

# SHORT-TERM OUTLOOK

FOR EU AGRICULTURAL MARKETS  
IN 2020

SUMMER 2020

Edition N°27



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European Commission

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

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European Commission, DG Agriculture and Rural Development, Brussels.

# HIGHLIGHTS

**T**his short-term outlook edition is based on market intelligence available until mid-June 2020 and reflects the Covid-19 impact to the extent possible, with all the usual caveats and limitations due the rapidly evolving situation. Market forecasts are presented for EU-27 and assume a frictionless trade between the EU and the UK in 2020 and 2021.

The Covid-19 outbreak and the related economic impacts remained the overarching factor when preparing this short-term outlook edition.

In the EU, **the food chain proved particularly resilient**. Producers and processors continued delivering food during these challenging times, while supermarkets and food shops remained open during the whole confinement period. Measures adopted by the European Commission (including guidance documents on cross-border issues related to labour and transport, support measures for the agricultural sector, flexibility

to grant state aids) and EU countries have been instrumental in supporting the sector and the overall economy.

With **confinement measures progressively lifted** all over the EU and the start of the summer holiday period, demand in particular for foodservice should come back to normal levels.

**Many uncertainties remain** around the economic recovery, and thus on the evolution of demand in the EU and the world. In particular, the forecast **magnitude of the recession** is such that it is expected to lead to a sharp increase in unemployment in the EU, negatively impacting private consumption.

The **effects of the stimulus measures**, notably in the context of the European budget for 2021-2027, the capacity of individual sectors to adapt their production, and the strength of the recovery in particular in export markets, will all drive demand and supply and have a direct influence on prices and thus on the profitability of the agri-food sector.

# Highlights

The sector should nevertheless continue to benefit from low levels of **energy and fertiliser prices**, partly compensating a possible decrease in agricultural prices.

On the **trade** side, with no request by the UK to extend the transition period, the latter will end on 31 December 2020, in line with the provisions of the Withdrawal Agreement. The EU and the UK's objective remains to conclude and ratify a deal before the end of 2020.

Other key uncertainties on the trade front concern the outcome of trade negotiations between the UK and its trade partners, and the trade relations between the US and other countries, in particular with China and the EU.

The entry into force of **the EU-Vietnam free trade agreement** on 1 August 2020 will open new market opportunities to EU operators.

## *Agricultural markets outlook*

As noted in the spring edition of this short-term outlook, the Covid-19 outbreak created a demand shock rather than a supply one. This is confirmed by

the good production prospects e.g. in dairy, sugar, pigmeat, olive oil, wine and tomato, with production levels expected to be comparable to or above 2019 ones. The cereals harvest is due to be lower than last year but still slightly above the 5-year average.

The peaches and nectarines' sector is the exception, with a record low production expected this year, but this is not related to Covid-19.

Prices are picking up in the aftermath of confinement measures, benefiting from the reopening of foodservice, and export perspectives remain good overall.

## *Arable crops*

Total EU cereals production is estimated at 284.3 million t in the 2020/21 marketing year, less than in 2019/20 despite good prospects in southern EU. Winter crops (**wheat, rapeseed**) area was negatively impacted by the difficult sowing conditions and crop development was hampered by the dry and warm spring in several parts of the EU.

EU **feed** use is expected to marginally decline in 2020/21 (-0.2%) while food and industrial use should

slightly recover from the drop in 2019/20.

EU cereals exports have been dynamic in 2019/20 thanks to competitive prices and strengthened international demand. They are estimated at 51.8 million t for that period. They could decline in 2020/21 due to lower crop output.

EU **oilseed imports** could increase by 13% due to lower availability in the EU in 2019/20. Vegetable oil imports decreased strongly due to lockdowns related to the Covid-19 outbreak.

## *Sugar and isoglucose*

Domestic use of **sugar** is due to moderately decrease in 2019/20 due to a lower demand for ethanol and lower sales in foodservice. Imports should slightly increase to 2 million t while exports are forecast at very low levels (1 million t).

2020/21 sugar production is expected to be close to the previous year despite a 2% decrease in sugar beet area.



# Highlights

**Isoglucose** production in 2019/20 and in 2020/21 is forecast to remain at the low levels reached since the end of the production quotas. Consumption in 2019/20 could decrease slightly further due to lower sales of soft drinks (-5%).

## Biofuels

Lower fuel use due to lockdowns translated in a significant decline in biofuel use for transport in 2020. For ethanol, this was only partly compensated by additional demand for disinfectants.

Biodiesel imports are forecast to decline in 2020 in comparison to 2019 but remain at historically high levels. Ethanol imports are expected to slightly increase.

## Specialised crops

**Olive oil** prices remain under pressure despite positive price signals after the activation of private storage aid, an overall EU consumption that could grow by 6%, and dynamic trade to all main export destinations.

The 2020/21 EU production could be around 2.3 million t, thanks to good weather conditions in the spring in Spain that would compensate the impact of heat waves in Greece and a lack of rain in certain Italian producing regions.

Due to the Covid-19 measures, **wine** consumption is forecast to decrease in 2019/20, and exports as well (-7%). On the contrary, wine intended for 'other uses' (e.g. vinegar, brandies and other) is expected to increase (+32%/5-year average) thanks to the exceptional measures allowing crisis distillation.

The EU **tomato** production is expected to remain stable in 2020, with production increasing for processing and decreasing for fresh consumption.

On balance, the EU consumption of fresh tomatoes is expected to slightly decline in 2020. Regarding fresh tomatoes trade, imports are expected to continue to increase in 2020 by 3% and exports to decline by 5%.

A record low production of **peaches and nectarines** is forecast this year due to adverse weather conditions

and structurally low prices in previous years which affected the production potential.

This has a positive impact on prices and is expected to lead to a strong decline in EU consumption in 2020 (-23%/5-year average) and in the exports of peaches and nectarines for fresh consumption.

**Apple** prices have been high over the last months due to a lower than average 2019/20 crop and firm demand during the Covid-19 crisis. In PL, prices reached record high levels, due to the combination of very low stocks and the perspective of average or low next harvest following frost episodes at the end of April-beginning of May.

# Highlights

## *Dairy*

The strong EU milk collection growth observed until April is expected to slow down in the remaining of 2020, resulting in a 0.7% overall increase. This is driven by increasing yields and further dairy herd decline, with cows slaughterings expected to accelerate in response to the recovery of meat prices.

EU butter and SMP prices suffered declining trends during Covid-19 outbreak, but this trend was reversed recently and prices remain well-above intervention levels. Cheese prices are stable.

Retail sales of EU dairy products remain high, especially for products benefitting from home cooking and baking (e.g. butter). Nevertheless, this is expected to not fully compensate for the losses in foodservice, in particular for cheese and fresh dairy products.

The EU is competitive in global markets for SMP, WMP and butter. This is expected to allow for a significant increase of butter exports, sustained WMP flows and SMP exports at levels similar to 2018 despite lower initial availabilities compared to previous years.

## *Meat*

In 2020, EU meat production is expected to decrease for all meats but pigmeat (+0.5%) : beef -1.7%, poultry -2.0%, sheep and goat -1.5%. A fall in slaughtering in Q2 is forecast as foodservice closed, while production was constrained and logistics challenged. A broad recovery is expected in the second half of the year.

The African Swine Fever (ASF) outbreak still poses a risk for pigmeat in addition to the uncertainties related to Covid-19 for all meat sectors.

After a decline driven by a fall in foodservice demand, prices for all meats have started to pick up when consumer demand (for certain cuts) recovered following the easing of Covid-19 lockdown measures.

Trade with the UK declined at the beginning of 2020 compared to the same period in 2019, generally more than with other partners. This decline strongly affects the figures on total EU trade.

EU meat exports are due to increase in 2020, with the exception of poultry. The increase will be particularly

strong for pigmeat due to the accelerating import demand from China which will remain the leading destination for EU pigmeat by far. EU meat imports are likely to fall, as animal and meat availabilities decreases.

Annual meat consumption could decline to 65.4 kg per capita in 2020 (-2.5%), due to a reduction in consumer demand during lockdowns, and subdued domestic availability not compensated by imports.



# MACRO- ECONOMIC OUTLOOK

## Macroeconomic background

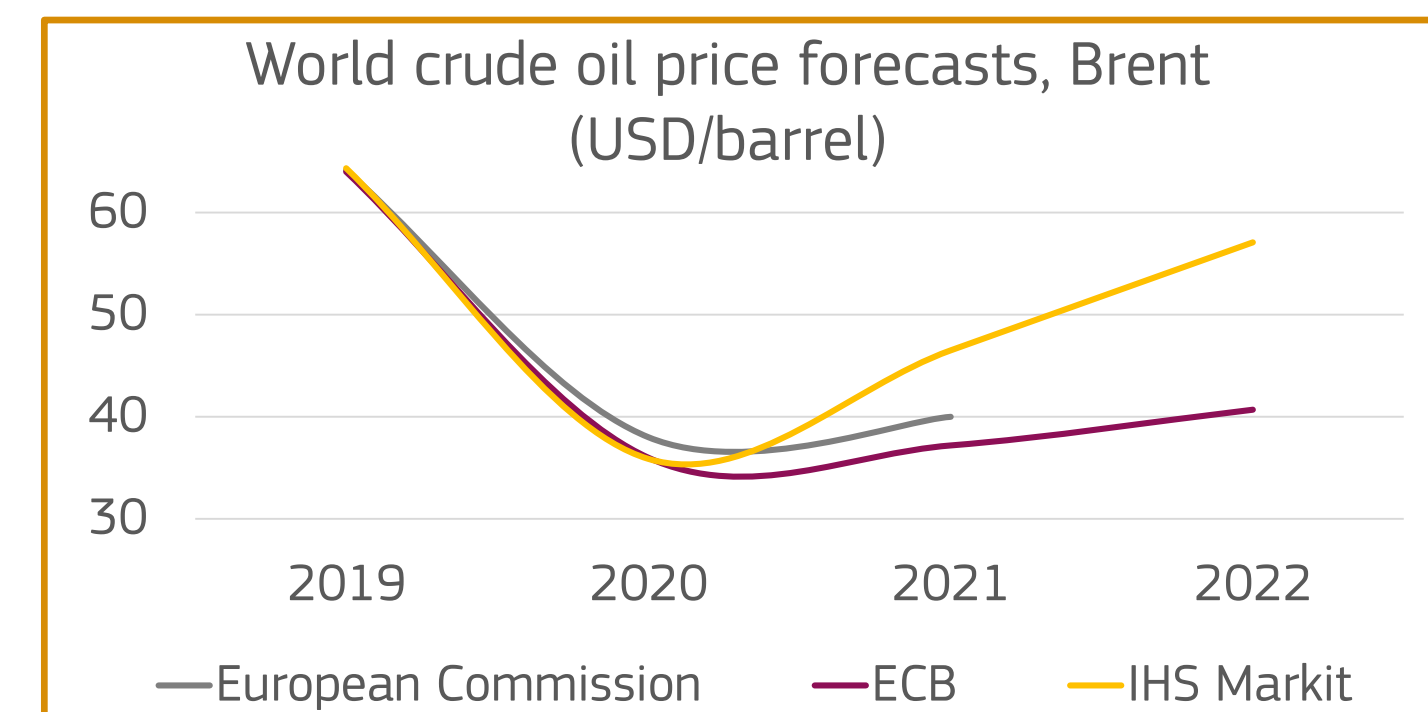
### Uncertainty remains the norm

- € Covid-19 has already taken its toll on the economy. As EU countries progressively lift confinement measures, many uncertainties surround the economic recovery, with a **second wave of infections** still possible.
- € Crude oil markets are still oversupplied and forecast on Brent price illustrates existing uncertainties: the European Commission<sup>1</sup> and the European Central Bank<sup>2</sup> foresee that it will stay around USD 40/barrel in 2021. IHS Markit is more optimistic and assumes USD 45/barrel by the end of 2020 and more than USD 55/barrel in 2022.

### Large downside risks along confirmed economic crisis

- € For 2020, adverse impacts of Covid-19 on the EU economy may be worse than those of the 2008-2009 global financial crisis. The European Commission expects a sharp contraction (-7.4%) of the EU real GDP growth. In 2021, a swift growth rebound is foreseen (+6.1%), provided that containment measures are gradually lifted, the pandemic remains under control and the monetary and fiscal measures taken by EU countries are as effective as intended.

