced by still **high imports of soya beans** (14.2 million t) and record high imports of **rapeseed** (6 million t). As a result, **crushing volumes declined** to 45.1 million t, slightly less than last year's record high (-2% year-on-year). Meal imports remained relatively stable compared to previous years (+0.5% than the 5-year average).
- Domestic use of meals is stable, but still higher than the 5-year average (+1.8%). The **decline in Distillers Dried Grains availability** in the EU could also favour the use of protein meals for feed purposes. The **low oil price negatively affects the demand for vegetable oils in the EU**, with some processing plants closing (also due to confinement measures). Thus, palm oil imports are expected to fall to 6.5 million t (-8% than last year).

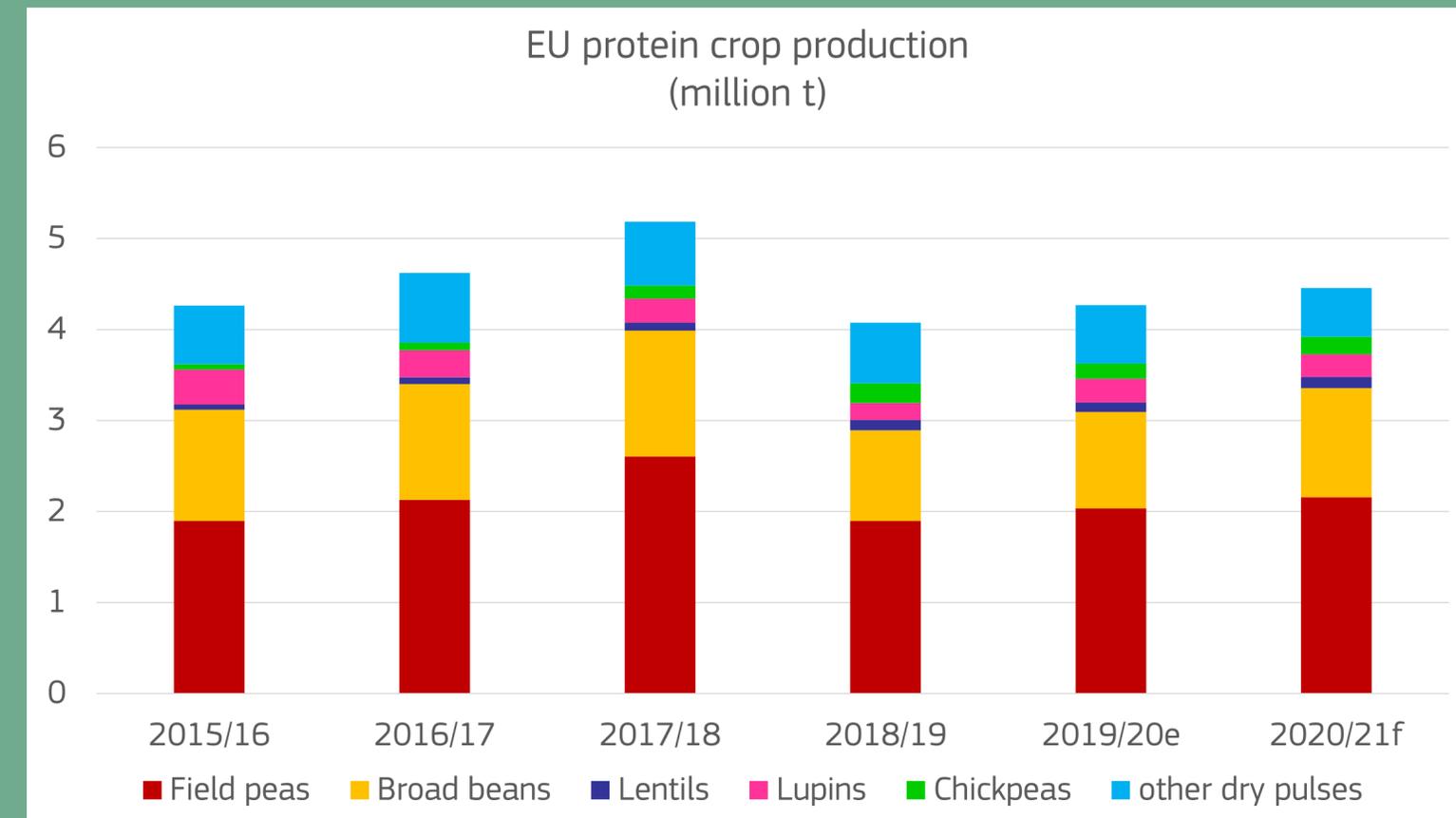
EU protein production in 2020/2021

EU 2020/2021 overall protein production to increase



Source: DG Agriculture and Rural Development.

EU protein crops production to increase in 2020/2021



Source: DG Agriculture and Rural Development.

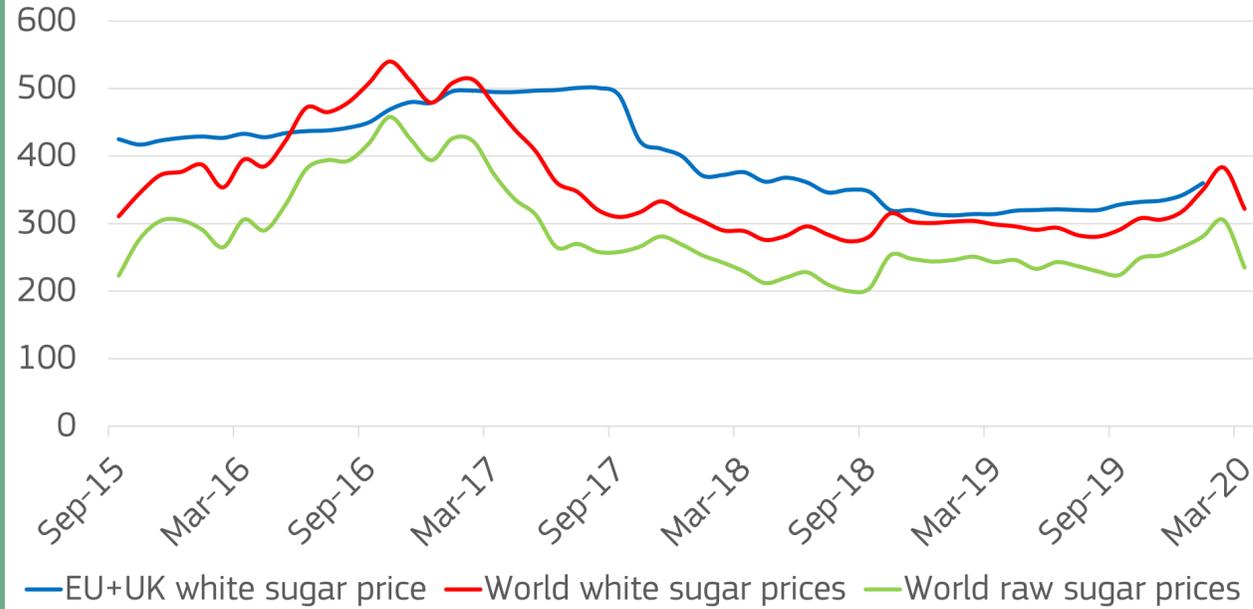
 **Oilseed plantings** are expected to **modestly recover** after last season's low. They should reach 10.5 million ha (+1.4% year-on-year). This is partially due to the rebound of winter rapeseed area (5.1 million ha, +5% year-on-year), which is still 12% below the 5-year average. Winter rapeseed area in FR is down to 1.1 million ha while areas in DE and PL are slightly above 0.9 million ha. Production of both winter and spring **rapeseed** is expected to **reach 16.7 million t**, assuming no major weather disruptions.

 **Soya and sunflower sowing estimates** are close to the 5-year average. Their production should increase to **3 million t** and **10.2 million t**, respectively. Crushing volumes could reach 45.4 million t, supported by the need for protein meals. Domestic use of vegetable oils is expected to decrease to 22.3 million t (but the impact of Covid-19 is yet to be fully seen).

 Sowing areas of **field peas** and **broad beans** are expected to **increase after a 2-year decline**. They should reach 0.8 million ha and 0.5 million ha, respectively.

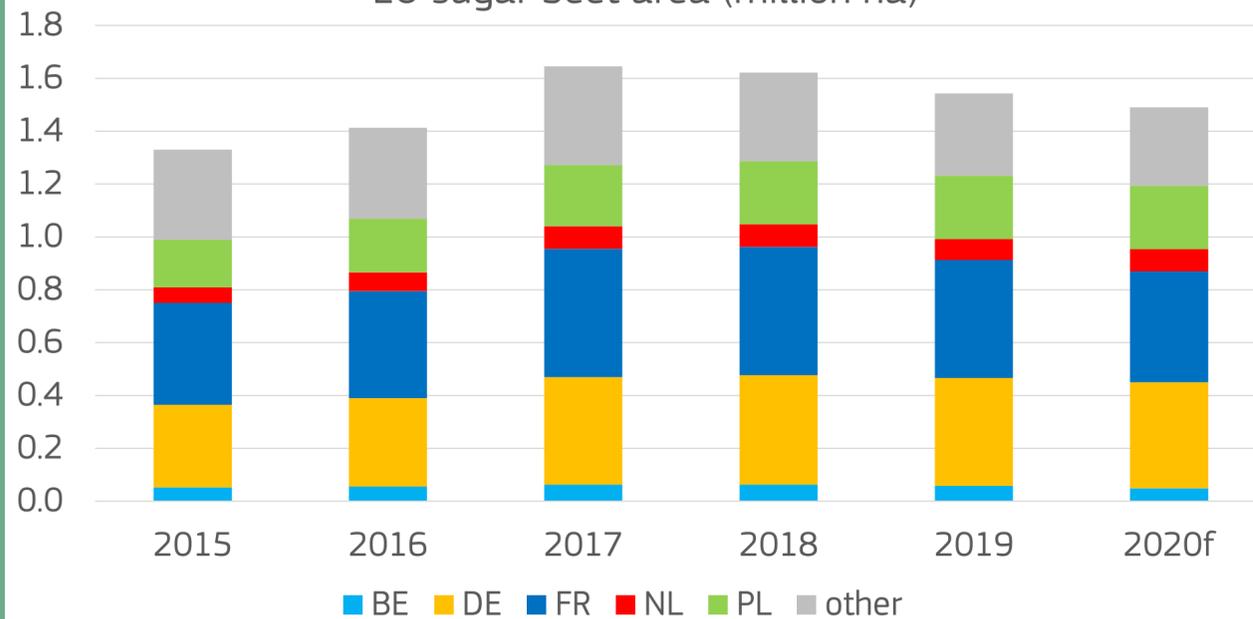
 The production of **protein crops** should increase to **4.5 million t**, 4% more than last year. This should be driven by **good market prospects** for both food purposes (especially for peas, lentils and chickpeas) and feed usage (especially for beans).

World and EU+UK sugar prices (EUR/t)



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

EU sugar beet area (million ha)



Source: DG Agriculture and Rural Development, based on Eurostat. 2020 forecast based on national estimates or trends (no official notification yet provided).

World sugar prices drop as a result of low oil prices

- 2019/2020 **EU sugar production** is estimated at **17.4 million t** (1.5% below the previous year), mainly due to a 5% reduction in area. On the world market, the drop in oil prices and a weak Brazilian real (which translates in higher profitability for sugar, denominated in US dollar) have resulted in a higher sugar production forecast in Brazil. With bad crops in India and Thailand, the **global market** is still expected to end in **deficit**, but less than anticipated in earlier global forecasts.
- As a result of the higher sugar production forecast in Brazil, **world sugar prices dropped** in March 2020. The pressure on EU+UK prices is expected to remain limited for the moment as EU exports for the current marketing year 2019/2020 have significantly decreased, and hence direct exposure to world markets is low. However, if world prices remain low, EU+UK prices should be affected.
- EU+UK exports** are now forecast at **1.1 million t**, 32% less than in 2018/2019. **Imports** are forecast at **2 million t**, slightly above the previous year. Overall, world trade is expected to slow down due to the Covid-19 crisis and related logistical challenges in the transport of stocks to ports.

A further decrease in sugar beet area forecast for 2020/2021

- EU human sugar consumption** is expected to **slightly drop** in 2019/2020 as sugar consumed through foodservice (e.g. ice cream, beverages) is declining due to lockdowns, despite some increase in sugar sold through retail channels.
- Global **demand for biofuels is falling** due to low oil prices and fuel demand is declining due to lockdown measures. As a result, the EU 2020 biofuel production and consumption are expected to decrease. In response to the Covid-19 crisis, EU refineries have redirected a small part of their production capacity from fuel ethanol to alcohol for disinfectants.
- Sowing for the 2020/2021 campaign started. Early forecasts of **EU sugar beet area** indicate a **3% decrease**, due to the bearish price environment of the last two years. A reduction in area is expected in BE, DE and FR, while area could remain stable in PL and increase in NL.