- € In more pessimistic scenarios, in which the containment measures are protracted and strengthened, **EU real GDP growth could drop by more than 10% in 2020**.
- € A swift rebound could only lead to a partial recovery, as **sectors are unevenly impacted by private consumption decline in 2020 (-9%)**. In this uncertain context, consumers defer non-essential spending to favour savings, despite near-zero or negative interest rates. Besides, restrictions on travel and recreational services may last longer, leading to lower spending.
- € The European Commission projects an **overall lower contraction in the rest of the world** (except in the United Kingdom), resulting in a global contraction by 3.5%, rebounding to 5.2% in 2021.



Sources: European Commission (DG ECFIN), ECB, IHS Markit.

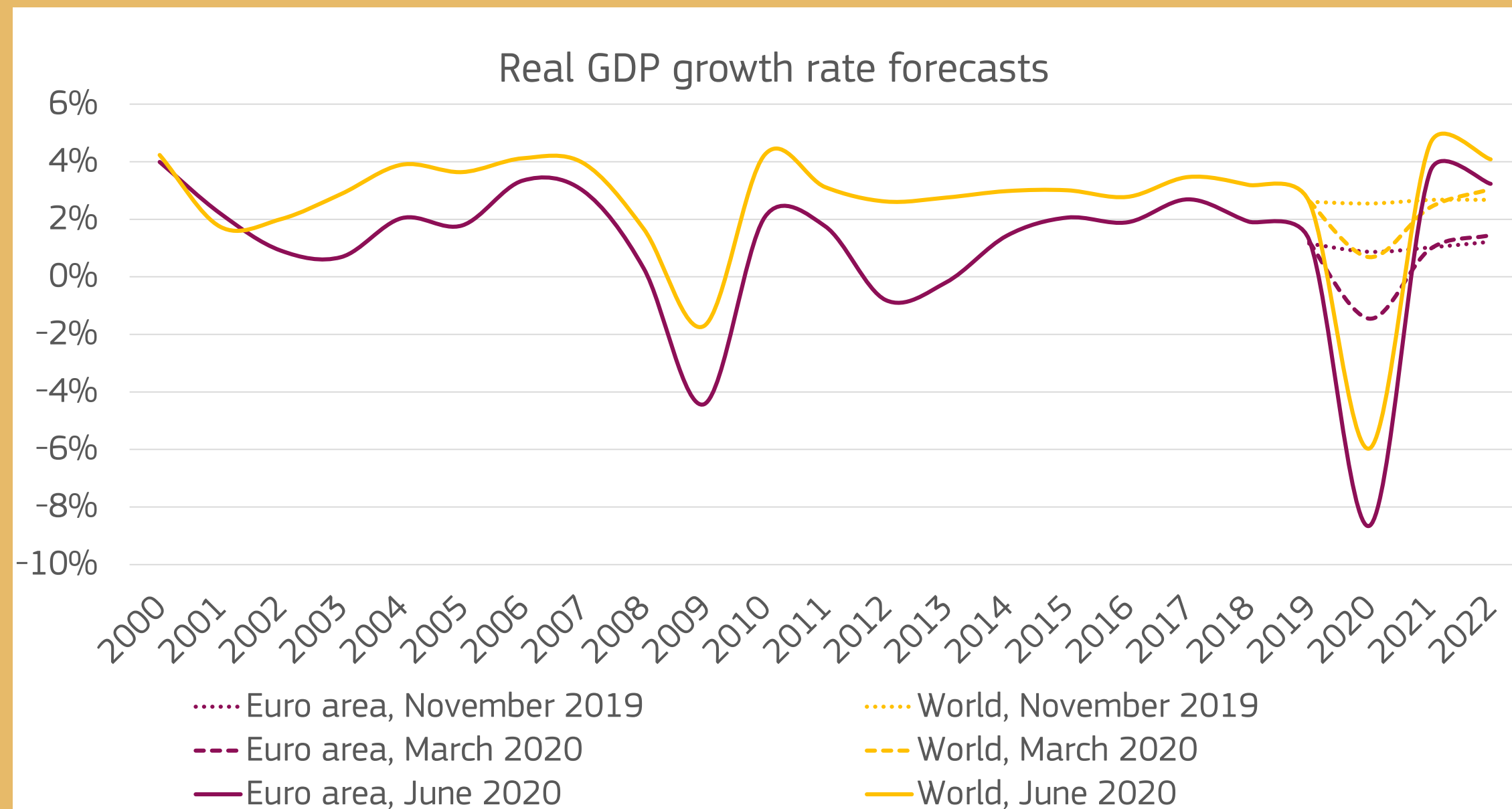
<sup>1</sup> DG Economic and Financial Affairs: [https://ec.europa.eu/info/business-economy-euro/economic-performance-and-forecasts/economic-forecasts/spring-2020-economic-forecast-deep-and-uneven-recession-uncertain-recovery\\_en](https://ec.europa.eu/info/business-economy-euro/economic-performance-and-forecasts/economic-forecasts/spring-2020-economic-forecast-deep-and-uneven-recession-uncertain-recovery_en)

<sup>2</sup> European Central Bank: [https://www.ecb.europa.eu/pub/projections/html/ecb.projections202006\\_eurosystemstaff~7628a8cf43.en.html](https://www.ecb.europa.eu/pub/projections/html/ecb.projections202006_eurosystemstaff~7628a8cf43.en.html)



# Macroeconomic background

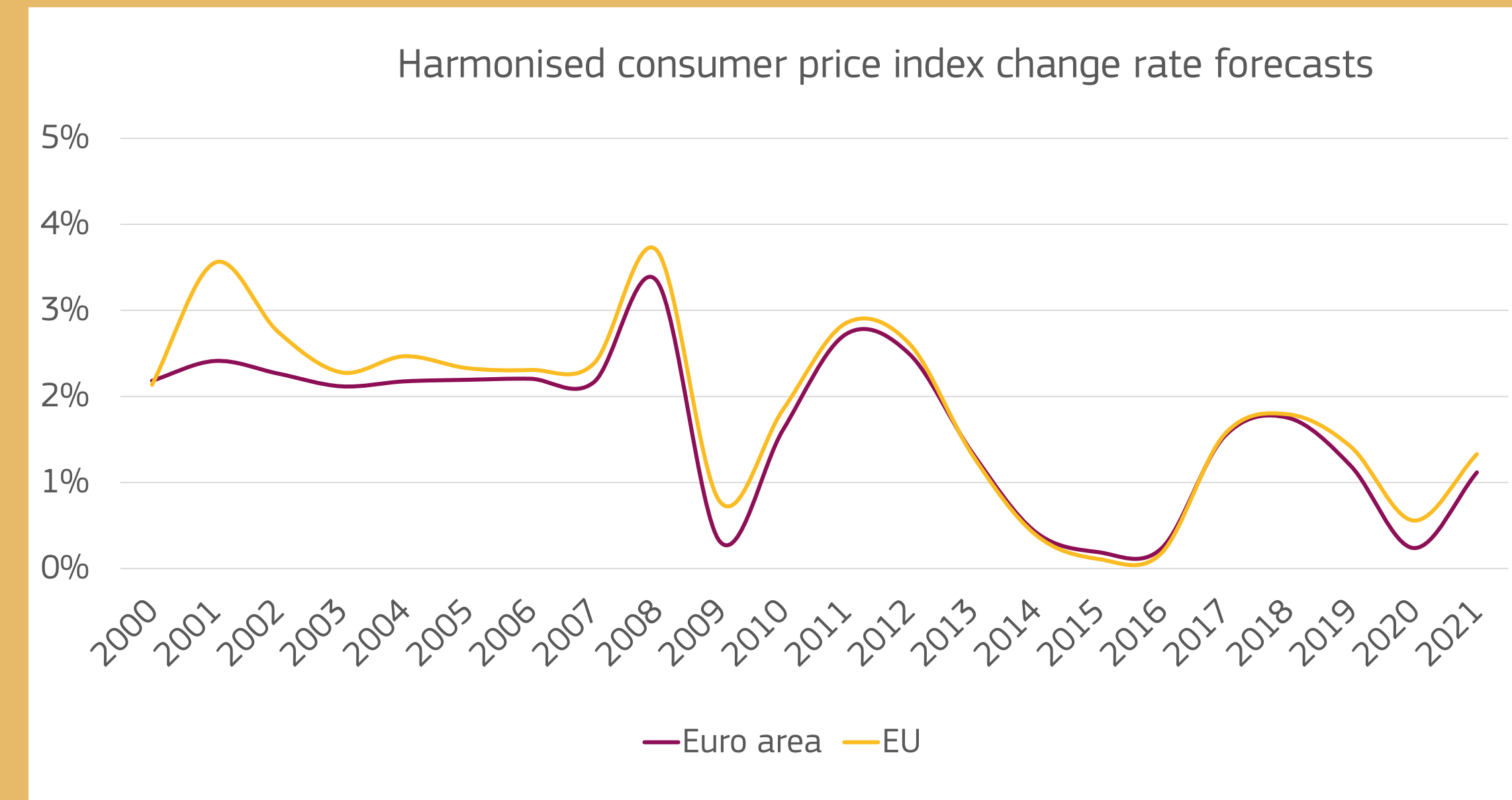
## Unemployment rate to worsen



Source: IHS Markit.

- € The EU unemployment fell steadily from 2013 to 2019, down to less than 6.7% of the active population. The European Commission now projects the **unemployment to rise sharply in 2020**, to up to 9%, before going down again in 2021.
- € **Total EU exports have been severely impacted:** the European Commission expects that they will drop by 11.5% in 2020, back to 2016 levels. However, agricultural exports are much less impacted.

## Consumer price index to drop



Source: European Commission (DG ECFIN).

- € **Public measures to protect employment and income and the slowdown of inflation may only mitigate (and not prevent) the fall of households' purchasing power.** According to the European Commission, the inflation at EU level should fall from 1.4% in 2019 to 0.6% in 2020 and rebound to 1.3% in 2021.



# EU WEATHER CONDITIONS

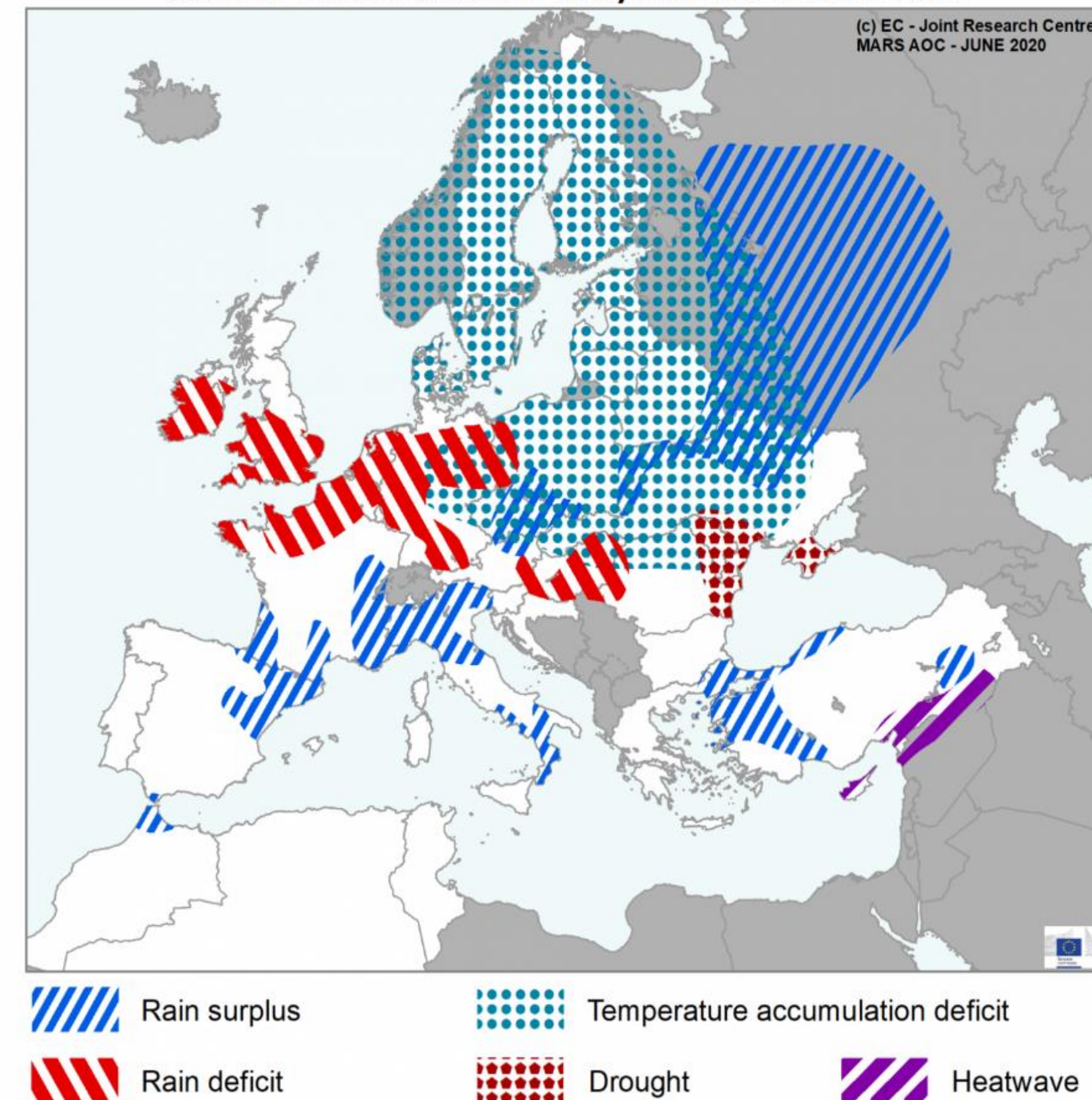
## Weather conditions in EU regions

### Water deficit observed in several regions

- ☁ Weather conditions started to deteriorate over spring. Warm conditions in northern and western EU regions, with especially high temperatures recorded in FR, DE and the Benelux countries, were combined with rain deficit.
- ☁ This generated a **significantly negative water balance** as well as a disruption in the emergence of spring crops.
- ☁ Long-lasting dry conditions in eastern EU also weighed on water levels, which caused an early leaf senescence of winter crops and hampered the emergence of spring crops.
- ☁ Rainfalls in May relieved some concerns in most parts of PL and RO, although the situation remains uncertain in north-western PL and eastern RO.

### AREAS OF CONCERN - EXTREME WEATHER EVENTS

Based on weather data from 1 May 2020 until 20 June 2020



Source: Joint Research Centre (JRC MARS Bulletin Vol. 28 No 6)

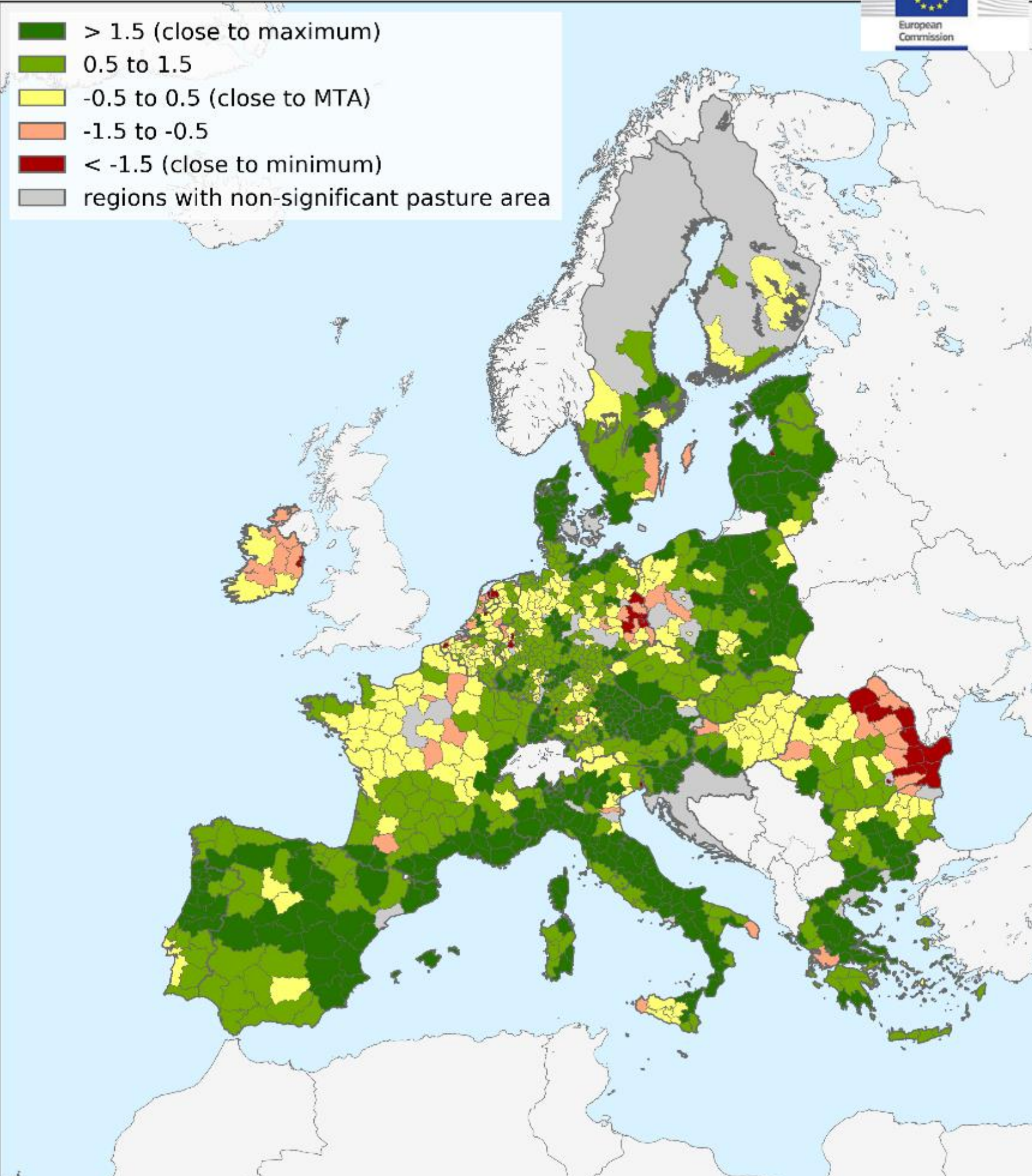
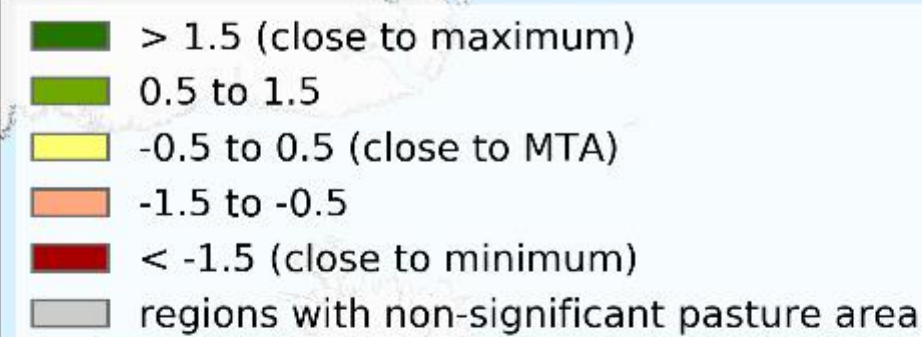


# EU weather conditions

## Pasture Productivity Index

Period of analysis: 1 June - 30 June 2020

Index based on MetOP-AVHRR fAPAR 10-day product.  
Medium-term average (MTA) 2010-2019



Source: Joint Research Centre (JRC MARS Bulletin Vol. 28 No 6)

## Spring temperature differentials impacted water needs

- ☁ **Warmer-than-usual conditions** were observed in western EU, IE, southern SE and FI, and in large areas of south-eastern EU. In HU, PL and RO, **colder temperatures in May slowed down the phenological development** and delayed winter crops.
- ☁ In DK and SE, growth of winter crops benefitted from a good soil moisture and radiation surplus. Overall warm conditions over the spring allowed **good crop development** in the Iberian peninsula, southern FR and northern IT.

## Situation improved recently in some parts of the EU

- ☁ In **north-western regions** (IE, northern FR, Benelux, eastern DE) recent rains have improved conditions for summer crops but were too late for winter crops.
- ☁ Substantial rainfall has also improved conditions for summer crops in **central EU** (HU, western CZ, south-western SK, and SI), and storms caused damage locally (HU).
- ☁ **Crop conditions** are overall **good** in **northern and north-eastern Europe** (DK, SE, FI, PL, and Baltic countries), though excessive rainfall may impact cereals in some parts (southern FI).

## Pasture productivity impacted differently across EU regions

- ☁ In general, favourable conditions for pastures' growth remain in most regions of southern and western Europe and allowed good biomass accumulation.
- ☁ Over the spring, **rainfalls improved grass productivity** in some EU countries (ES, IT, DK) whereas the unusual dry weather observed in FR, DE, PL and IE impacted grass productivity negatively.
- ☁ However, **water stress and low temperatures** limited pasture growth in eastern European countries and in northern central and north-eastern regions.



# ARABLE CROPS

## Market developments in the EU

| CEREALS  | 2019/2020                                                                                 | 2020/2021                                                                                 |
|---------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------|
| Production                                                                                  |  +9.4% |  -2.7% |
| Exports                                                                                     |  +45%  |  -21%  |
| Imports                                                                                     |  -12%  |  -6.5% |
| Consumption                                                                                 |  -0.6% |  -0.1% |

| PROTEIN CROPS  | 2019/2020                                                                                   | 2020/2021                                                                                   |
|---------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------|
| Production                                                                                        |  -0.9%   |  +12%    |
| Exports                                                                                           |  -13%    |  +1.5%   |
| Imports                                                                                           |  -14%  |  -9.2% |
| Consumption                                                                                       |  -3.7% |  +6.7% |

| ETHANOL  | 2019                                                                                        | 2020                                                                                        |
|-----------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------|
| Production                                                                                    |  +1.3% |  -4.7% |
| Exports                                                                                       |  -2.4% |  -30%  |
| Imports                                                                                       |  +53%  |  +12%  |
| Consumption                                                                                   |  +1.0% |  -12%  |

Note: % compared to previous season

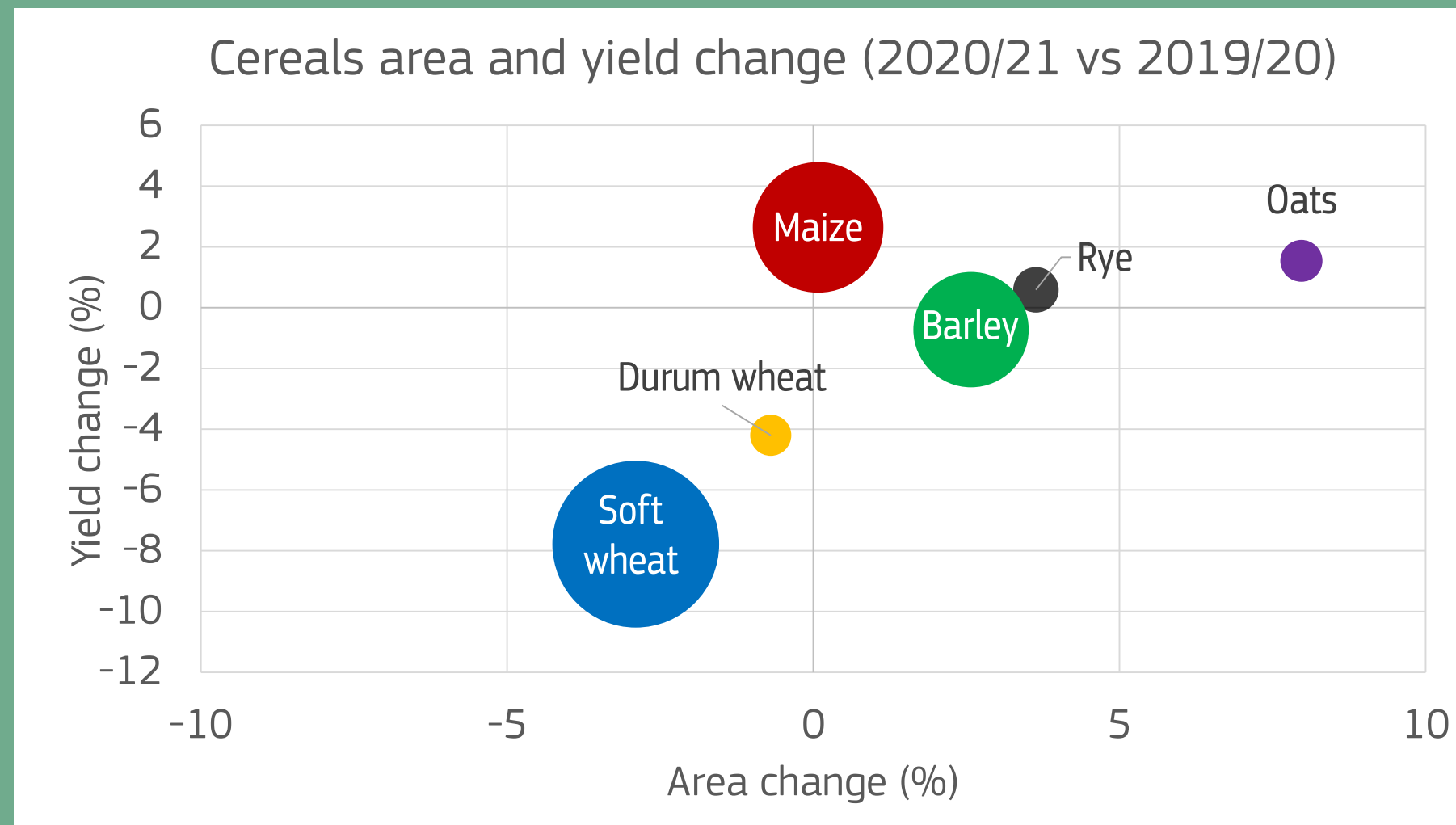
| OILSEEDS  | 2019/2020                                                                                 | 2020/2021                                                                                 |
|----------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------|
| Production                                                                                   |  -8.7% |  +1.7% |
| Exports                                                                                      |  +3.0% |  -1.7% |
| Imports                                                                                      |  +13%  |  -2.1% |
| Consumption                                                                                  |  -0.1% |  -0.5% |