SPECIALISED CROPS

Market developments in the EU

OLIVE OIL 	2018/2019		2019/2020	
Production	↗ +3.4%	↘ -15%	↘ -15%	
Exports	↗ +14%	↘ -8.3%	↘ -8.3%	
Imports	↘ -19%	↘ -4.8%	↘ -4.8%	
Consumption	↘ -5.8%	↗ +5.2%	↗ +5.2%	

WINE 	2018/2019		2019/2020	
Production	↗ +37%	↘ -14%	↘ -14%	
Exports	↘ -1.0%	↘ -14%	↘ -14%	
Imports	↘ -5.3%	↘ -11%	↘ -11%	
Consumption	↗ +2.5%	↘ -6.7%	↘ -6.7%	

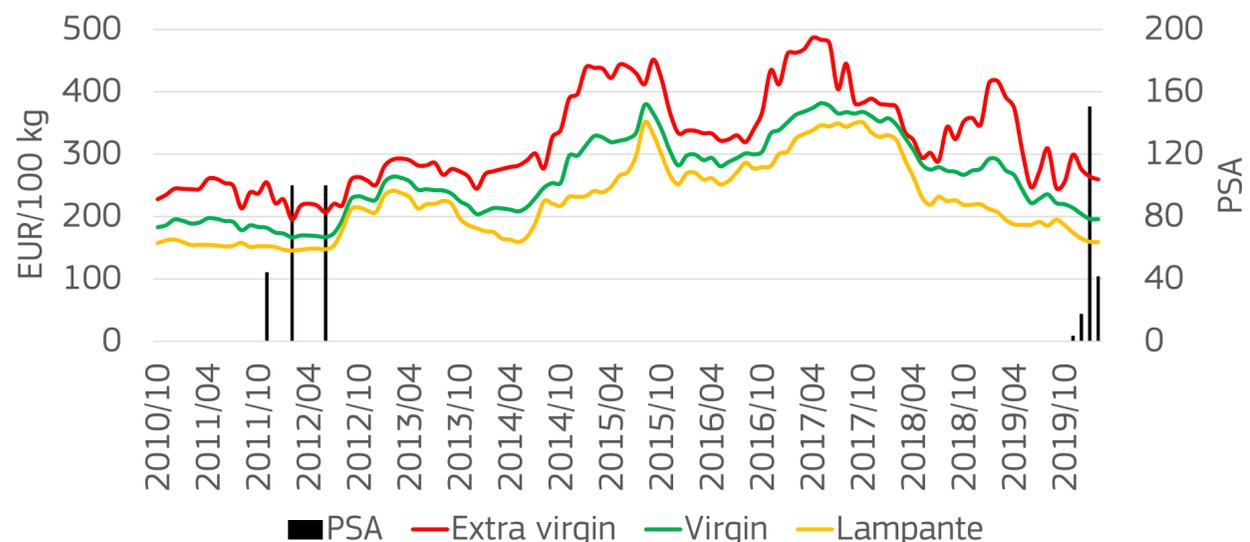
APPLES 	2018/2019		2019/2020	
	<i>fresh</i>	<i>processed</i>	<i>fresh</i>	<i>processed</i>
Production	↗ +24%	↗ +69%	↘ -7.0%	↘ -36%
Exports	↗ +52%	↗ +94%	↘ -26%	↘ -19%
Imports	↘ -13%	↘ -31%	↘ -3.0%	↗ +6.8%
Consumption	↗ +3.1%	↗ +17%	↗ +12%	↘ -33%

ORANGES 	2018/2019		2019/2020	
	<i>fresh</i>	<i>processed</i>	<i>fresh</i>	<i>processed</i>
Production	↗ +4.3%	↗ +8.2%	↘ -2.1%	↘ -16%
Exports	↗ +11%	↘ -1.4%	↘ -5.0%	↘ -5.0%
Imports	↘ -3.1%	↘ -4.5%	↔ +0.0%	↔ +0.0%
Consumption	↗ +2.5%	↘ -2.0%	↘ -1.5%	↘ -3.2%

Note: % compared to previous season

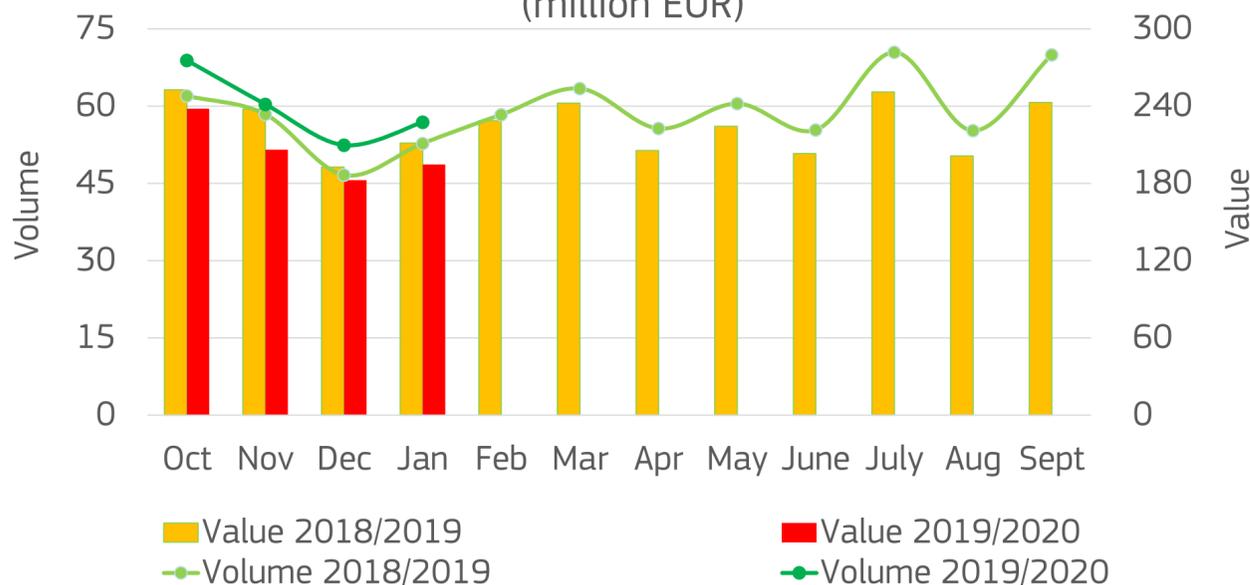
Olive oil

EU olive oil prices per category (EUR/100kg) and stocks under private storage aid (1 000 t)



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

EU olive oil exports, in volume (1 000 t) and value (million EUR)



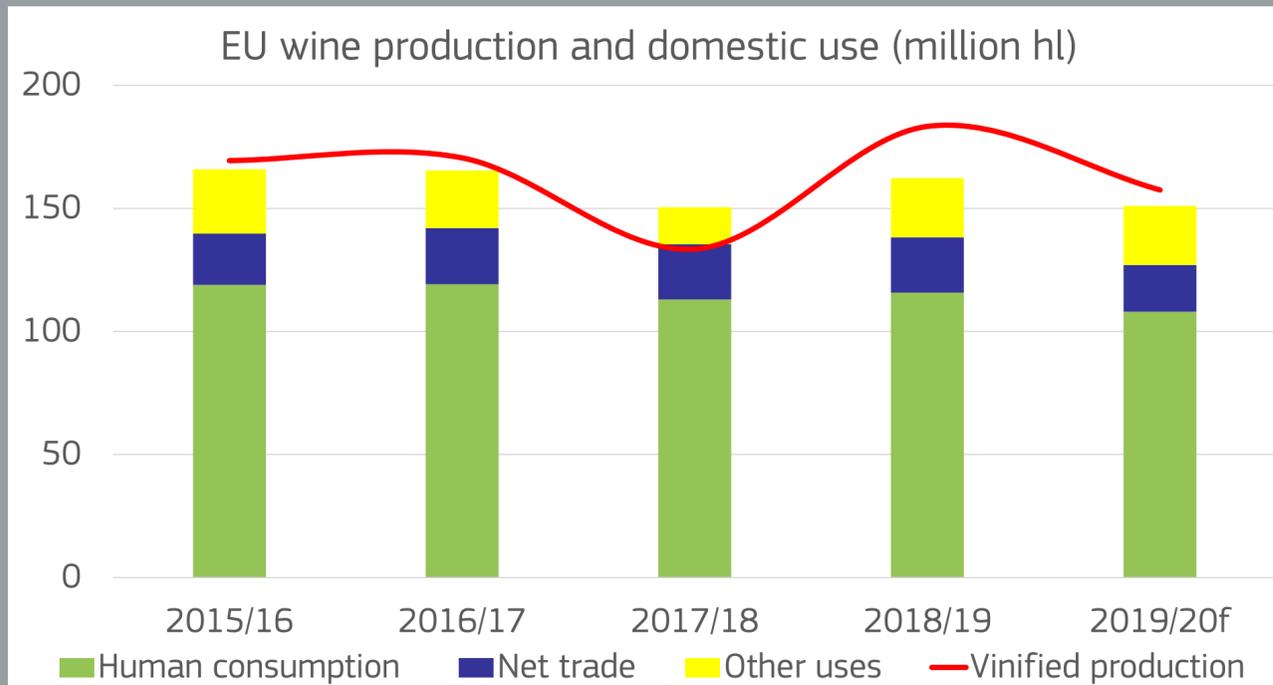
Source: DG Agriculture and Rural Development, based on Eurostat.

Ample availabilities continue weighing on prices in 2019/2020

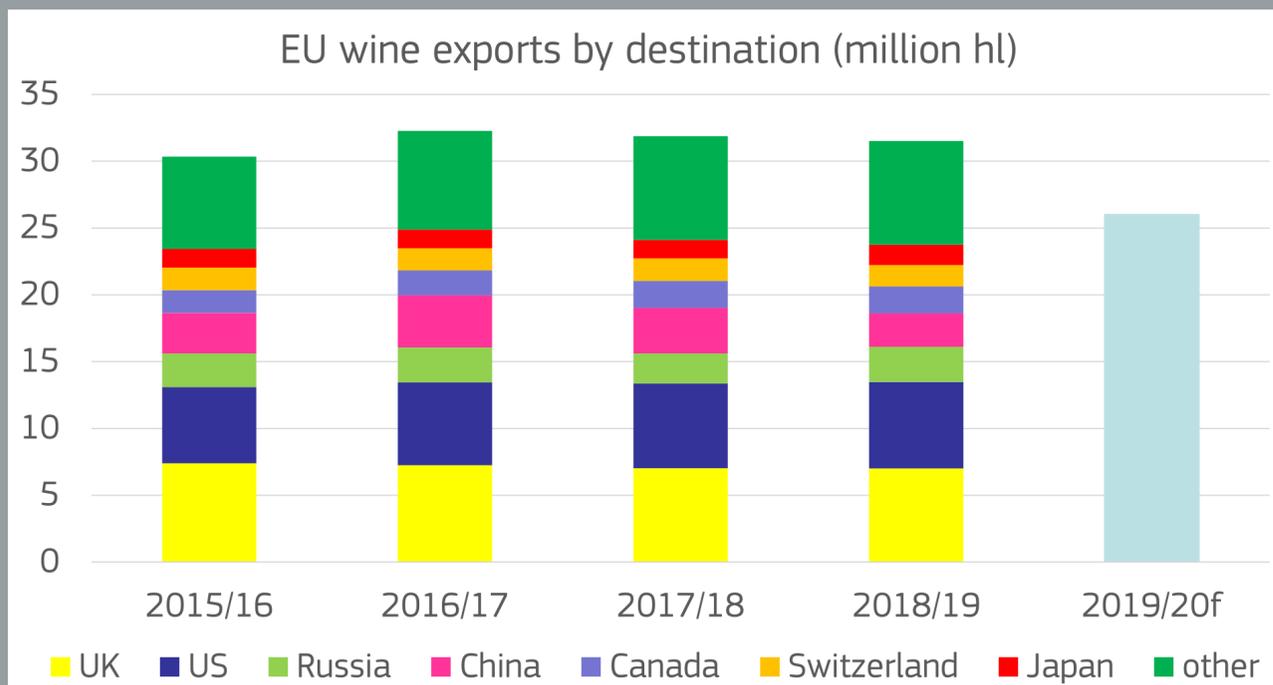
- In 2019/2020, **EU olive oil production** came close to 2 million t (-15% compared to last campaign). The production drop in ES (-35%) will not be fully compensated by other increases, despite the more than doubled production in IT, and recovery in EL (+43%) and PT (+30%).
- Due to **ample beginning stocks**, overall **availabilities remain high** (12% above last 5-year average) and continue putting pressure on prices.
- In order to support prices, **private storage aid was activated** from November 2019 to February 2020 and more than 213 000 t of olive oil was stored under this mechanism, mainly of ES origin (92%) and lampante category (86%). These stocks will be placed back on the market by August.
- In February, **prices started to stabilise**. Most notably, the EU virgin olive oil price reversed the decline of the last five months, but still remains 40% below the last 5-year average for the same month (EUR 196/100kg). Prices of lampante and extra virgin olive oil saw their decline slow down.

Consumption recovery expected in main producing countries

- Until February 2020, **EU exports continued to grow** in volume (+9% year-on-year), while falling in value (-8%). US tariffs played an important role (US export value drop accounts for 94% of the overall drop). The unit value of ES and IT exports to the US dropped by 22% and 12% respectively.
- US tariffs, transport issues linked to Covid-19, and overall economic conditions are expected to **weaken global demand for EU olive oil**, resulting in **lower exports (-8%)** in 2019/2020.
- Following confinement measures in reaction to Covid-19, retail sales of olive oil increased, in particular in **EU main producing countries**. This, together with low prices, is expected to contribute to **an overall consumption recovery** in those Member States (+13% year-on-year), despite foodservice closure as retail and direct on farm sales represent around 85% of the total annual consumption.
- As the positioning of olive oil is different in these countries than in **rest of the EU**, and favourable prices allowed for stocks at households' level in the previous campaign, **consumption could drop** in the rest of the EU (-9% below last 5-year average).
- Nevertheless, this should allow for an **annual stocks reduction** of around 100 000 t.



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



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

Drop in consumption with diverse impact between wine types

EU wine consumption is strongly affected by the Covid-19 measures, even though the **impact varies by type of wine**.

Wine consumption in restaurants and bars has stopped (it usually represents around 30% of EU wine consumption), as well as in agro-tourism, due to confinement measures in place. However, **wine sales through retail** (70% of consumption) **are increasing**. These increases are, however, not expected to compensate for the loss of restaurant sales.

Consumers are mainly buying average priced still wines at the detriment of sparkling wines, mostly consumed for celebrations, and the highly priced wines, mainly consumed in restaurants and bars.

Based on the above, **EU wine consumption** in the current marketing year 2019/2020 is expected to **fall to 108 million hl**, corresponding to 24 l per capita (-8% compared to the last 5-year average).

Decline in exports and further increasing stocks

Despite the **additional import tariffs imposed by the US** as from October 2019, wine exports in the first half of the current marketing year 2019/2020 were 2% above exports over the same period last year. Although the wine sector (in particular FR) has taken actions during these months to keep its market share, this positive evolution is not expected to continue.