| SUGAR  | 2019/2020                                                                                   | 2020/2021                                                                                   |
|-------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------|
| Production                                                                                |  -1.6%   |  -1.2%   |
| Exports                                                                                   |  -38%    |  +7.7%   |
| Imports                                                                                   |  +6.7% |  +0.0% |
| Consumption                                                                               |  -1.8% |  +0.4% |

| BIODIESEL  | 2019                                                                                        | 2020                                                                                        |
|-------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------|
| Production                                                                                      |  -1.4% |  -3.7% |
| Exports                                                                                         |  +51%  |  -13%  |
| Imports                                                                                         |  +4.8% |  -12%  |
| Consumption                                                                                     |  +8.4% |  -13%  |

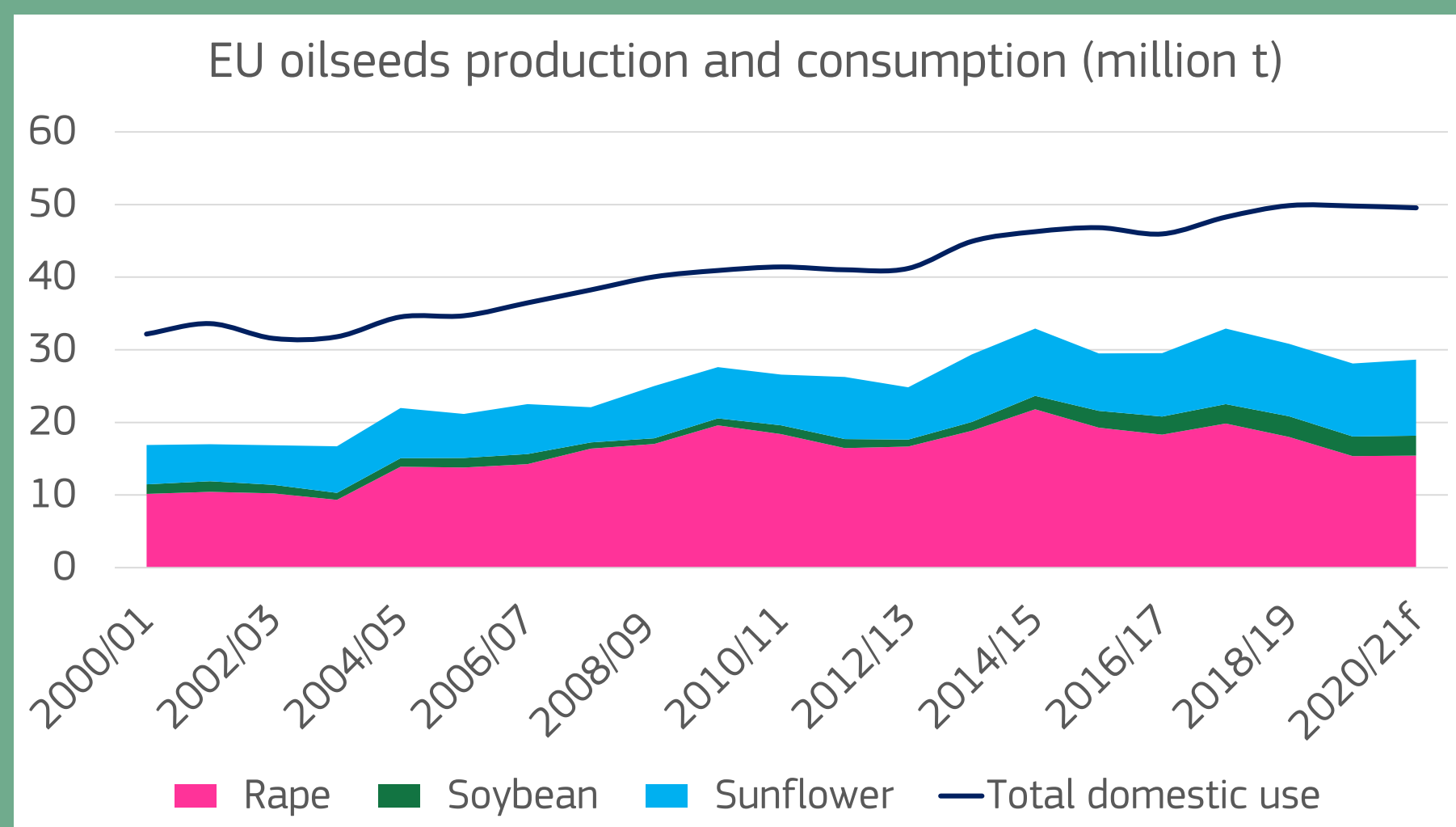


# EU production levels in 2020/21



Note: Size of bubbles represents production levels.

Source: DG Agriculture and Rural Development.



Source: DG Agriculture and Rural Development.

## EU cereals output expected to decline in 2020/21

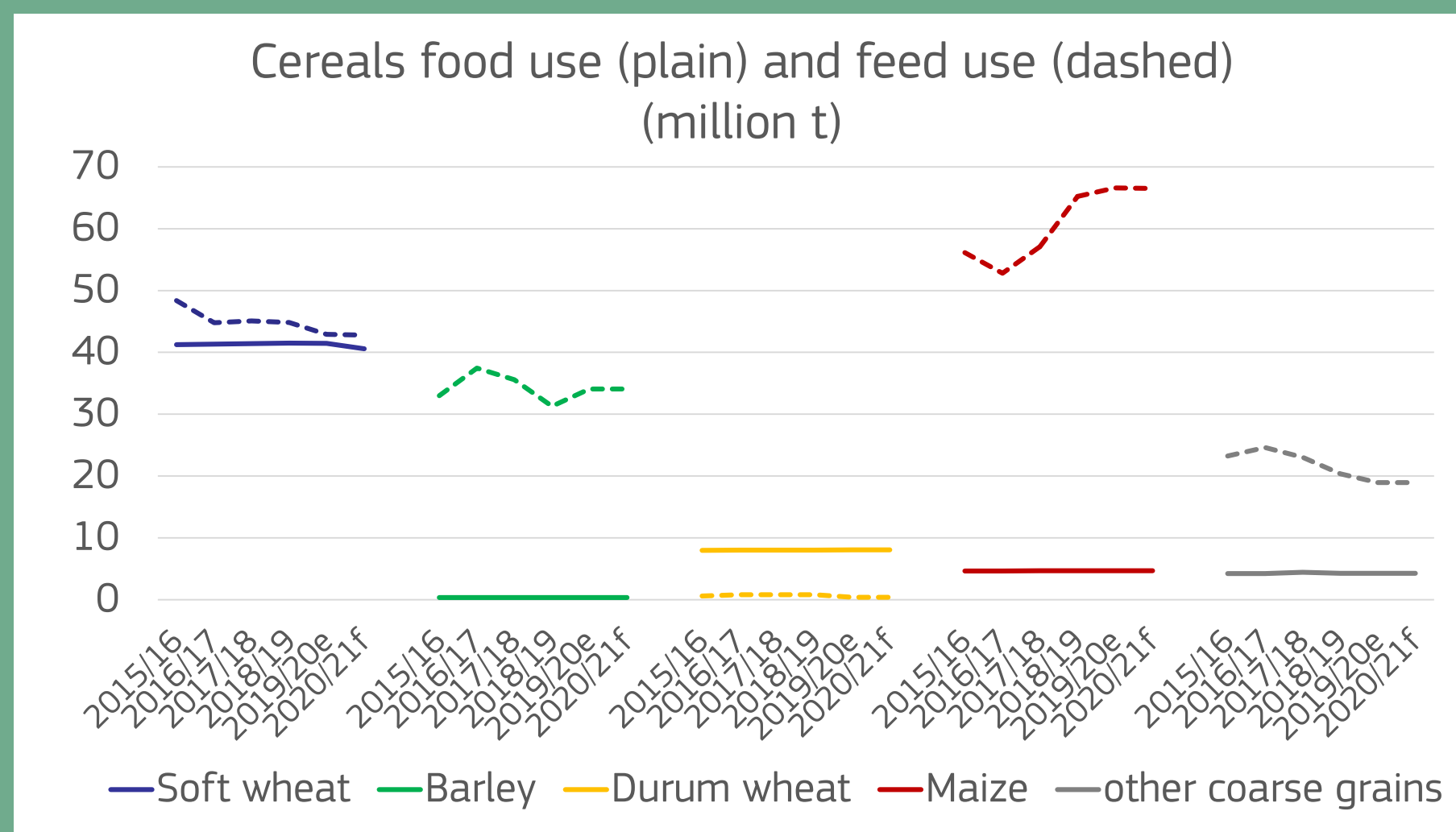
- After a 6-year high in 2019/20, total **EU cereals production** is expected to reach **286.3 million t**, a decrease of -2.7% compared to 2019/20 but still 1.7% above the 5-year average.
- The expected **wheat production decline** is a consequence of reduced winter wheat planted area mainly due to adverse conditions in northern and western EU in the autumn, and to an excessively dry spring. Total soft wheat production is due to reach **118 million t** (-6%/5-year average) with a strong decrease in FR and DE, the two main producing countries (-23% and -5% year-on-year respectively). EU **durum wheat** production should be **7.3 million t** (-3% year-on-year) due to low yields in FR (-20%).
- On the contrary, **coarse grains** production should **expand** compared to 2019/20 with spring barley production (57 million t in total, 8.3% year-on-year) compensating for the reduced production of winter barley (-7%). Maize production may exceed last year's level and hit a 6-year high (72 million t). However, maize is at an early development stage which makes this forecast uncertain at this point.

## EU oilseeds and protein crops production should increase moderately

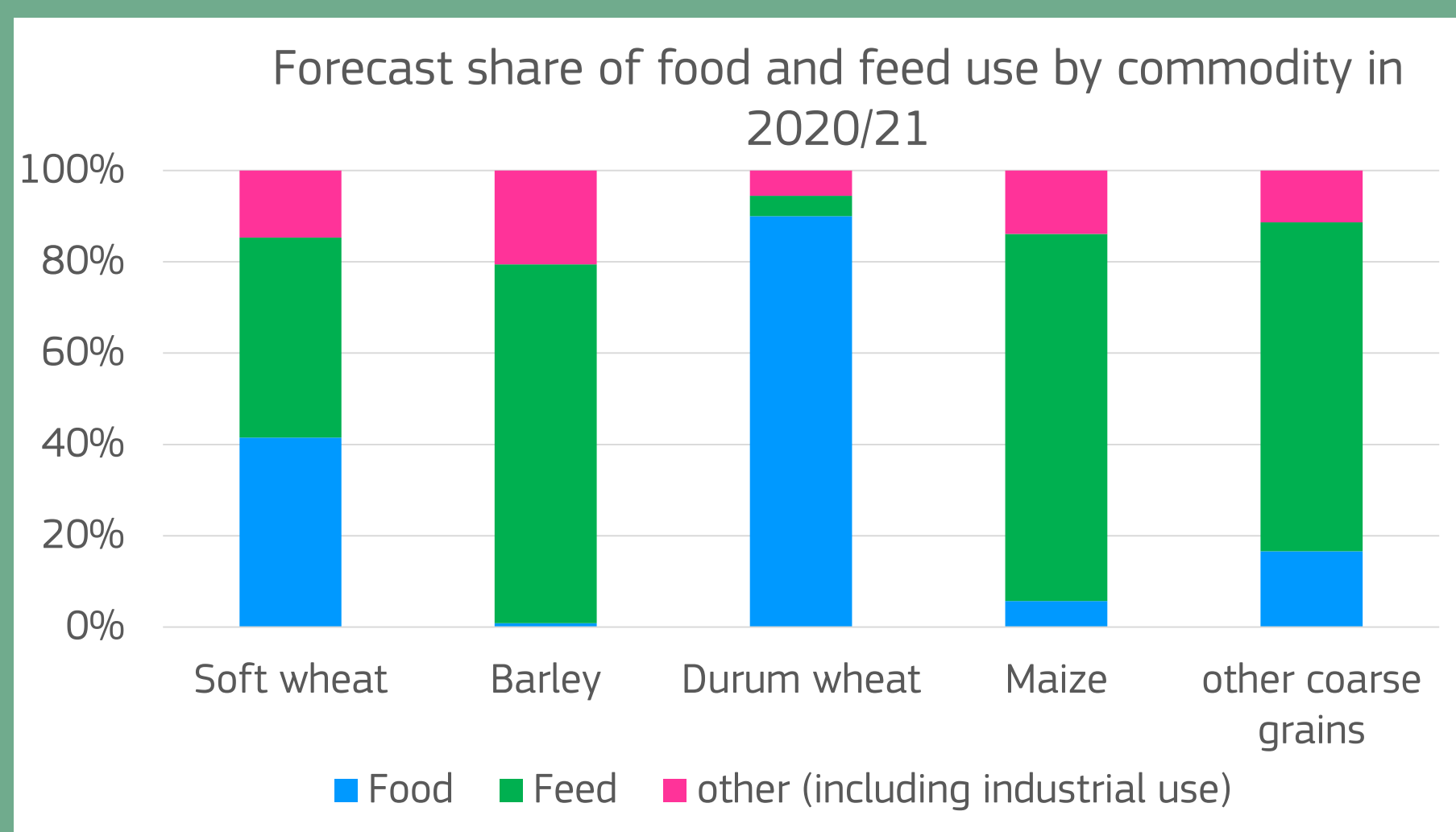
- In 2020/21, EU **rapeseed** production is expected to reach the same low level as in 2019/20 with **15.4 million t**. Dry sowing conditions hampered winter rape planting, and the relatively warm and wet winter favoured pest pressure. A dry spring further negatively affected plant developments.
- Sunflower** production could increase up to **10.4 million t** (8.9%/5-year average) due to favourable weather conditions during the sowing period which led to an increase in planting area (1.3% year-on-year).
- Soya beans** area is expected to slightly increase after a small contraction during 2019/20 (2.6%/5-year average). Assuming normal weather conditions over the summer, EU production should reach **2.8 million t**, with the most significant production increase in RO (12% year-on-year).
- EU production of **protein crops** is due to **increase by 11.6%** in 2020/21, thanks to a rise in planted area. Field peas and broad beans sowing areas should increase in DE, FR and FI.



# Cereal internal market consumption



Source: DG Agriculture and Rural Development.



Source: DG Agriculture and Rural Development.

## Food use to slightly rebound in 2020/21

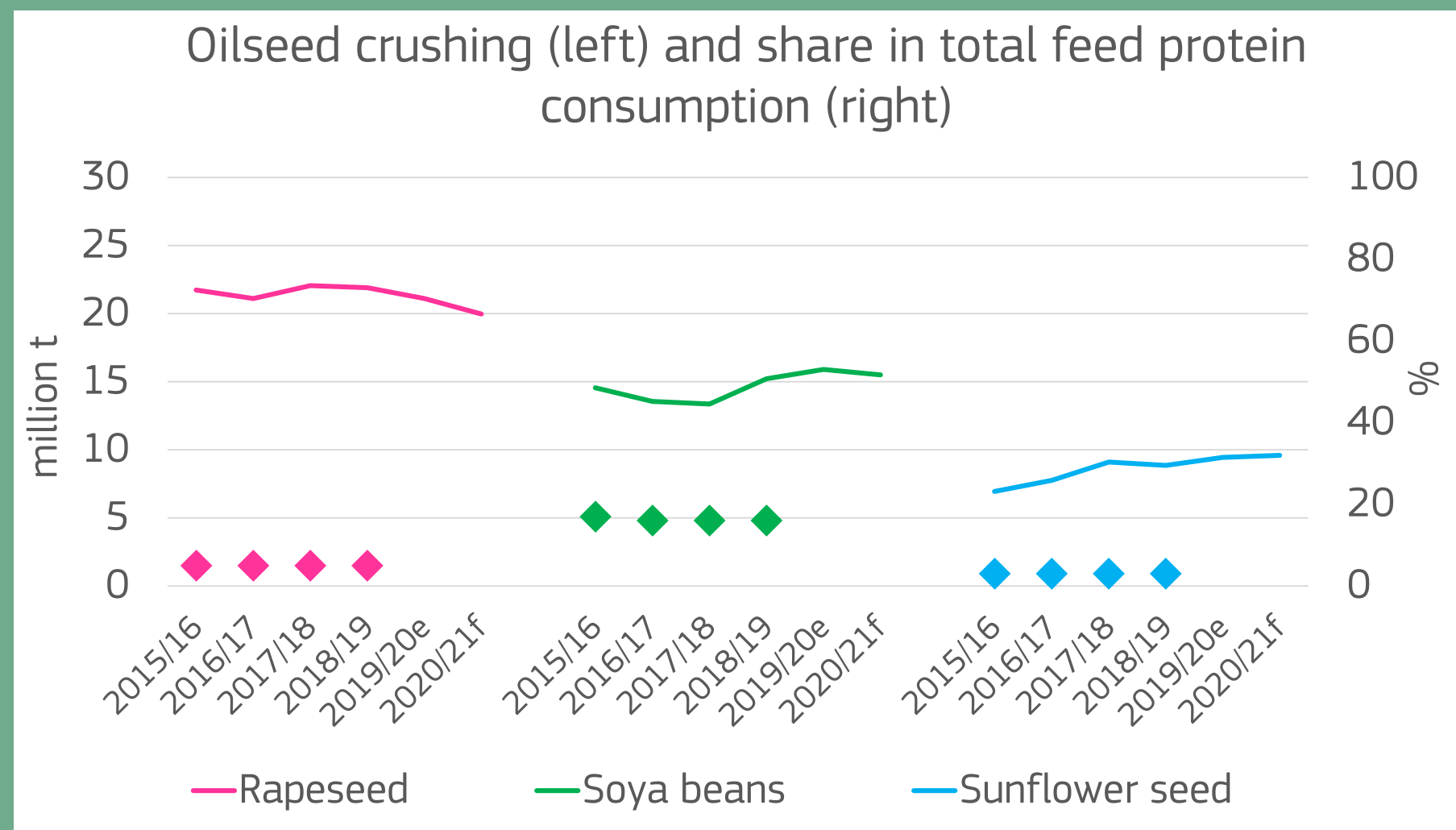
- The **EU total consumption of cereals** is estimated to **decrease** by 0.6% in 2019/20, mainly due to a drop in soft wheat flour consumption. This stems from a reduced demand from bakeries and foodservice, a consequence of the Covid-19 lockdown measures only partly compensated by an increase of at-home consumption. The total cereal food use is expected to reach 57.8 million t in 2019/20 with **soft wheat food use declining by 2.4%** and durum wheat food consumption (e.g. for pasta) slightly increasing on trend (+0.3%).
- With **human consumption** of staple food (including cereals) less elastic than for other food, the Covid-19 crisis is not expected to have a long lasting impact on overall demand for cereals for food use. It is therefore expected to **rebound** slightly in **2020/21**.
- Closure of foodservice has greatly affected **malting barley** non-feed **consumption** as beer consumption dropped. The **reduction** in barley non-feed consumption is estimated to **reach -8%** in 2019/20 and is expected to slightly recover in 2020/21.

## Limited prospects in 2020/21 for animal feed and industrial use

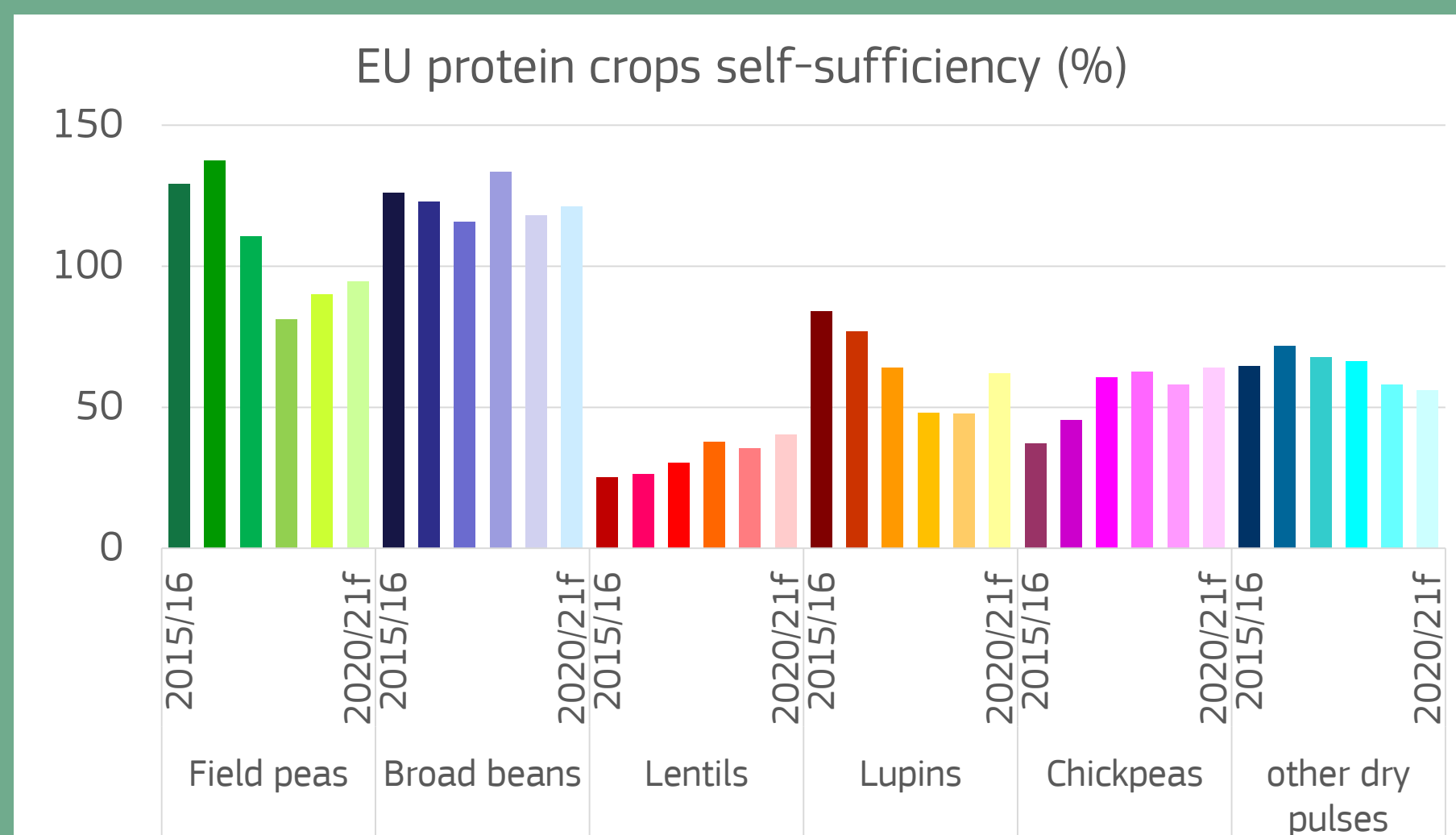
- In **2019/20**, the use of cereals for **feed** should grow slightly (0.3% year-on-year), to **163 million t**. Very good cereals output in 2019/20 weighed on domestic prices and led to an increased use of cereals in feed rations, particularly **maize (+2.1%** year-on-year) and **barley (+8.9%)**. **Wheat** use for feed should however decrease in 2019/20 by **4.3%** due to price increases that reduced wheat competitiveness for feed use in the last months.
- For **2020/21**, total use of cereals for **feed** is expected to decline slightly at **162.6 million t** (-0.2% year-on-year), mainly due to a slight decrease of production in the animal sector following the Covid-19 outbreak.
- Regarding the **industrial** use of cereals, a 3.1% decline is expected in 2019/20, with wheat and maize the most affected (-6.0% and -3.4% respectively). The **drop** of cereals use in biofuel production is estimated to reach -7.0%.