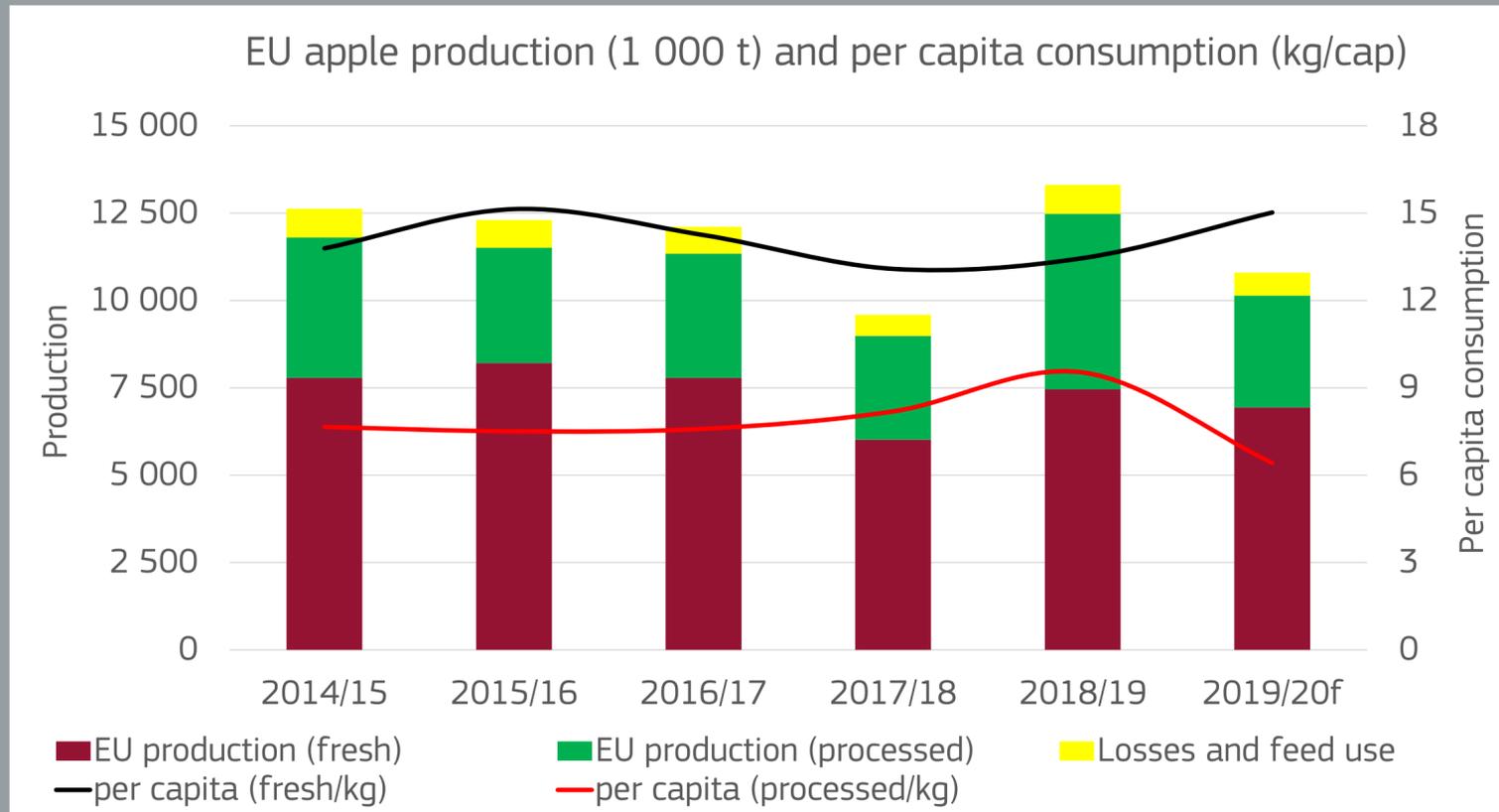
In addition, **EU wine exports** are impacted by Covid-19 measures in main exporting destinations, e.g. China. Overall, exports are expected to **fall by 14%** in 2019/2020, both compared to last year and to the last 5-year average.

EU wine imports are affected by Covid-19 to a lower extent than exports as they are mainly sold in retail, even if they are also impacted by logistical problems or measures taken by the exporting countries. However, as imports during the first half of 2019/2020 were 7% below last year's imports, a decrease of 11% compared to 2018/2019 is expected.

These developments should lead, despite a despite a below average 2019/2020 harvest, to a further **slight increase of stocks** which were already at a record level at the end of the previous marketing year.

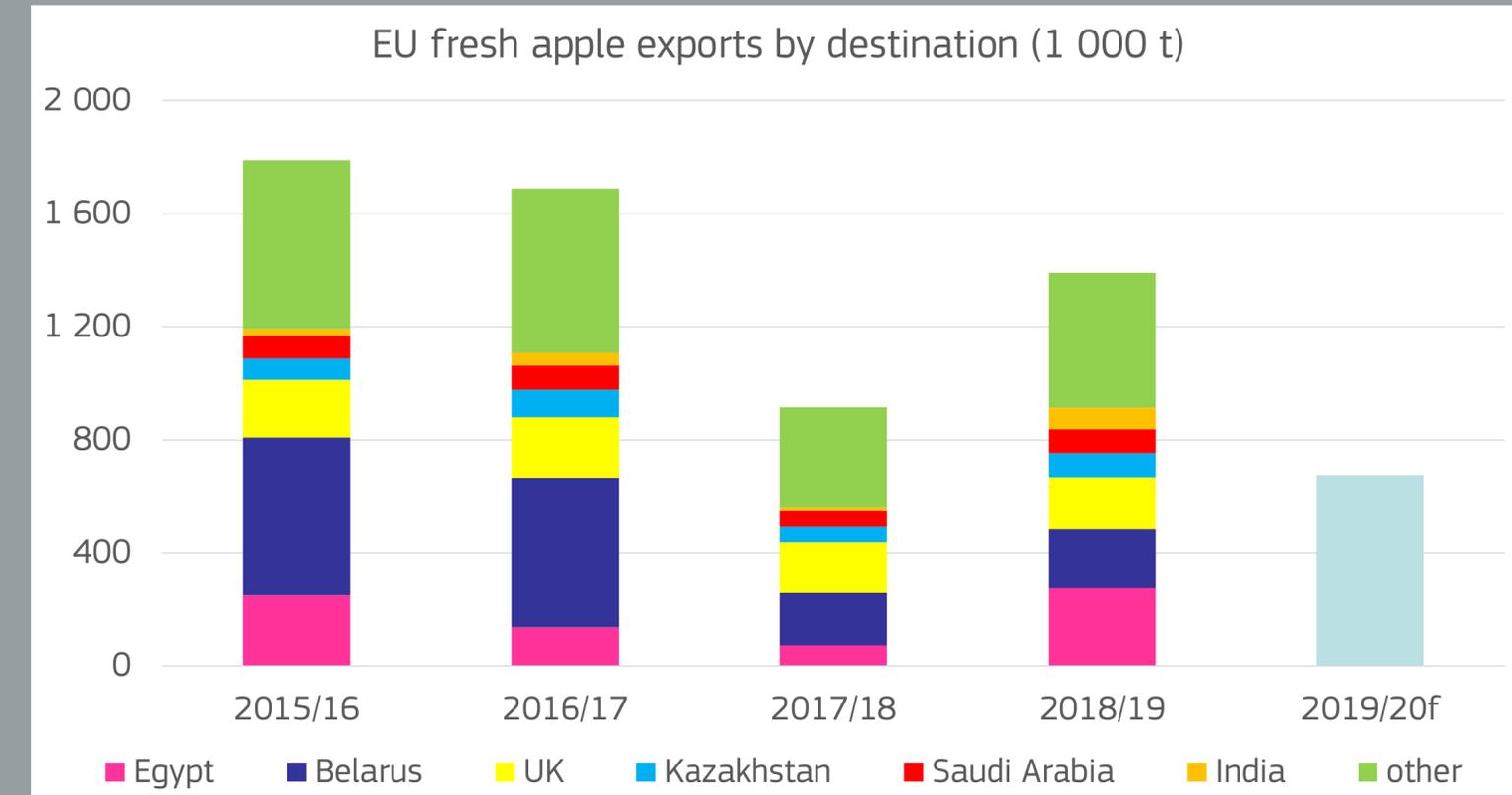
Apples

Increase in EU demand for fresh apples



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

Strong decline in EU exports of fresh apples



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

While the estimated EU production of apples in the current marketing year 2019/2020 is **10% below its past 5-year average** (10.8 million t), **EU demand** for fresh apples is expected to be **above average (+9%)**, thanks to higher retail sales driven by increased domestic consumption. The expected decrease in imports of perishable tropical fruits due to the Covid-19 crisis air cargo transport limitations are likely to drive rising demand for EU fruit, including apples.

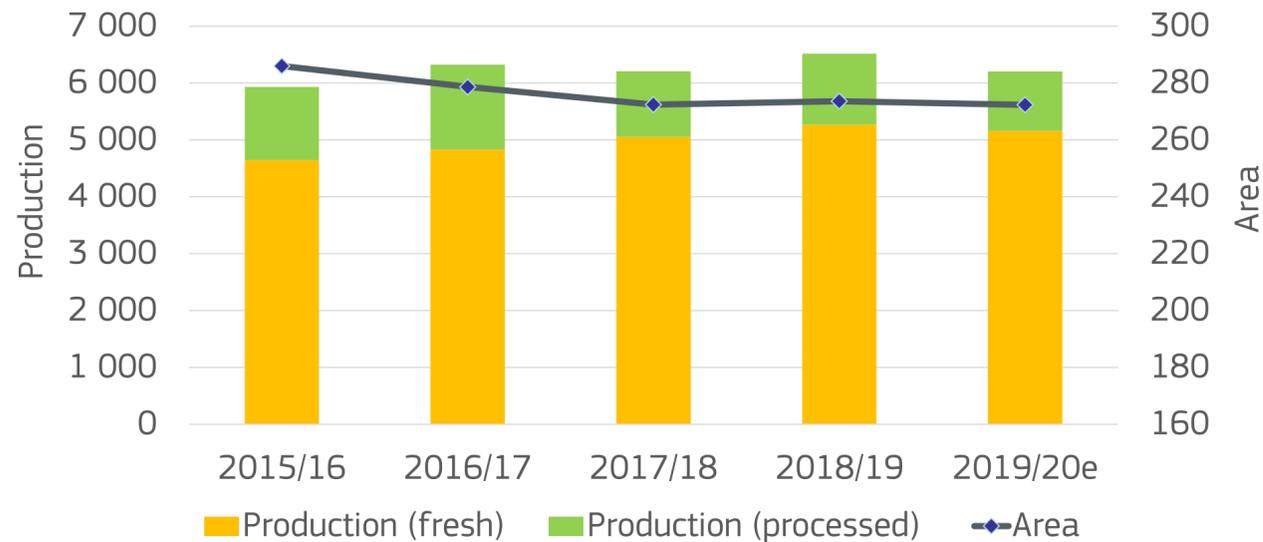
Apparent **EU consumption for processed products** is expected to **decline**, following last year's increase of stocks and lower demand due to Covid-19 measures (e.g. apple compote given to schoolchildren and cider served in foodservice).

During the first 6 months of 2019/2020, **EU exports of fresh apples** were 5% above the same period in previous year's record harvest year. However, **exports are expected to fall** by the end of the marketing year (-34% compared to the last 5-year average) due to increased EU demand, lower production, and the difficulties to reach some export markets (e.g. India) due to the Covid-19 crisis.

EU exports of processed apples are expected to **increase** compared to the last 5-year average (+14%) driven by high stocks but will be lower (-19%) than last year's record.

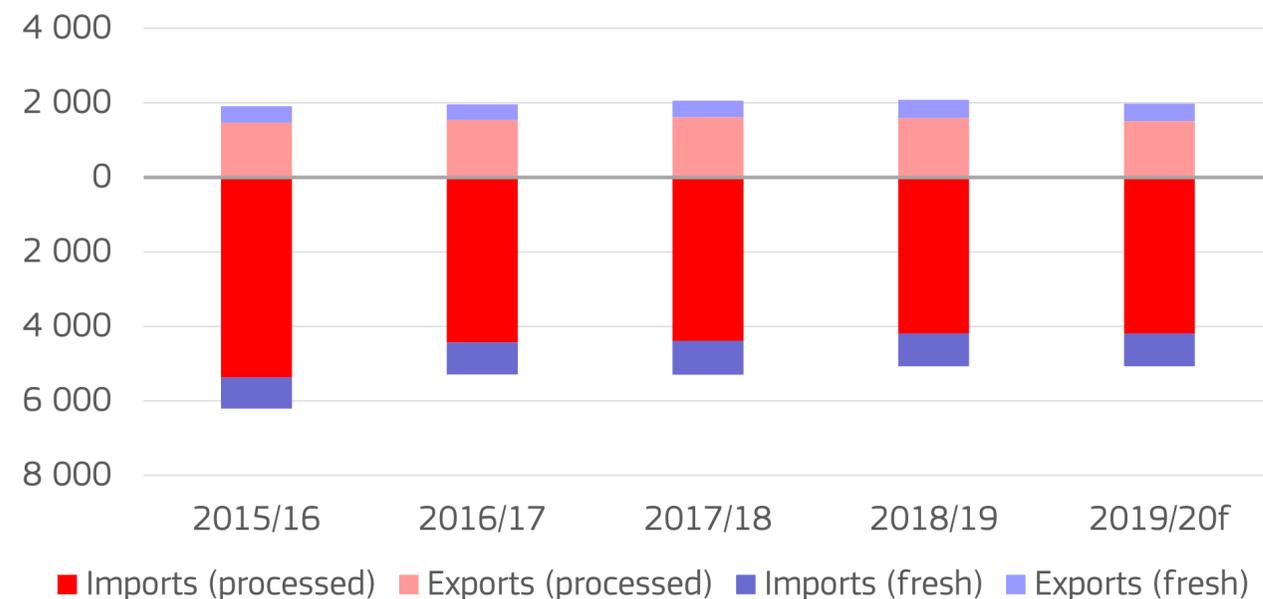
Oranges

EU oranges production (1 000 t fresh equivalent) and area (1 000 ha)



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

EU oranges trade (1 000 t fresh equivalent)



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

High prices with strong demand for oranges and orange juice

- 🍊 The Covid-19 crisis will have a limited impact on the 2019/2020 EU supply, as the harvest of the latest varieties of oranges is ending. **Production of oranges** for the current marketing year is now expected to **reach 6.2 million t** (5% below the previous year due to lower yields).
- 🍊 Last weeks witnessed **an increasing demand globally** but also in the EU, as oranges are perceived as a healthy food. This concerns both fresh oranges and orange juice. The substantial hike in retail sales of fresh oranges is expected to be larger than the drop of consumption in foodservice.
- 🍊 The increased demand has led to **price rises** both globally and in the EU.