# Oilseeds and protein crops internal market consumption



Source: DG Agriculture and Rural Development.



Source: DG Agriculture and Rural Development.

## Slight decline in protein meal production in the EU

- EU total **crushing** volumes in 2019/20 are estimated at **45.7 million t** (-0.5% year-on-year). Mixed developments in demand for protein meals and vegetable oils created some market uncertainties, particularly in the last months of the 2019/20 campaign.
- Low **EU rapeseed** production in 2019/20 and limited market outlets **restricted** the volumes of EU rapeseed crushed. **Additional** imported **soya beans** compensated the lower EU production availability and could increase by 1.7% in 2019/20. Total EU consumption of protein meals (rapeseed, soya bean and sunflower) should remain stable.
- The **decline** in **fuel consumption** put pressure on the demand for vegetable oils in 2020. The drop could reach -1.3% in 2019/20 with **palm oil** the most severely hit (-14%). **Sunflower oil** on the contrary has been increasingly used (**18.2%**), particularly for domestic food consumption.
- In **2020/21**, **crushing** volumes are expected to be stable, due to limited prospects in both protein meal demand (-0.2% year-on-year) and vegetable oil consumption (-3.6%) because of slow recovery of fuel consumption use.

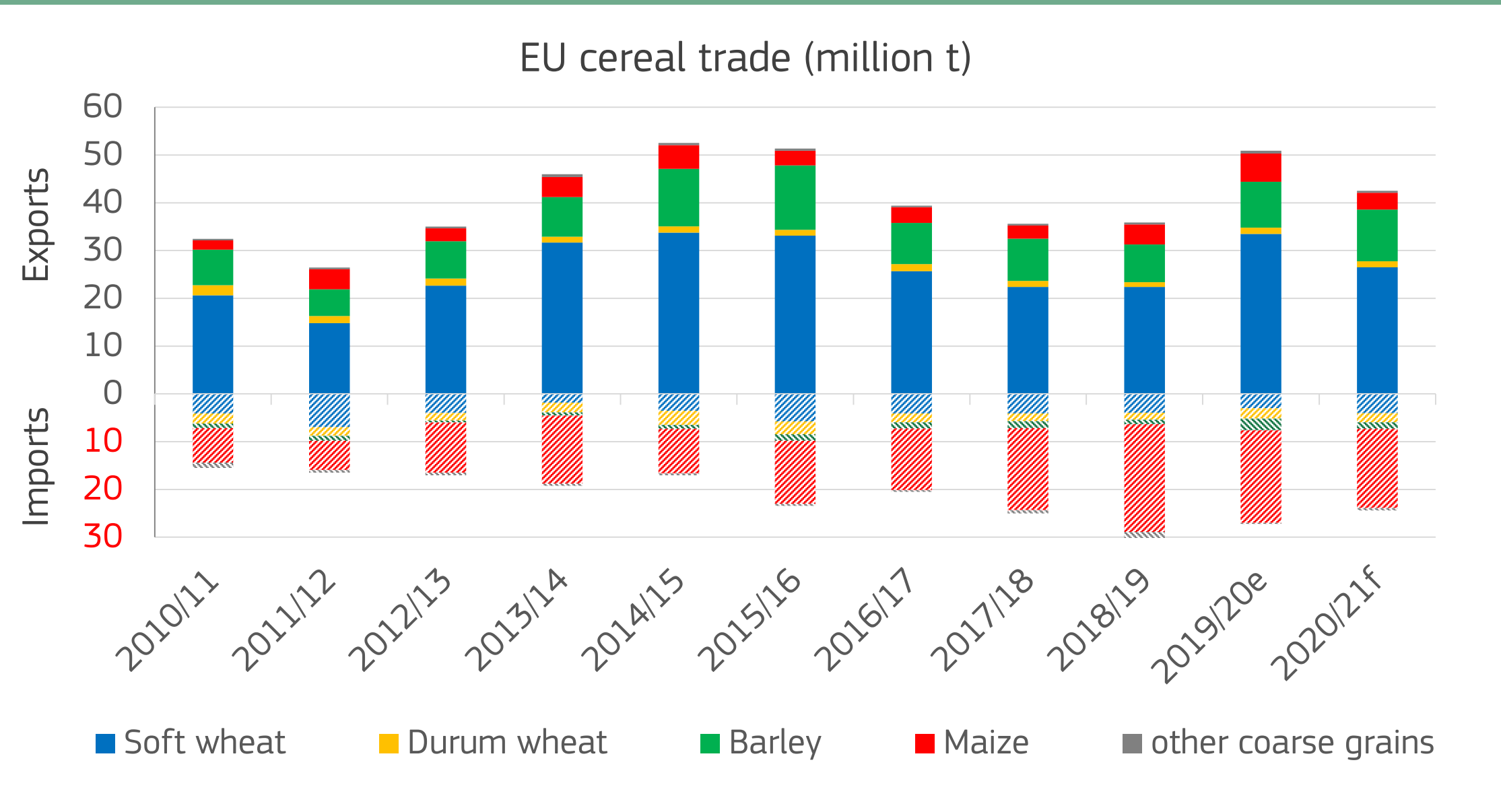
## Rebound in EU protein crops in 2020/21

- In 2019/20, a slight contraction in EU production, ample EU cereals outputs as well as low international prices for maize weighed on domestic consumption of protein crops. This translated into a **lower** use of these crops in **compound feed**. On the contrary, **food consumption** of protein crops continued to **increase (22% year-on-year)** to reach 2 million t. Total 2019/20 domestic use is estimated at 4.9 million t, a slight decrease.
- In **2020/21**, the expected increase in total production of EU protein crops should **boost** consumption, both for **food** and **feed** uses.
- The **EU self-sufficiency** in protein crops is **71%** (average 2017/18-2020/21). Since 2014/15, the domestic **consumption** has **increased** by more than 50%; at an even stronger pace than production, thus the self-sufficiency declined by 5 percentage points.



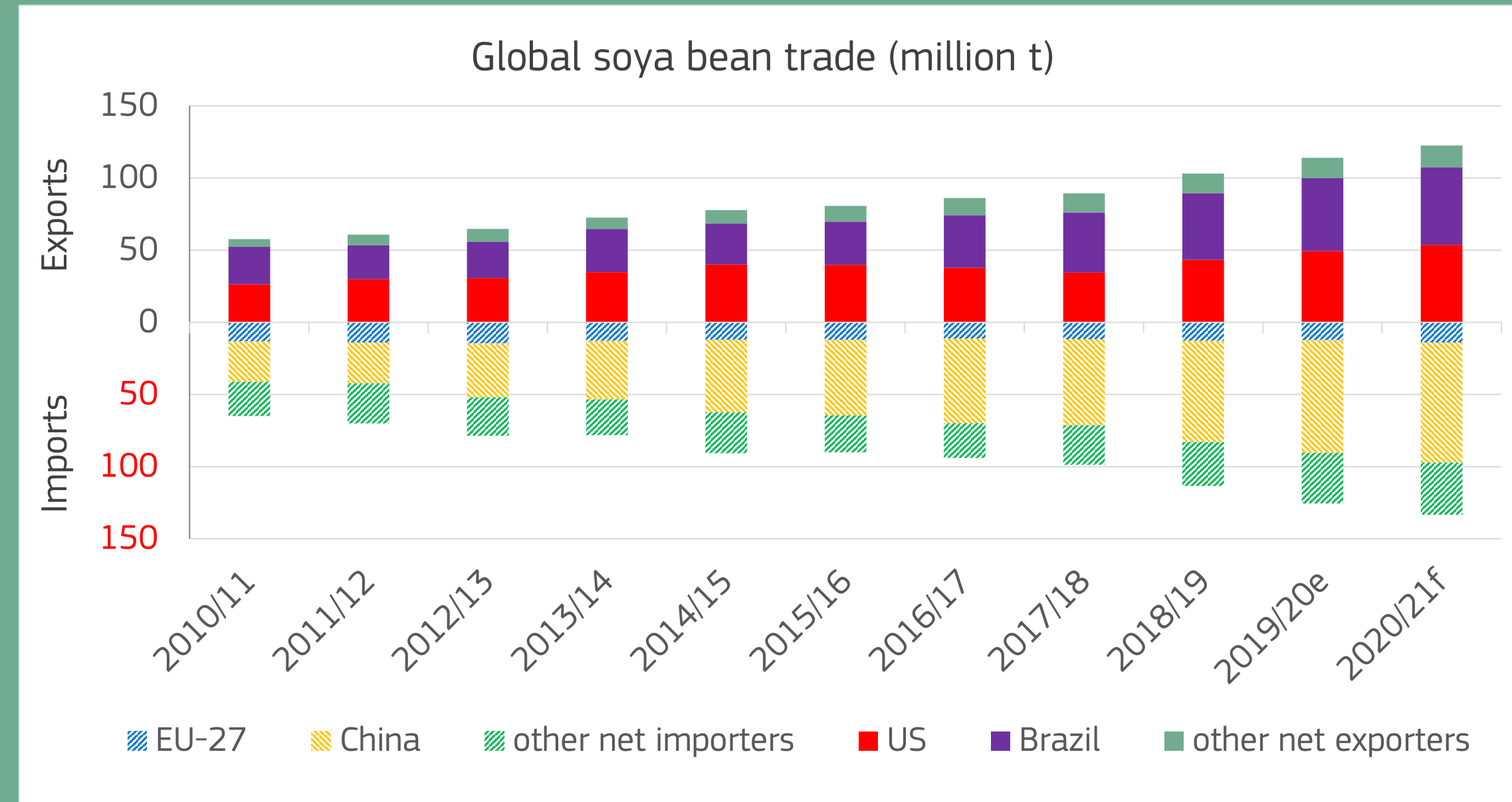
# EU trade flows in 2020/21

## EU cereal trade to be lower in 2020/21



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

## Global soya bean trade expanding, with stable EU imports



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

According to IGC estimates, both **global grains production** and trade volumes should increase to reach a **new record high** in 2020/21. In particular, a record production of maize is expected at 1.2 billion t. Wheat production is expected to be almost at the same level as in 2019/20.