Slight decrease in exports, stable imports

- 🍊 **EU exports of fresh oranges** declined significantly in March 2020 (-13% year-on-year*), mainly due to lower exports to China. Exports in October-March remain however close to previous year's level, so export volumes could recover soon. **Lower EU supply**, combined with strong domestic demand and possible logistic disruptions, could nevertheless lead to a **decline in exports** of both fresh and processed oranges, by **around 5%**.
- 🍊 2019/2020 **EU imports of fresh oranges** until end March are about 20% lower than in the previous year. Boosted by strong demand, the gap to the previous year has reduced in recent months. Moreover, South Africa, the main origin for EU imported fresh oranges, forecasts a very good harvest in the coming weeks. Notwithstanding possible logistical disruptions for imports of fresh oranges from South Africa and of orange juice and juice concentrates from Brazil, the 2019/2020 forecast for both fresh and processed oranges is for the time being set to be **stable**.

*based on TAXUD surveillance

MILK AND DAIRY PRODUCTS

Market developments in the EU

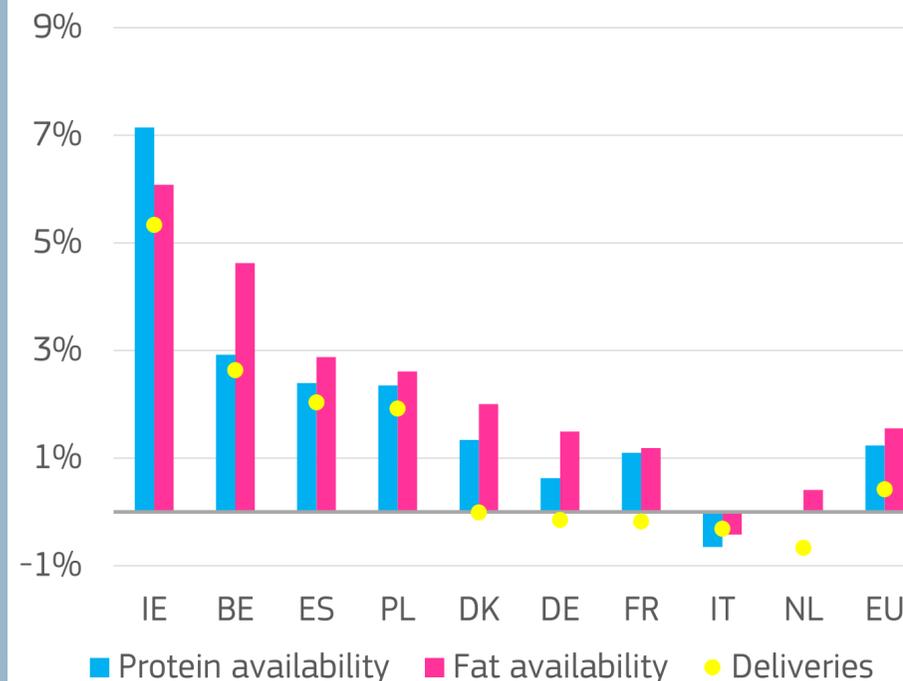
DAIRY PRODUCTS 	2019	2020
Production	➔ +0.4%	➔ +0.4%
Exports	⬆️ +6.8%	⬇️ -6.3%
Imports	⬆️ +3.8%	⬇️ -8.0%
Consumption	➔ +0.0%	➔ -0.3%

MILK 	2019	2020
Milk collection	➔ +0.4%	➔ +0.4%
Dairy herd	⬇️ -1.2%	⬇️ -0.7%

Note: % compared to previous year

Increased milk solids availability sustained processing capacities in 2019

Change in milk protein and fat availability relative to change in milk collection 2019/2018

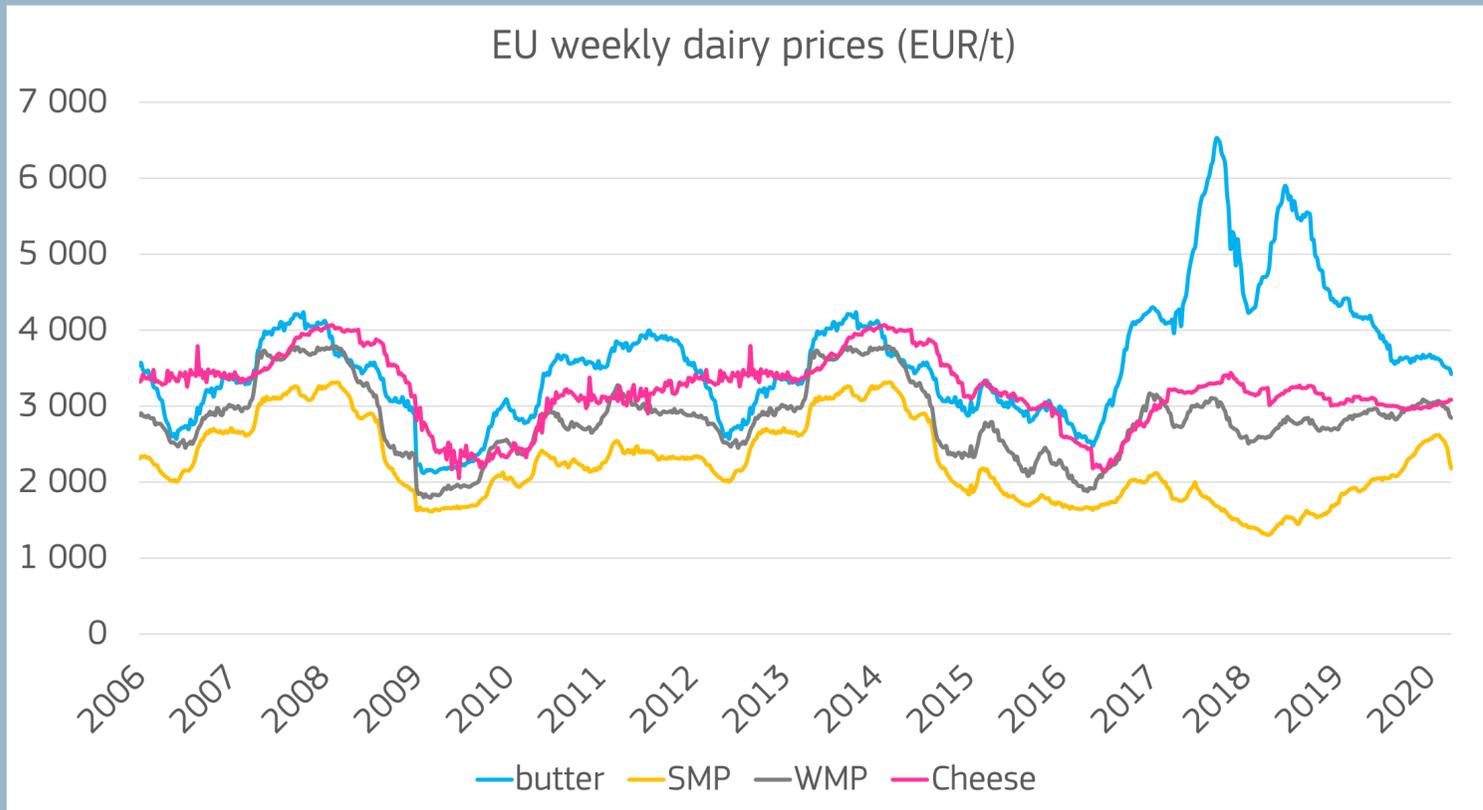


-  In 2019, EU milk collection grew by 0.4% (lowest growth rate since 2012). The drop in FR (-0.2%) and DE (-0.1%) was compensated by a hike in IE (+5%) and PL (+2%).
-  The milk yield grew by 1.8% while the dairy herd shrank by 1.2%. The herd reduction was mainly due to DE, FR, PL and IT (decline of 2-3%), while IE expanded by close to 4%. In NL, it expanded by 2%, reverting the trend of the last two years following obligations to reduce phosphate emissions.
-  Despite a modest milk collection growth, **increased milk fat and protein availability** provided enough constituents to **sustain processing capacities**, even in Member States where milk deliveries declined.
-  EU milk fat availability grew by 1.6% and milk protein by 1.2%.

Source: DG Agriculture and Rural Development based on Eurostat.

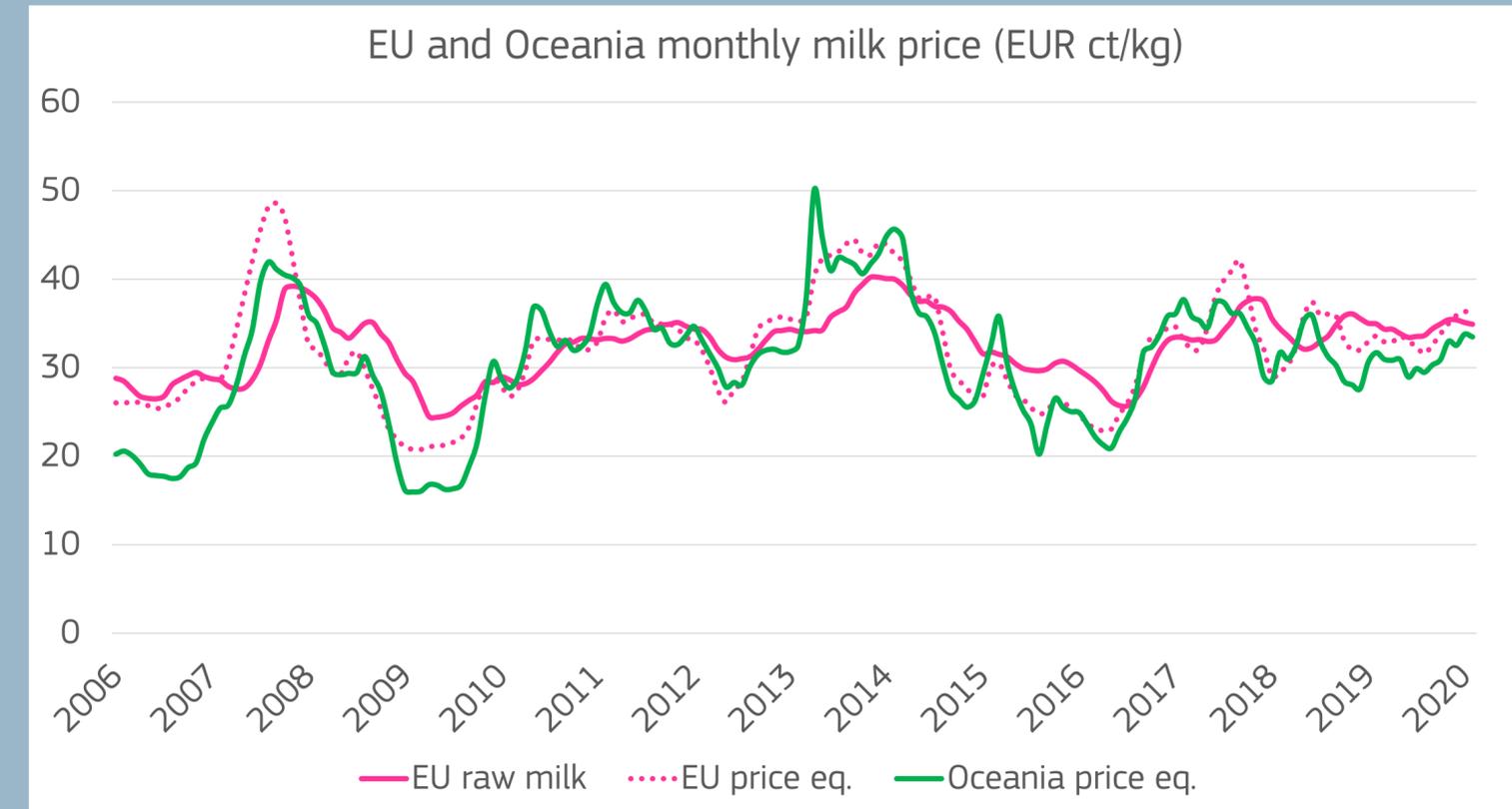
Milk and dairy prices

Chinese demand drop for milk powders weakened prices



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

EU milk price equivalent expected to decline



Note: The milk price equivalent is based on butter and SMP prices.

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

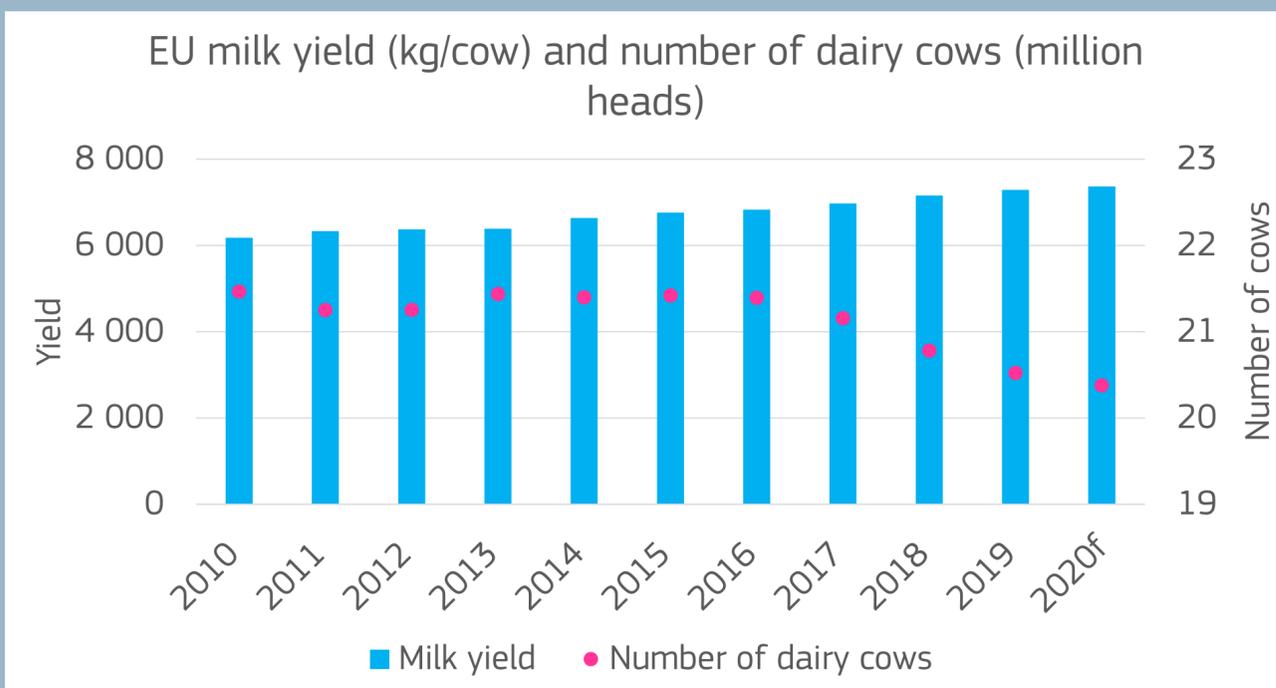
 **The spread of Covid-19 in China weakened milk powders' prices.** Demand dropped following foodservice closure and the postponement of Chinese New Year celebrations.

 Although there are already signals of a Chinese demand recovery, the pressure on dairy prices is expected to remain as **stocks of milk powders remain high**. In 2019, China increased both SMP (+23%) and WMP (+29%) imports significantly. Due to lockdown restrictions, milk collected in China was processed into WMP more than usual, leading to an increase in overall product availability.

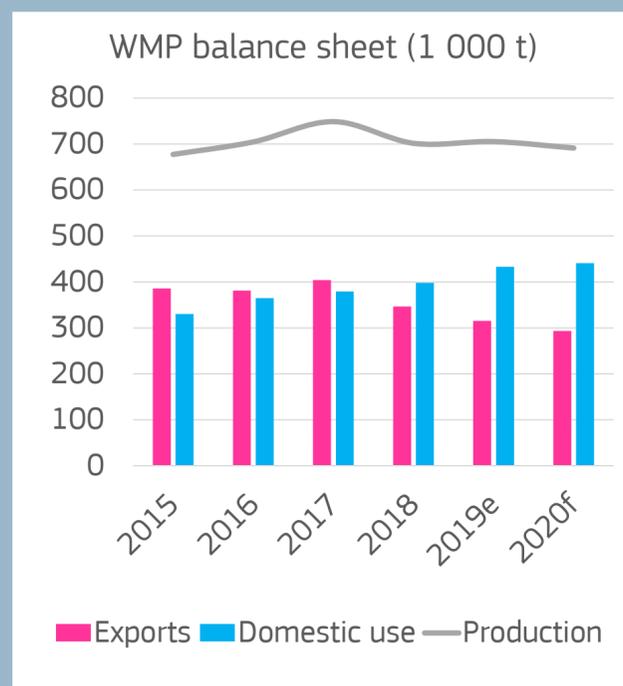
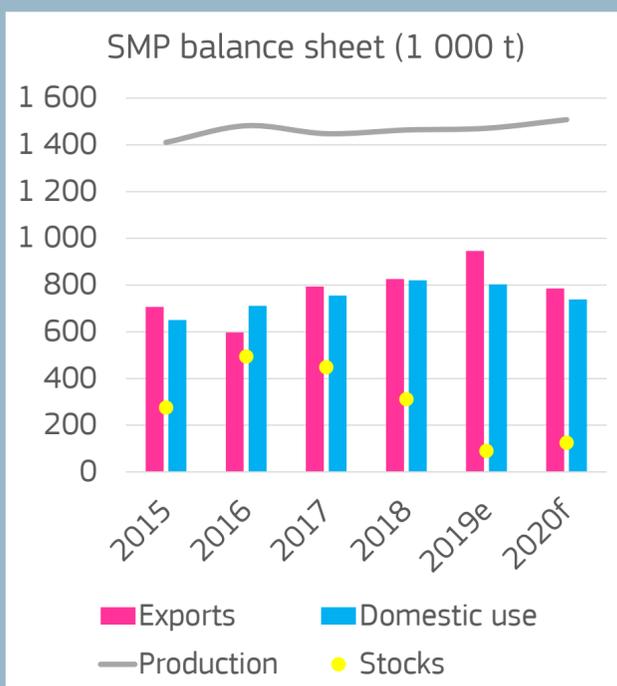
 Since February, the **EU SMP price dropped** by 17% to EUR 2 180/t. The **EU WMP price declined** at a lower pace to EUR 2 850/t (-6% since the beginning of 2020), as did the EU butter price to EUR 3 420/t (-7%). Meanwhile, the **EU cheese price** remained relatively **stable** (EUR 3 080/t).

 As a result of declining SMP and butter prices, the **EU milk price equivalent is expected to decline** in the coming months. The seasonal rise in milk collection and confinement restrictions due to Covid-19 could also weigh on milk prices over a longer period.

Milk and Dairy products



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



Source: DG Agriculture and Rural Development, based Eurostat.

EU milk production expected to grow modestly in 2020

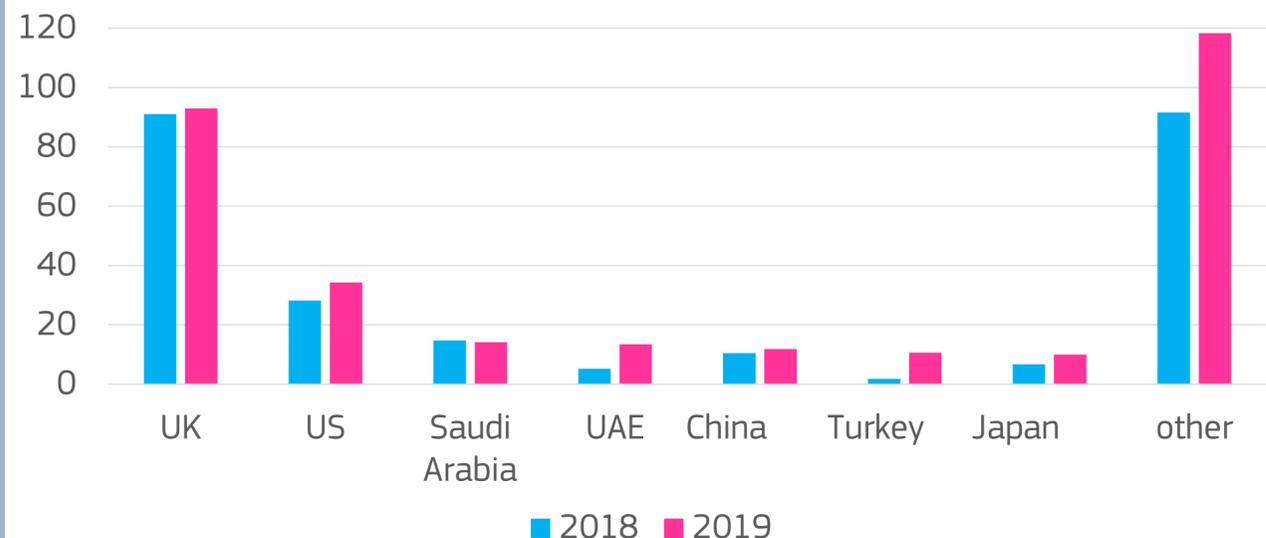
- The spring flush of EU milk collection (Q2) coincides with the **outbreak of Covid-19**. Restrictive measures in Member States could challenge **milk collection logistics** as well as **feed deliveries**. In some cases, dairies are encouraging milk producers to reduce milk deliveries.
- Health-related reasons** could also affect **labour force availability**, particularly in processing. This, together with availability of milk supply in spring and restricted demand, could affect the dairy product mix, **favouring less labour-intensive products**.
- Under these conditions and assuming normal weather conditions, **EU milk production growth** could be expected **around 0.4% in 2020**, driven by a modest yield increase (+1.1%), compensating a further reduction of the dairy herd (-0.7%).
- To address potential compound feed shortages, domestically produced feed could be favoured over purchased feed concentrates, contributing to the slowdown in annual yield growth.

More milk channelled to SMP production in 2020

- A possible decline of foodservice demand for dairy products could direct more milk into the processing of **storable and less labour-intensive dairy products**, notably **SMP**. Its production could **grow by 2.5%** in 2020. With public stocks emptied in 2019, availability in 2020 would decrease by 10%. Due to the price difference between stocked and fresh SMP, less SMP is expected to be used in processing in 2020, resulting in a **reduced domestic use** (-8%), similar to levels prior to 2018.
- Reduced availability and restrictive trade measures due to Covid-19 could bring **SMP exports close to 2017 levels**. They could decline by 17% compared to the record high exports of 2019 (mainly to China, Algeria and Southeast Asia). Since not all fresh SMP would be used, **private stocks** could increase to **125 000 t** in 2020.
- In 2020, **weakened world demand for WMP** due to Covid-19 and an oil price drop could further **reduce EU exports**, in particular to the Middle East. They are expected to fall by 7%. A continuous increase in domestic use (+2%) is not expected to compensate for this loss, therefore **EU WMP production** is expected to **fall by 2%**.

Dairy products

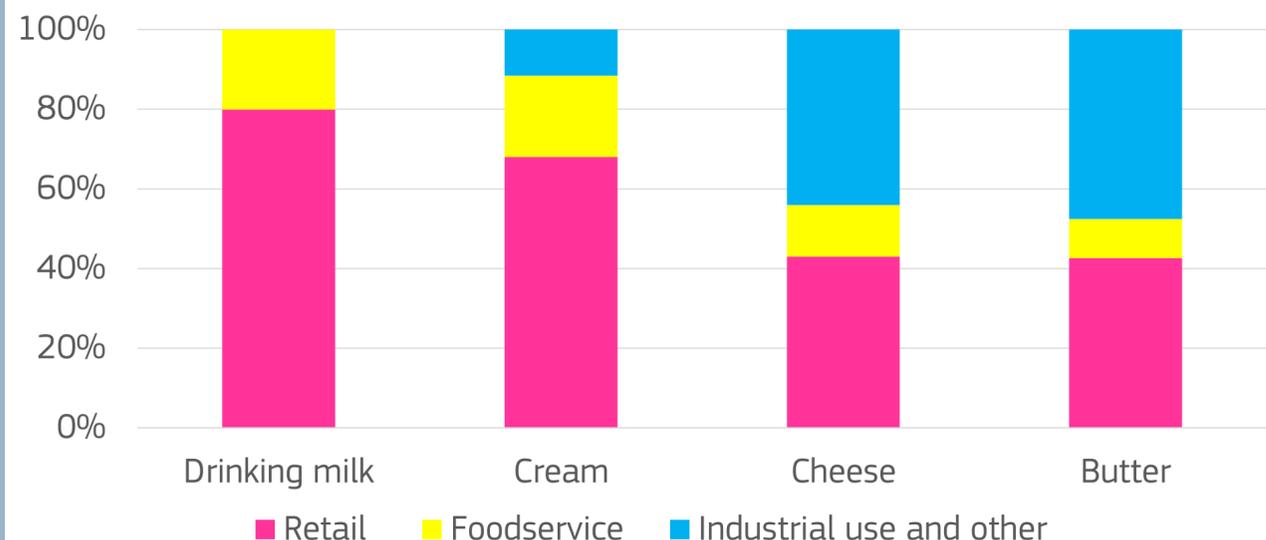
EU butter exports by selected destination
2018 and 2019 (1 000 t)



Note: Including butter oil and not accounting for outward processing.

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

Domestic use of selected dairy products by channels
(2019e)



Source: DG Agriculture and Rural Development, based on Eurostat and Euromonitor International, Packaged Food, 2019.

Domestic use of butter to remain stable



More butter is expected to be produced (+1.2%) as domestic demand remains strong (both in retail and food industry). Despite the competitive EU price, US stocks built up in 2019 and weakened demand in other markets, could contribute to a **decline of EU exports** (-10%) in 2020. While retail sales of butter are likely to increase, **domestic use could remain stable** as butter use in processed products would not return to previous levels.



As a result, the increased production is not likely to be fully absorbed, and **stocks could increase** (+10 000 t).

Sustained demand for cheese and fresh dairy products



A majority of **traditional dairy products** (cheese, drinking milk, cream and yogurts) is either sold via retail or processed by the industry. Increased home consumption due to confinement measures has led to **increased household stocks**, mainly of UHT milk and cheese.



In 2020, **EU cheese consumption** could **grow slightly** (+0.3%), supported by increasing retail sales for different categories, as well as for ready meals with a cheese component. **Exports could also continue increasing** (+1.5%), mainly thanks to demand in Asian markets. This increasing demand is expected to result in an overall **cheese production increase** (+0.6%), supported by a stable price environment.



However, as home dairy consumption differs in composition to foodservice, some categories of cheese could be impacted negatively by the drop in demand (e.g. high-value cheeses).



Domestic stockpiling of UHT milk, and an expected demand increase for yogurts, due to their functional value in nutrition, could incentivise the **slowdown of the declining trend in FDP production in 2020** (-0.4% compared to -0.9% in 2019). In particular, drinking milk is expected to halve the decline of last year (-1%), whereas the negative trend in yogurt production could be reverted (+0.5%). World demand for EU FDP could remain at the historic level of last year, assuming the recovery of Chinese foodservice for which there are already some signals.