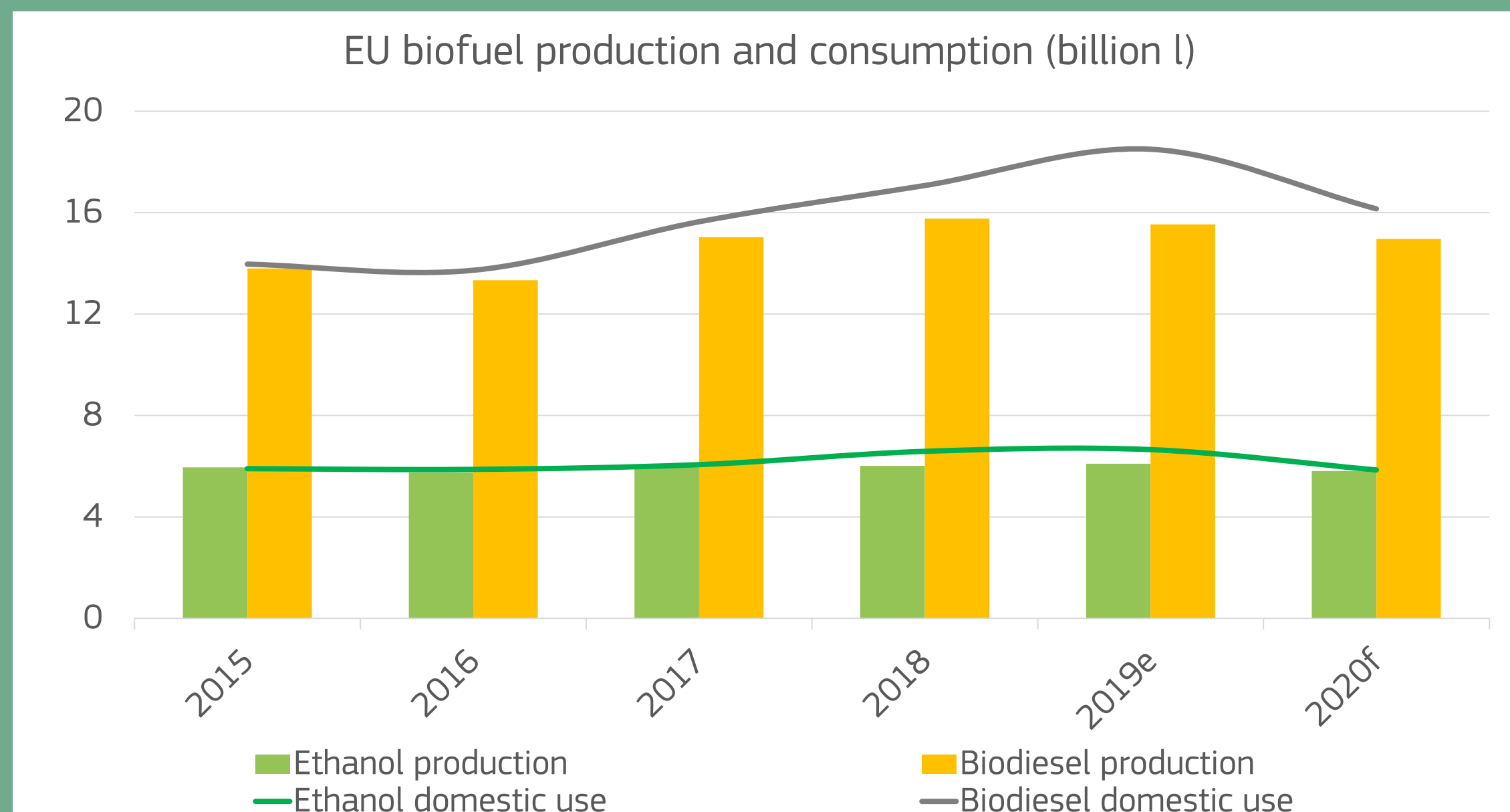
Ample EU cereal supplies weighed on EU domestic prices, particularly for wheat. This allowed **EU soft wheat** to be competitive on the international markets, with **exports** estimated at **34 million t** (+22%/5-year average), and led to a reduction in maize imports (-14%/5-year average). In 2020/21, trade is expected to contract due to lower wheat output and lower maize imports.

In the **oilseed complex**, strengthening demand for rapeseed and sunflower seed **sustained EU imports** during 2019/20. Both soya beans and meals imports are due to be on trend. Palm oil imports are estimated significantly lower (-14%/year-on-year), partially compensated by sunflower and soya oil imports (34% and 25% increase year-on-year respectively), notably for food use.

First estimates of **trade** development in **2020/21** indicate a **contraction** of overall EU oilseeds trade flows due to limited growth in protein meals demand and slow recovery of vegetable oils demand. Globally, it is expected that Chinese demand for soya beans will resume.



## 2020 demand for biofuels to decline with lower fuel use

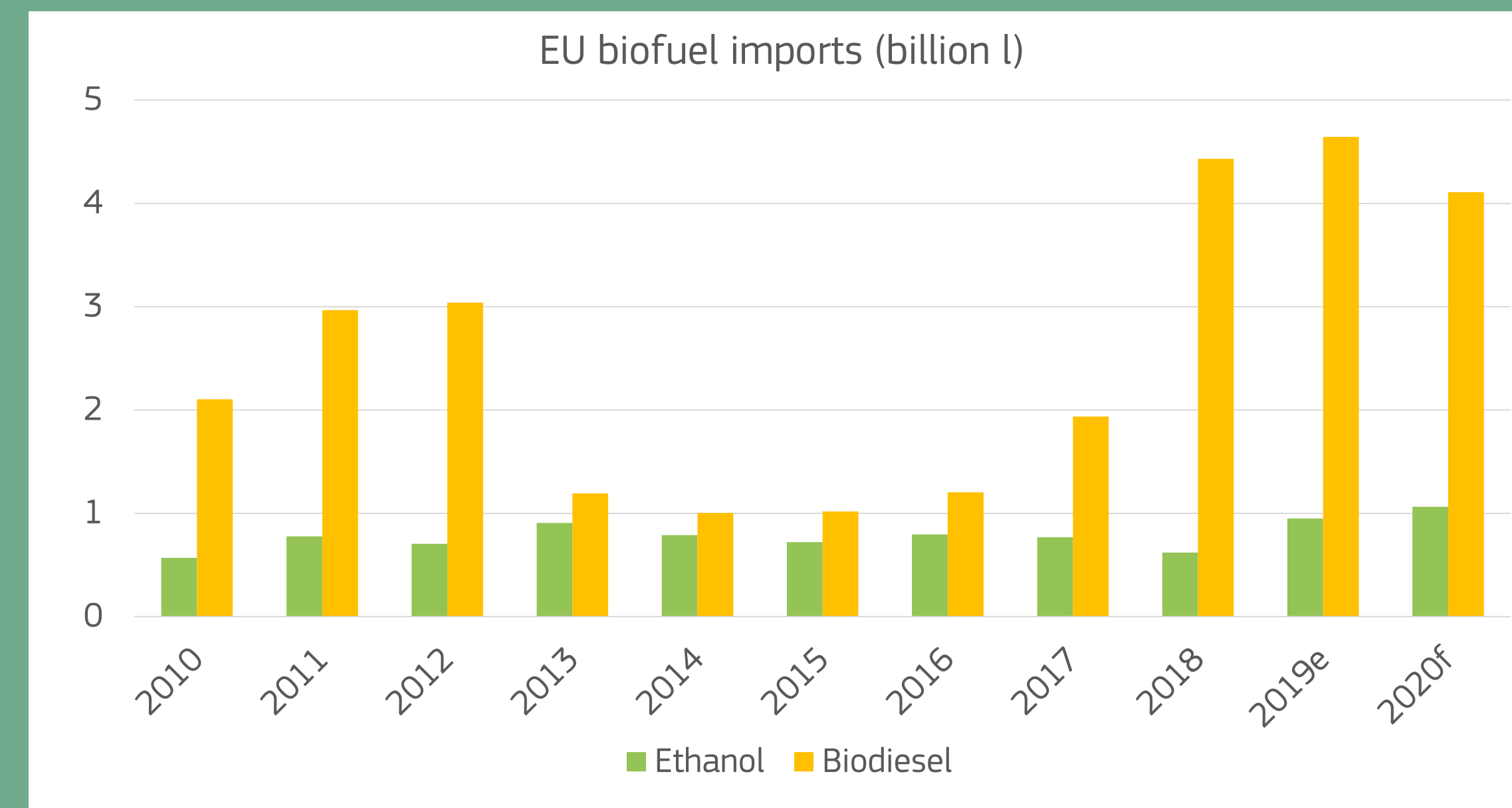


Source: DG Agriculture and Rural Development, based on Eurostat (biodiesel) and MS notifications (ethanol).

🔑 **Lower fuel use** due to Covid-19 lockdown measures translated into a significant **decline in biofuel use for transport** in 2020. Almost the whole biodiesel production was directed to fuel use, with a large part for road freight less impacted than other transport means. This could lead to a 13% decline for EU biodiesel use.

🔑 About one third of ethanol is consumed in the food and beverages industry or directed to industrial uses. However, the **additional demand for ethyl alcohol for disinfectants** in 2020 only **partly compensates** the lower demand for fuel. Overall ethanol demand is due to contract by 12% in 2020.

## Biofuel imports forecast to remain high in 2020



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

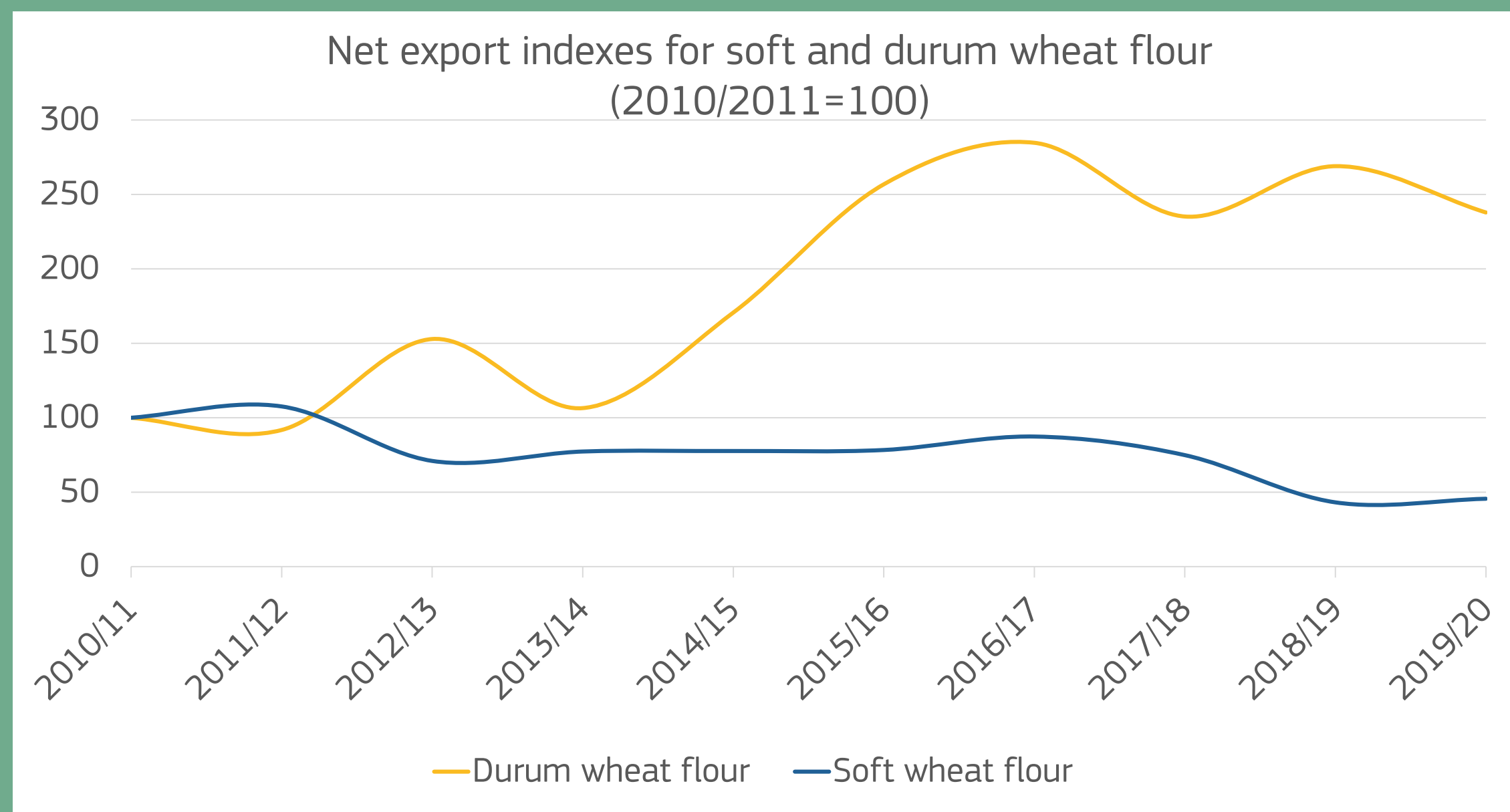
🔑 **Biodiesel imports** are expected to **decline** in 2020 but remain still at **historically high levels** (around 4.1 billion l). Ethanol imports are due to increase slightly to reach 1.1 billion l.

🔑 Under high imports and lower demand, 2020 **EU production of biofuels could decline** to 15 billion l of biodiesel (-4% year-on-year) and 6 billion l of ethanol (-5%).