MEAT PRODUCTS

Market developments in the EU

BEEF 	2019	2020
Production	👇 -0.9%	👇 -0.6%
Exports	👇 -3.0%	👈 +1.0%
Imports	👈 +3.9%	➡️ +0.0%
Consumption	➡️ -0.5%	👇 -0.7%

POULTRY 	2019	2020
Production	👈 +1.6%	👈 +1.2%
Exports	👈 +6.7%	👈 +1.0%
Imports	👈 +1.8%	👇 -0.5%
Consumption	👈 +0.6%	👈 +1.1%

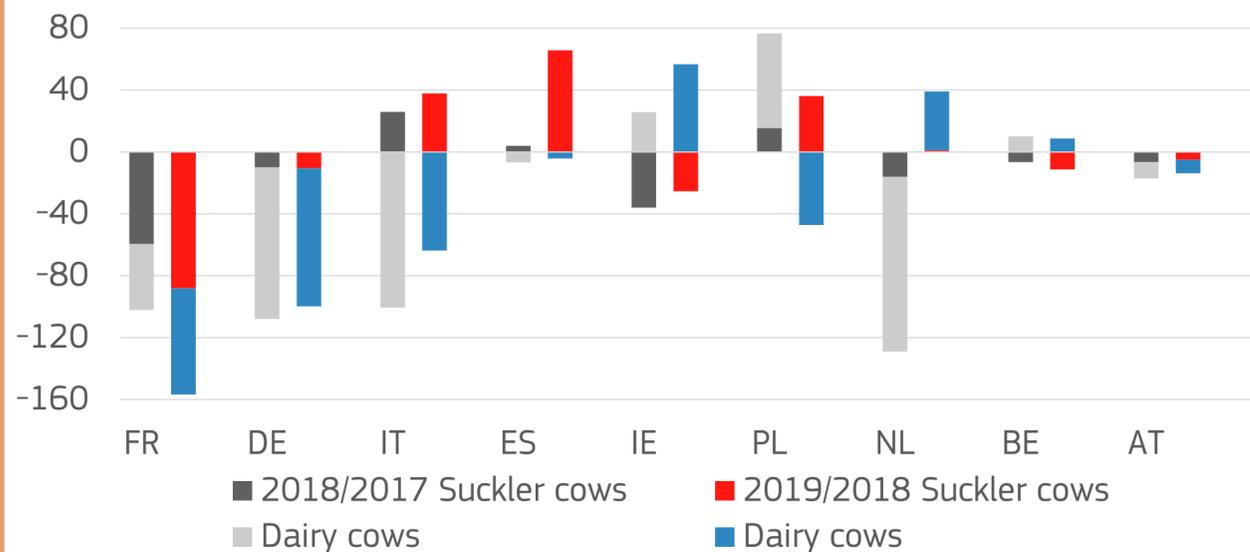
PIGMEAT	2019	2020
Production	👇 -0.6%	👈 +0.7%
Exports	👈 +17%	👈 +12%
Consumption	👇 -3.7%	👇 -1.8%

SHEEP & GOAT 	2019	2020
Production	👈 +5.5%	➡️ +0.0%
Exports	👈 +12%	👈 +2.0%
Imports	👇 -6.1%	👇 -1.0%
Consumption	👈 +2.2%	➡️ -0.4%

*Note: % compared to previous year
Net production and meat trade*

Beef and veal

Change in number of cows, main producing EU Member States (1 000 heads)

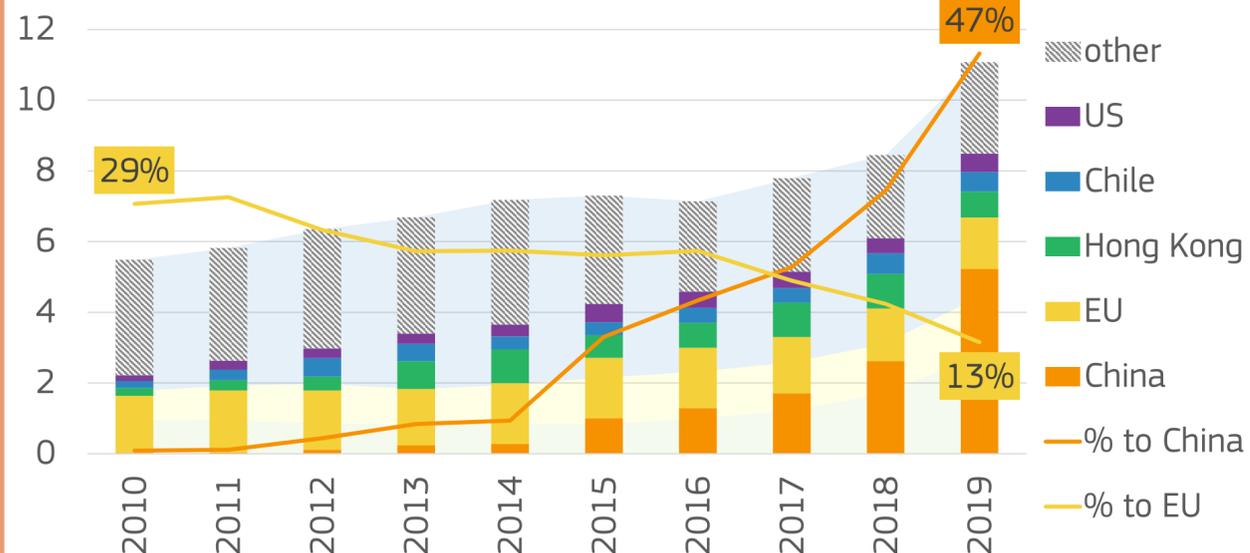


Source: DG Agriculture and Rural Development, based on Eurostat.

EU beef production down in 2020

- EU beef production declined** in 2019 (-0.9%), in a context of lower prices and reflecting prior herd reductions in key producing countries (FR, IT, NL), while the contraction in PL stemmed from reduced exports. By contrast, DE increased its output, through additional culling of heifers not needed for replacement, while IE's slaughterings rose in anticipation of Brexit.
- In 2019, **the total EU cow herd contracted further by 0.8%**, with different developments for dairy and suckler cow herds. Higher milk yields contributed to the downsizing of dairy herds in key producing countries (FR, DE, IT, PL), while the expansion in ES, PL and IT (thanks to export opportunities) halted the reduction of the EU suckler cow herd.
- EU beef production should decline further** in 2020 in key producing countries, by 0.6% in the EU, as herds are smaller and the **EU reference price is declining**. Meanwhile, ES and IE should benefit from trade opportunities and increase their meat output. **Covid-19 will affect markets for specific products**, such as high-value cuts due to the closure of foodservice and butchery departments in supermarkets.

Argentina, Uruguay, Brazil – beef exports (million t product weight, share to China and EU)



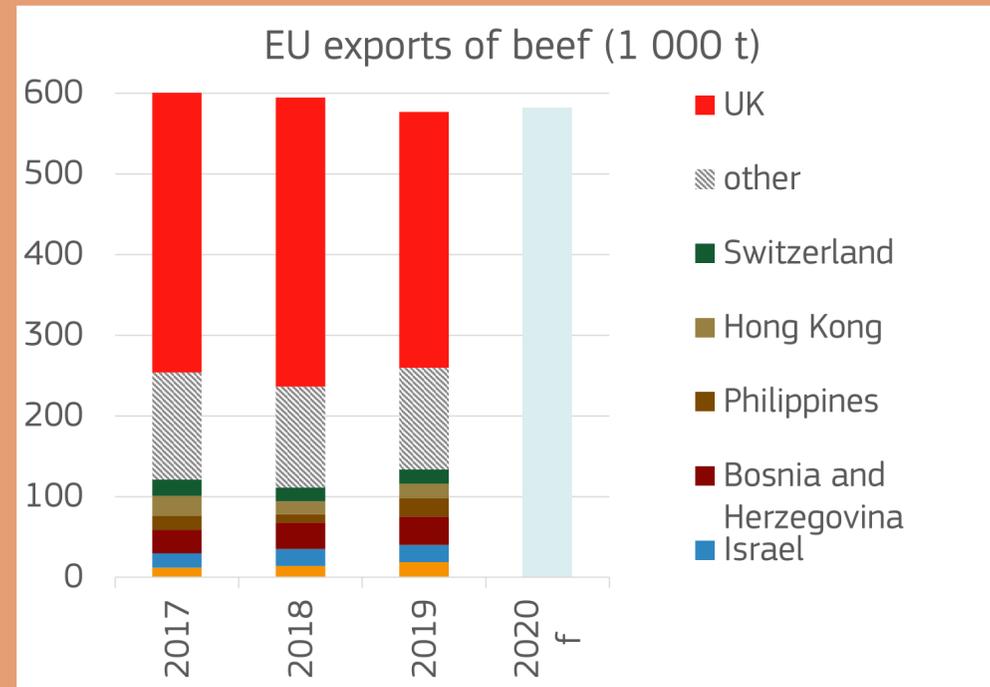
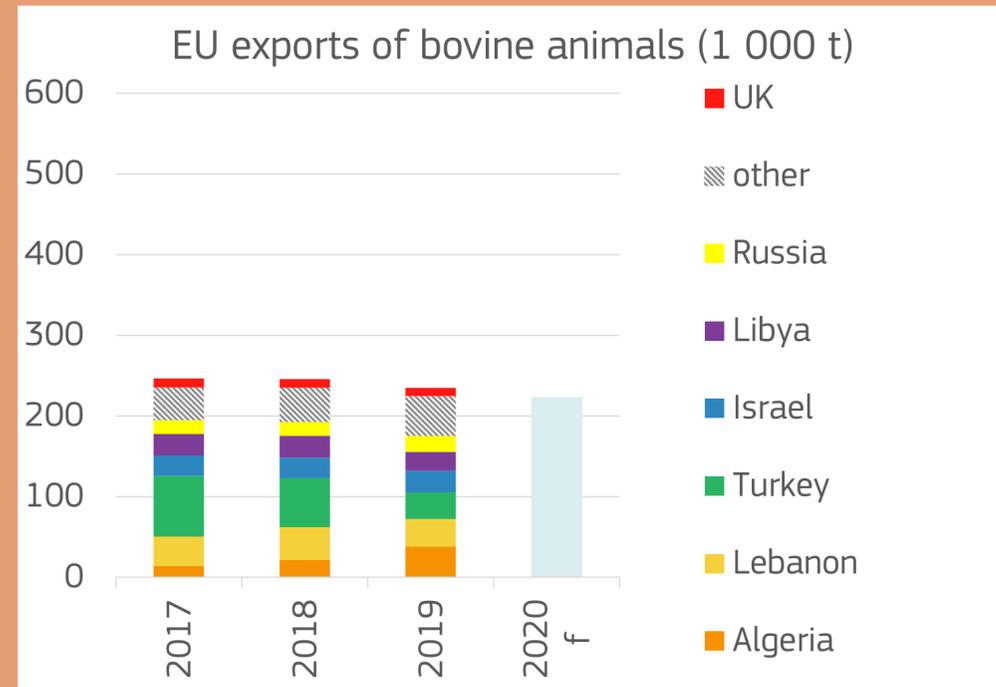
Source: DG Agriculture and Rural Development, based on IHS Markit/GTA.

Lower meat availability and stable imports in 2020

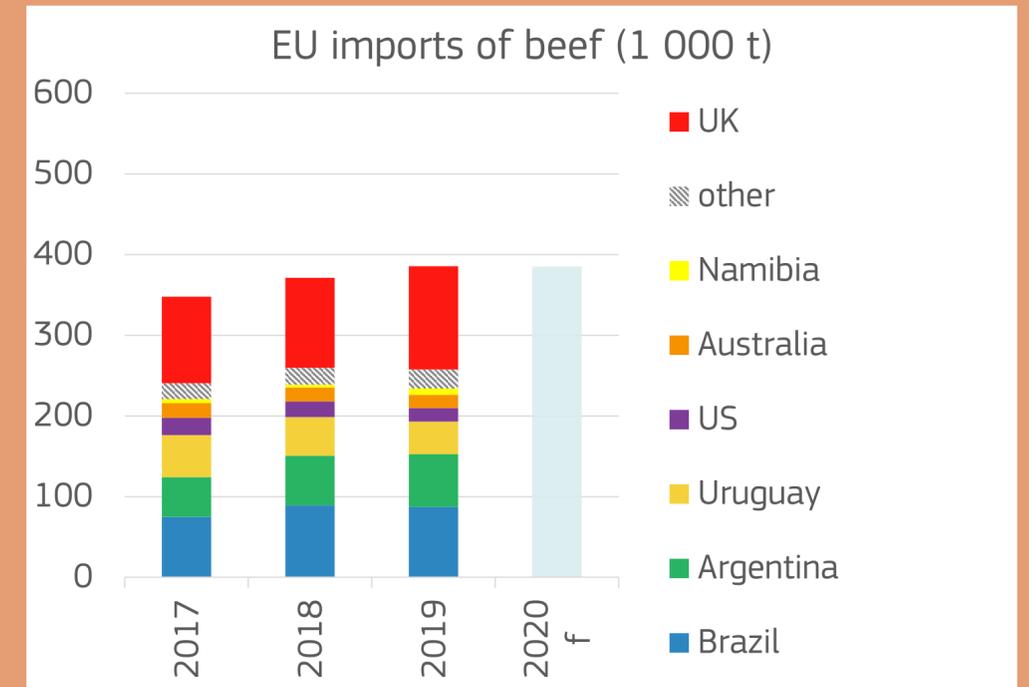
- EU imports increased in 2019, due to more supply from Argentina. In 2020, **imports should remain stable**, as other EU suppliers (of high-quality meat) are diverting their exports to Asia (China, Japan and South Korea).
- Strikingly, **southern American** countries now ship nearly half of their exports to China, while the EU share dropped to 13%. Covid-19 may **undermine their exports to the EU further**, as foodservice demand for high-value cuts breaks and pulls EU prices down. Meanwhile, production and export disruptions in South America are not excluded.
- Lower demand and lower meat availability will result in a further **reduction in EU apparent consumption** (to 10.6 kg per capita).

Beef and veal

Slight export recovery in 2020



Pressure on Prices



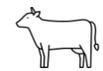
Source: DG Agriculture and Rural Development, based on Eurostat.



EU exports of live animals declined in 2019, driven by lower demand from Turkey. The EU, led by FR, diverted significant volumes to Algeria, which favours live imports to imports of meat. **A further decrease is expected** in 2020, with lower demand from Turkey, price competition from Brazil and Uruguay, and suppressed demand from Algeria and Libya (impact of low oil prices).



EU beef exports declined by 3% in 2019, solely because exports to the UK fell by 10%. In 2020, **exports could slightly recover** depending mainly on expanding opportunities in Asia (Japan, Hong Kong, China and the Philippines).



Covid-19 has not yet affected EU exports, including live animals. However, possible transport disruptions (i.e. a shortage of truck drivers) are a risk factor.

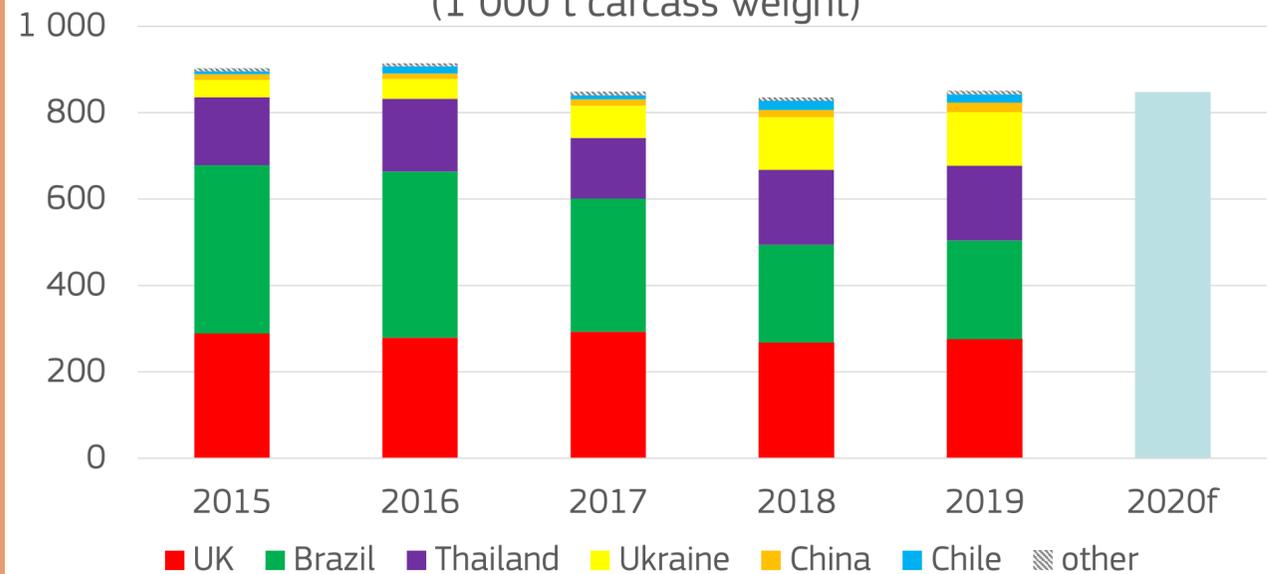


Covid-19 affects the beef meat market through prices. So far, specific products for foodservice (e.g. burgers for fast food and high-value cuts for restaurants) are partly redirected to retail, but at lower prices.



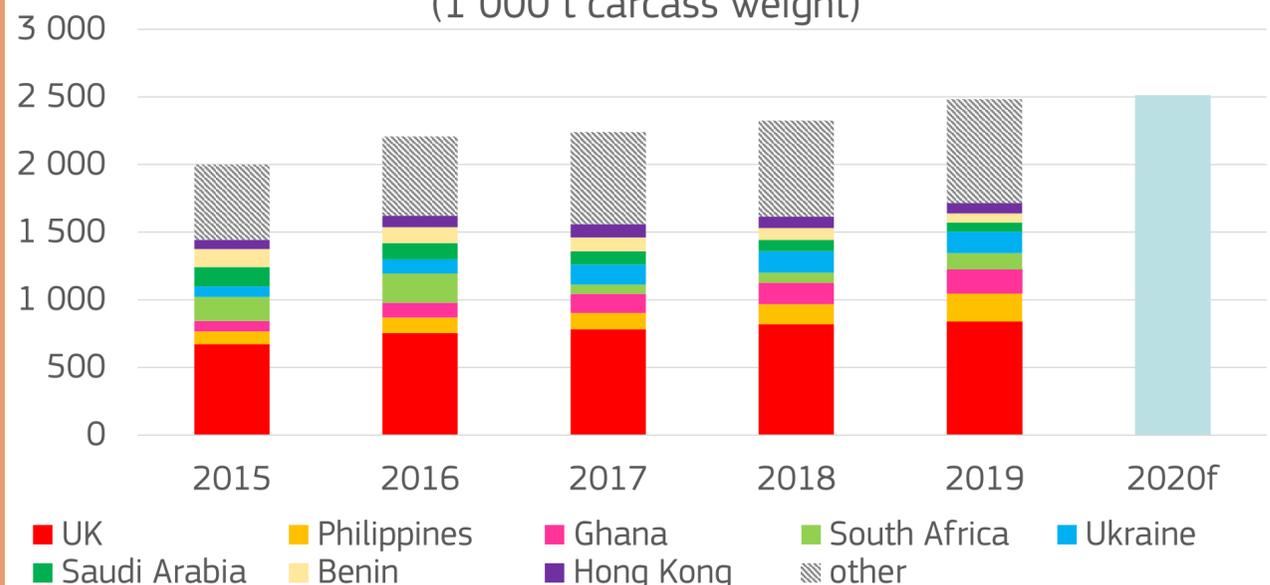
Beef prices, already lower at the beginning of 2020, are **under increased pressure** this year, including for cows

Poultry meat imports by destination
(1 000 t carcass weight)



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

Poultry meat exports by destination
(1 000 t carcass weight)



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

EU poultry production to continue rising in 2020



EU poultry meat production continued its growing trend in 2019 thanks to increasing demand, albeit at a moderate pace (+1.6%). In 2020, **growth should continue** (+1.2%) as consumers replace more expensive meats with poultry. However, the closing of foodservice should impact varieties more difficult to sell in retail (ducks, guinea fowls, pigeons and quails).



In 2019, broiler prices stayed close to the 5-year average. Since the beginning of 2020 prices have been above last year's level due to tight supply, and were pushed further up by Covid-19 related stockpiling mid-March. However, they fell quickly after that below the 5-year average mainly due to a steep drop of PL prices.



Per capita consumption is expected to **continue on its rising trend** in 2020, up to 23.6 kg (+0.2 kg).

EU poultry imports could be affected by foodservice closures

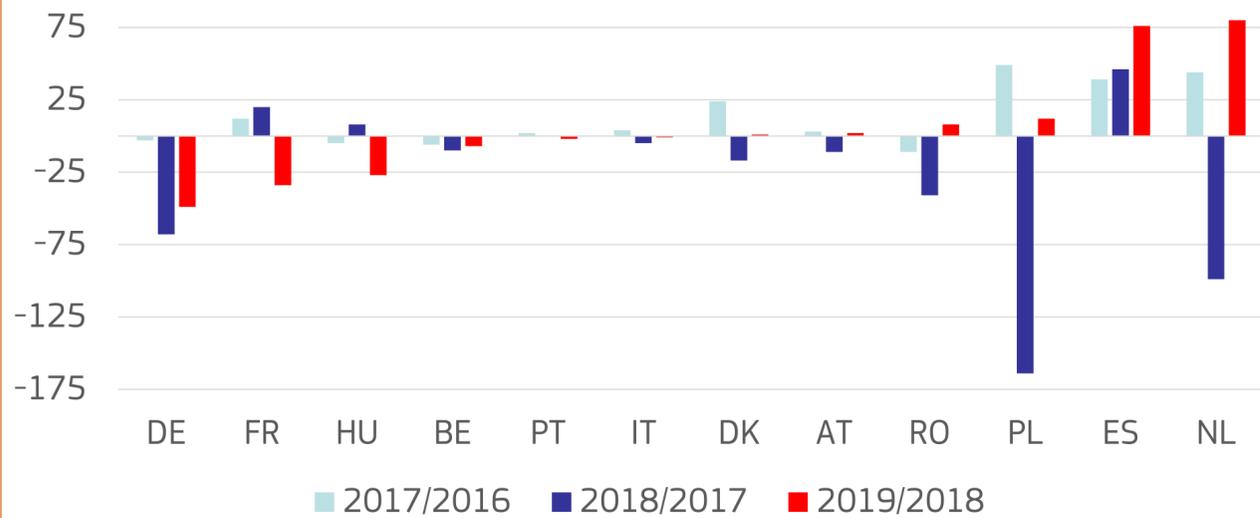


EU poultry meat imports **grew moderately** by 1.8% in 2019 (+2.9% to UK, +1.3% to other countries). Imports from the UK are mostly low value cuts and legs. By contrast, imports from other countries are mostly breasts and processed products of higher value largely addressed to foodservice, thus likely affected by Covid-19. As a result, imports **will probably fall slightly** in 2020.



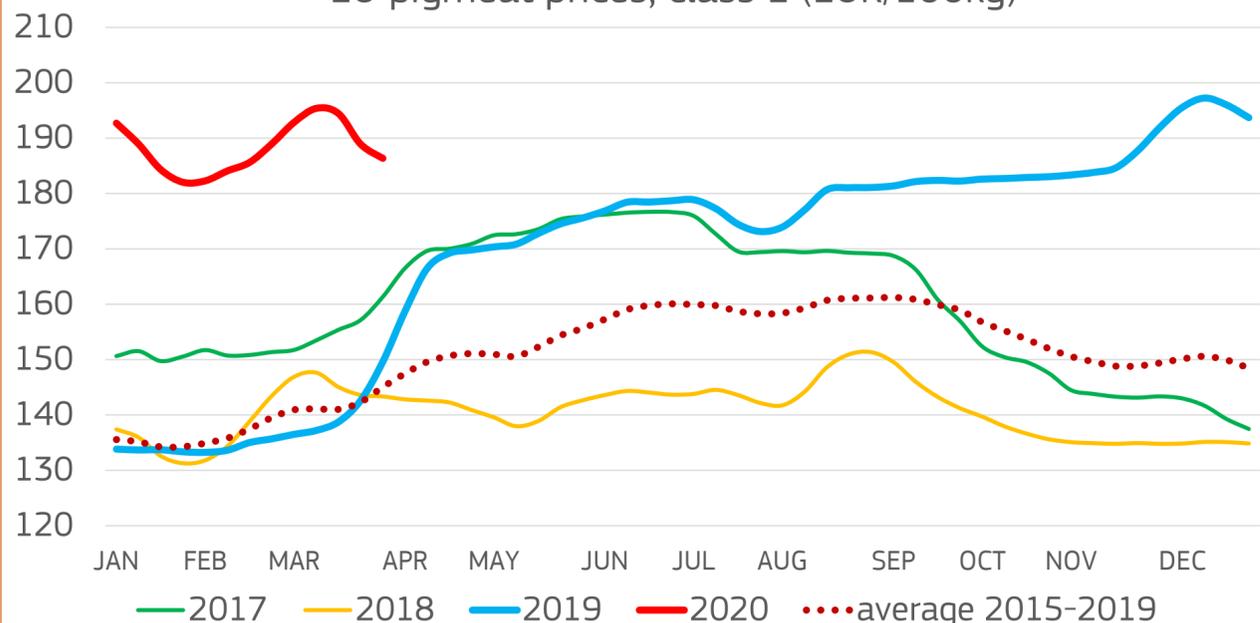
In 2019, **EU poultry meat exports grew** by 6.7% thanks to strong world demand (+2.3% to UK, +9% to other countries). Shipments increased to most of the main destinations, particularly to South Africa (+62%), the Philippines (+40%), Vietnam (+34%) and China (quadrupled). In 2020, **exports should keep growing while demand remains high**, but at a moderate pace as bird flu outbreaks in a few of the main EU producers (e.g. PL) have resulted into country bans by some trade partners, including the four above. This will put pressure on EU exports, and will probably result in a switch of trade flows, except probably to China where PL is the only EU country exporting significant volumes at the moment.

Change in number of breeding sows, main producing EU Member States (1 000 heads)



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

EU pigmeat prices, class E (EUR/100kg)



Source: DG Agriculture and Rural Development.

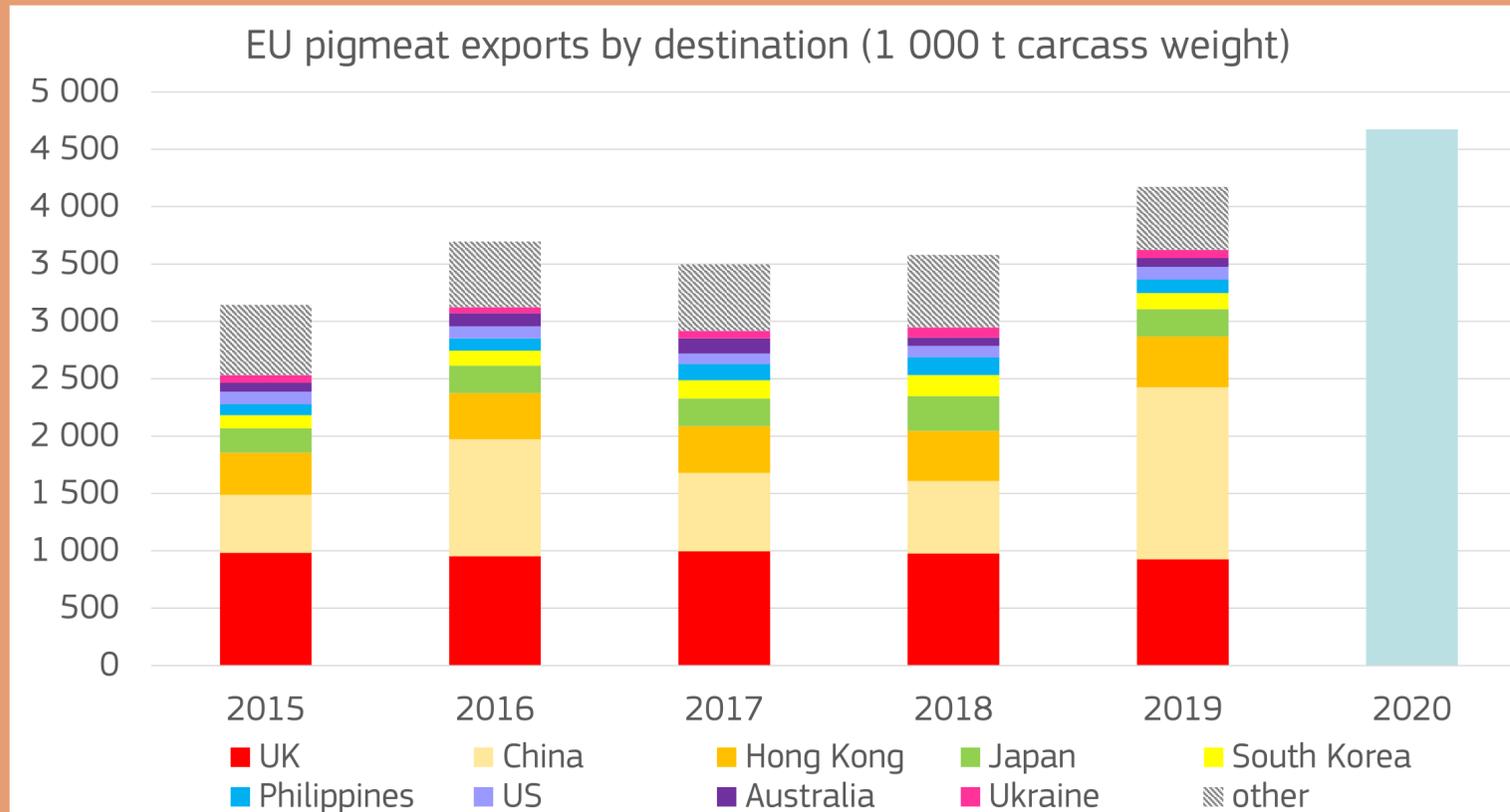
Small EU production growth expected in 2020, despite high prices

- The EU breeding herd contracted by 3% in 2018 due to low prices, African Swine Fever (ASF) risk and/or environmental restrictions. High prices from April 2019 have contained the trend and stabilised the size of the EU herd in 2019 (+0.4 % year-on-year), thanks to expansion in ES (+3%) and NL (+8%), and despite reductions in DE (-3%), FR (-3%) and HU (-11%).
- In 2020, EU pigmeat production should grow slightly as continuing export demand from Asia, particularly China, keeps prices high and favours higher slaughter weights. Growth will be driven by ES that is taking advantage of the opportunity in China. ES pork exports to China doubled in 2019, and now represent 28% of total EU exports to China. In 2020, ES will become the first EU producer in number of slaughtered animals, although not in volume due to a lighter slaughter weight than DE. Covid-19 should not significantly affect the pigmeat market except for some specific products for foodservice (e.g. suckling pigs for roasting in ES, PT).

EU prices should remain high in 2020, thanks to strong world demand

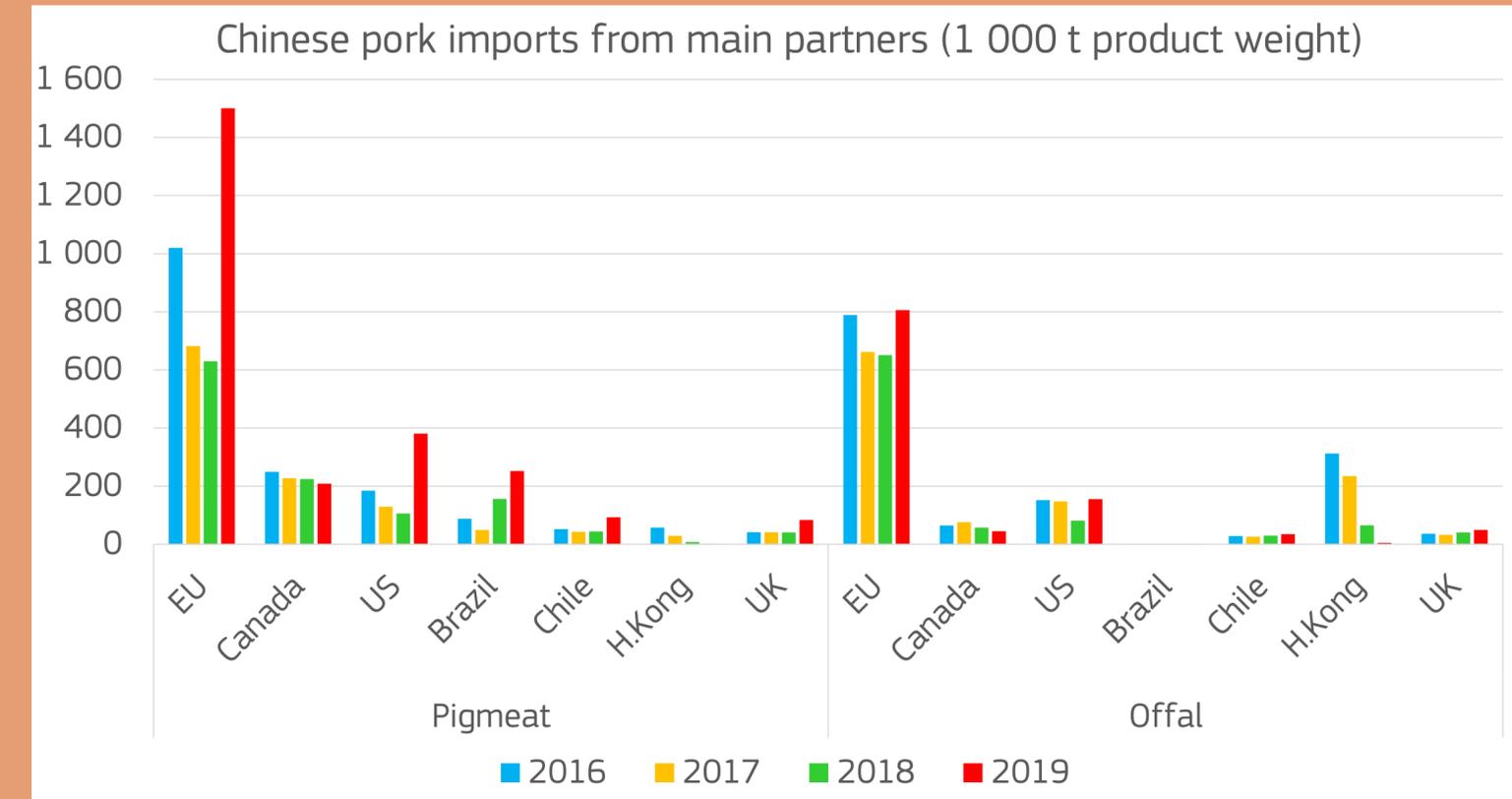
- The surge of Chinese imports in 2019 drove EU pigmeat prices to close to EUR 200/100kg in December (+45% year-on-year). Since then prices have fluctuated above EUR 180/100kg. Carcass prices reacted slightly to Covid-19 but should continue at high levels while Chinese demand continues, despite the reduction in foodservice demand. The main risk remains the spread of ASF in the EU.
- Piglet prices also surged in 2019, only declining in March 2020 following the carcass price, after reaching EUR 75/head (+59% year-on-year).
- ASF is still contained in the EU, but continues to spread slowly. In February 2020, EL confirmed its first outbreak. Currently ten Member States are affected by the disease: EL, BG, EE, HU, IT (Sardinia), LV, LT, PL, RO and SK.
- Apparent consumption per capita is expected to fall to 32.5 kg in 2020 (0.7 kg less than the previous year) as high prices favour other meats, particularly poultry.

Further growth of EU pigmeat exports expected in 2020



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

Surge of Chinese pigmeat demand to continue in 2020



Source: DG Agriculture and Rural Development, based on IHS Markit/GTA (export declarations) and Eurostat for EU figures.

 **EU pigmeat exports grew by 17%** in 2019 (-5% to UK, +25% to other countries), driven by Chinese demand, where the share of EU pigmeat exports doubled to 36%. Meanwhile, exports to other main trade partners fell significantly: South Korea (22%), the Philippines (-24%), the US (-24%) and Ukraine (-18%); while small increases were registered to Japan, Australia and Hong Kong. In 2019, the UK is the main export destination of EU pigmeat after China (22% share).

 In 2020, Chinese demand should persist and total **EU exports are expected to grow significantly (+12%)**.

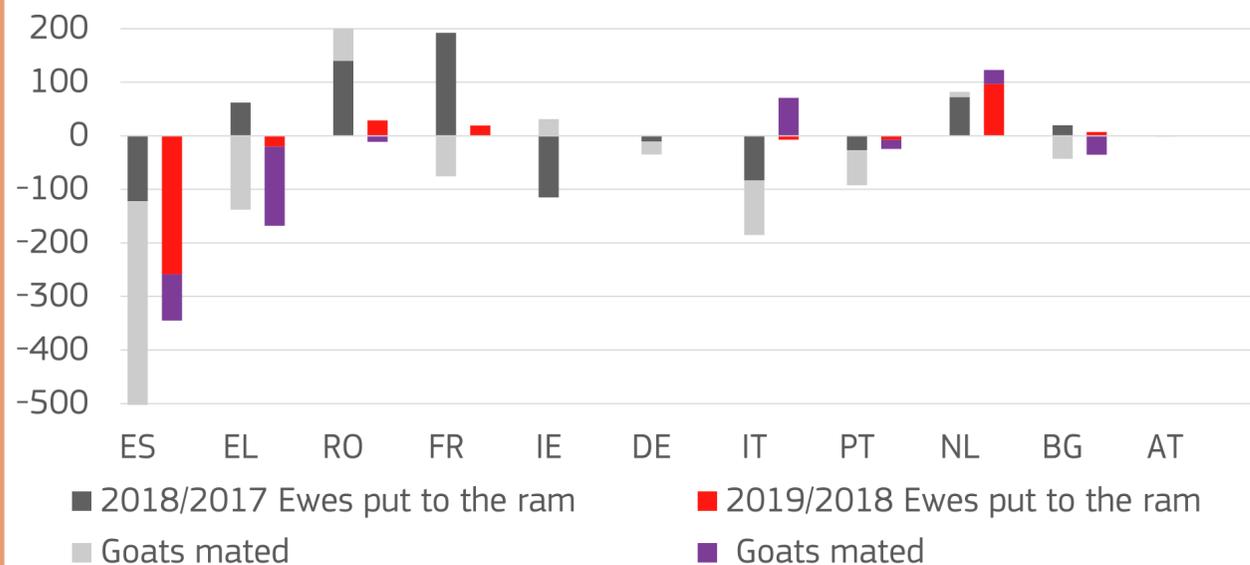
 In 2019, **EU offal exports grew** as well, but less significantly (+7%).

 China continues to struggle to recover from ASF that has decimated its pig herd, and recovery will probably be delayed by Covid-19 related disruptions. In 2020, **Chinese production should fall further** (experts estimate a 15-25% drop year-on-year), maintaining a huge gap that cannot be covered by available world supply.

 The EU has clearly benefited the most from Chinese demand, but the US has tripled its exports despite the tariffs in place. Brazil continues to increase its share, while Canada could not due to the suspension of its access for most of the 2nd half of 2019.

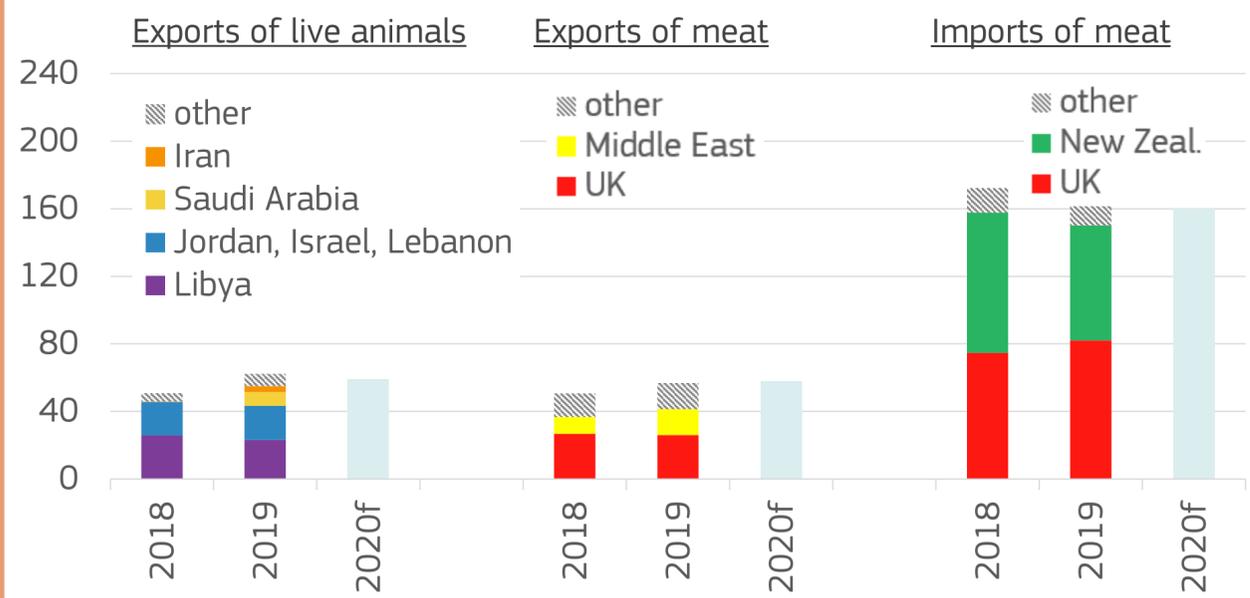
Sheep and goat meat

Change in number of sheep and goats, main producing EU Member States (1 000 heads)



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

EU sheepmeat trade, by main partner (1 000 t)



Note: Middle East includes Jordan, Oman, Kuwait, Qatar, UAE, Iran, Bahrain, S. Arabia, Israel, Turkey.

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

Sheep and goat meat production to remain stable in 2020



The EU sheep and goat flocks contracted in 2019 (-1.3%), driven by reductions in key producing countries (ES, EL). In addition, the previous substantial increase in RO and FR eased.



EU sheep and goat meat production should remain stable in 2020, after strong growth in 2019 (+6%), due to smaller flocks and a slowdown in production growth in RO. Improved export prospects and if prices remain high should prevent a decrease in EU production.



Covid-19 will impact the sheep and goat meat markets. Surplus from foodservice in some countries (ES, EL) will not be absorbed by retail. Also, seasonal demand for Easter and Ramadan will not materialise, and animals ready for slaughter may be frozen and directed to retail and foodservice in the second half of the year. Covid-19 is due to affect the market through downward pressure on prices.

Meat exports slightly up, imports slightly down in 2020



EU live exports were firmly up in 2019, supported by the demand from emerging destinations (Saudi Arabia and Iran). In 2020, live exports should decline notably, as the negative tendency continues in Libya, Jordan and Israel. Covid-19 may limit the transport and exports of live animals, in particular to Iran.



EU sheepmeat exports rose in 2019 (+12%). In 2020, ES and IE shall benefit from continued export to the Middle East and Hong Kong, and perhaps to the UK.



EU sheepmeat imports declined in 2019 (-6.1%), as New Zealand (that accounts for 40%) diverted its exports to Asia. Unless the UK maintains similar exports to the EU as last year, EU imports should decline in 2020.

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