# Wheat flour

## Mixed trends in wheat flours trade flows

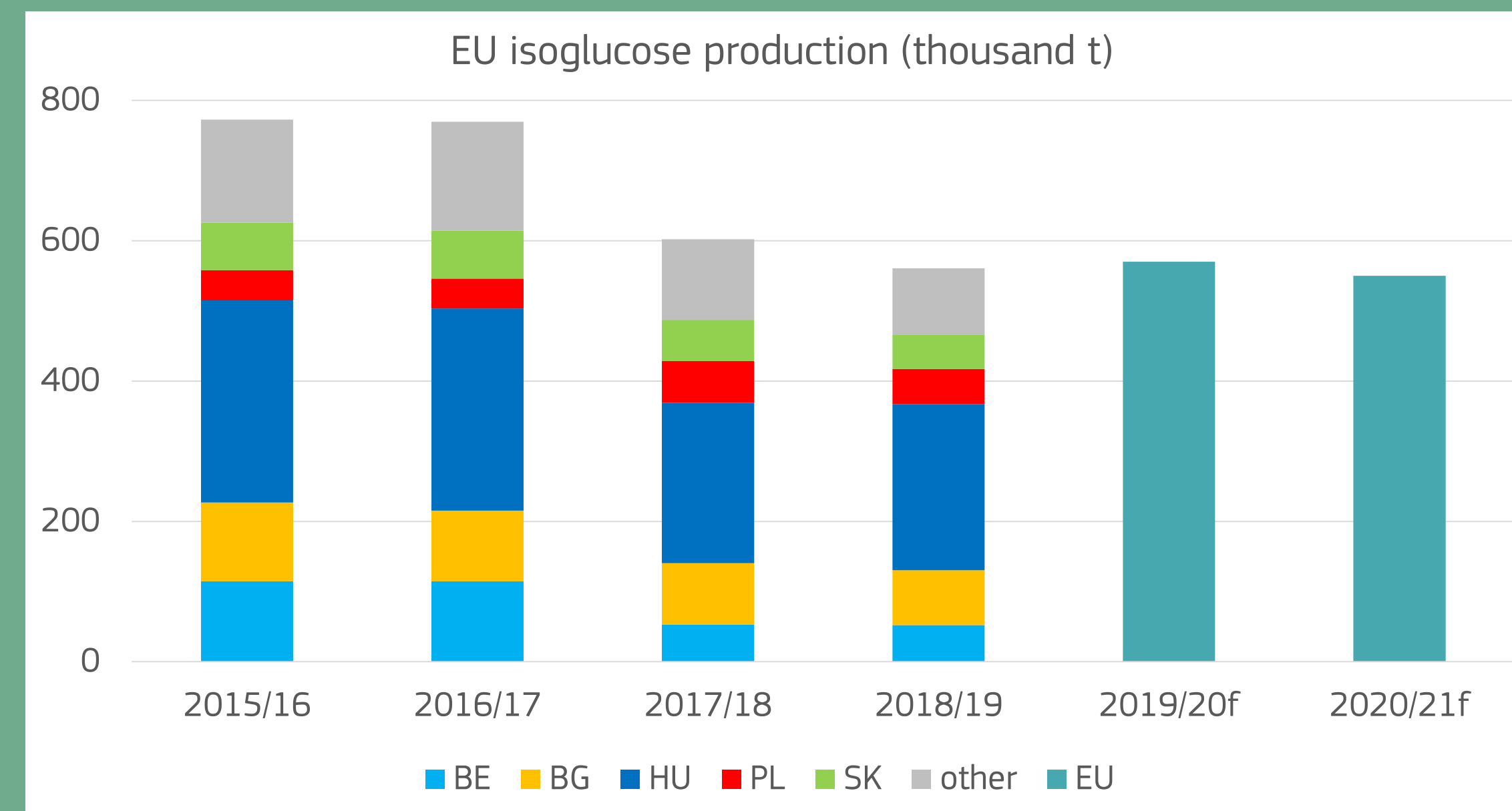


Note: Annual data are the monthly aggregates from July to March.

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

# Isoglucose

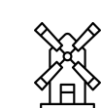
## Isoglucose production to remain under 600 000 t



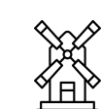
Source: DG Agriculture and Rural Development, based on MS notifications.



**Food consumption** corresponds to 40% and 87% (5-year average) of the total domestic use of soft and durum wheat respectively. These volumes are milled into **flour or semolina to be sold in the retail or further transformed** (e.g. into pasta and bakery products).



**EU consumption of pasta continues to rise.** It is estimated that more than 4 million t is consumed in the EU. According to Euromonitor, pasta consumption increased by 1% in 2019 compared to 5-year average.



On the trade side, the EU has been increasing durum wheat flour imports (+150% since 2010) while soft wheat flour exports declined (-45%).



**2019/20 EU isoglucose production** is now forecast around **570 000 t**.



The **decrease in soft drink consumption**, main destination for isoglucose, could lead to a reduction in the use of isoglucose of -5% in 2019/2020.



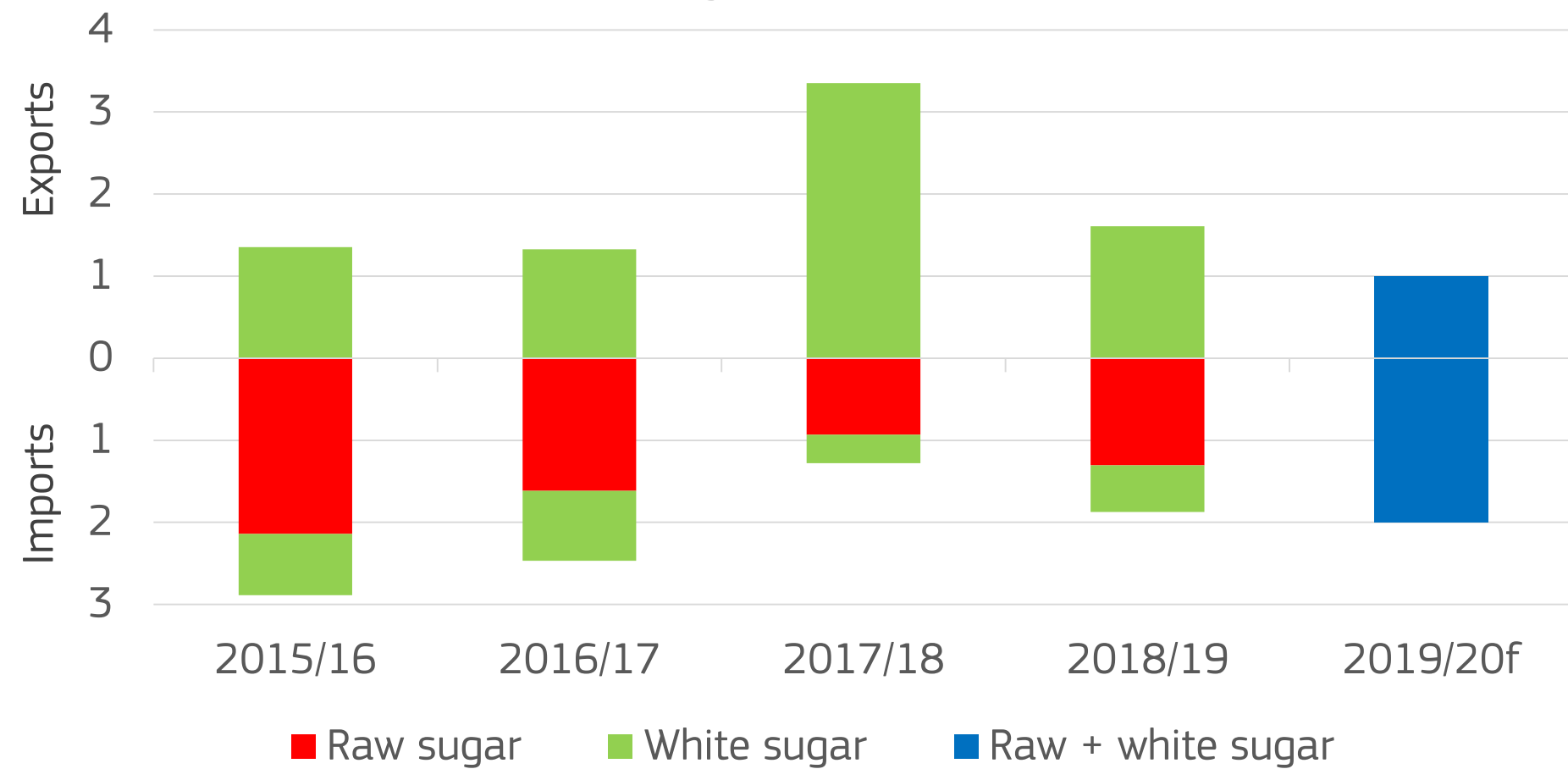
**Exports are expected to remain stable** while imports have become negligible since the end of production quotas in October 2017.



With lower demand for isoglucose in 2020, 2020/21 EU production is forecast to remain low, close to the 2019/20 level.

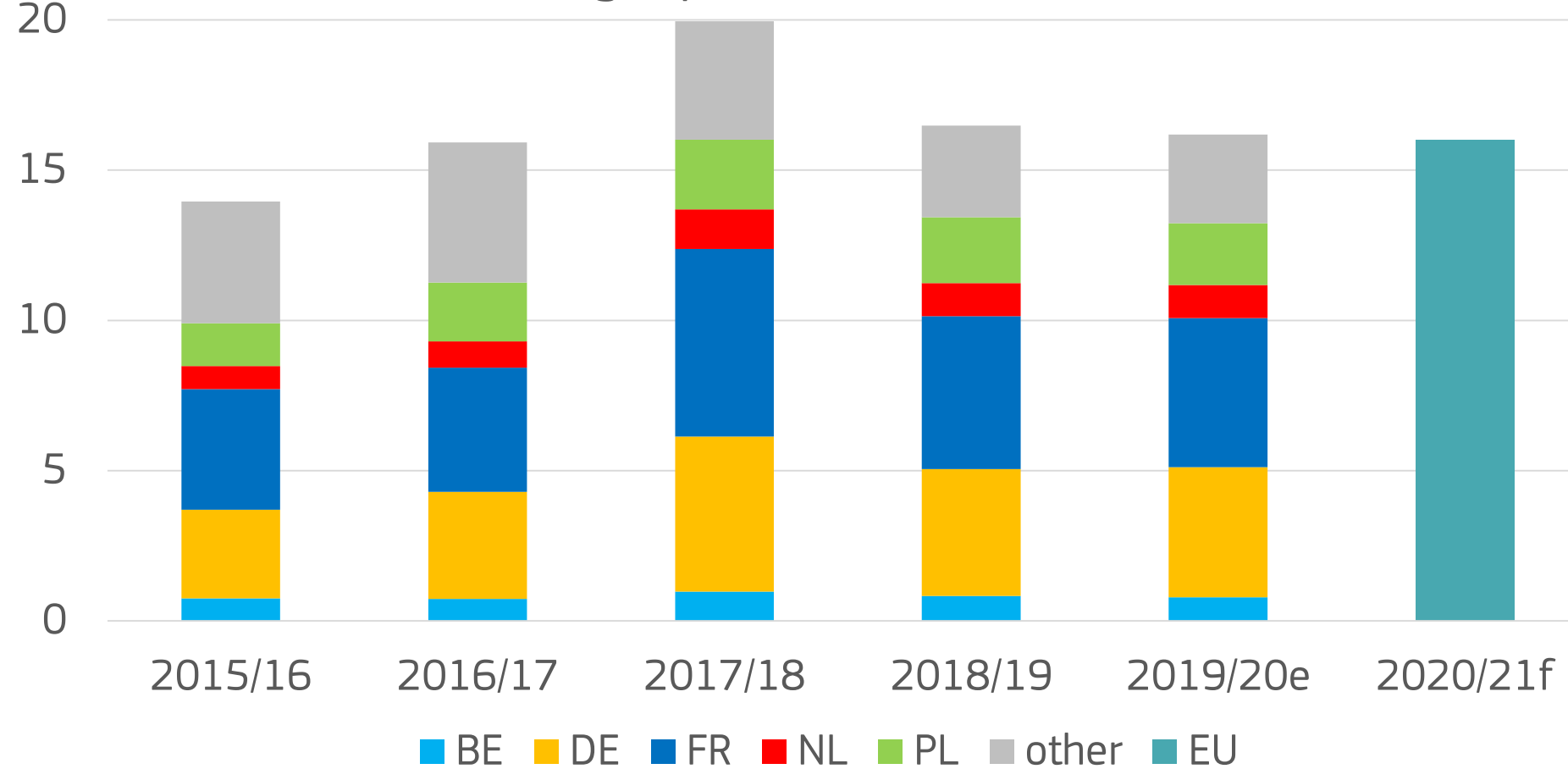


EU+UK sugar trade (million t)



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

EU sugar production (million t)



Source: DG Agriculture and Rural Development, based on MS notifications. 2020 forecast based on sugar beet area estimates and JRC MARS yield forecast (no MS notifications yet provided).

## Confinement measures to reduce sugar consumption

- The **Covid-19 confinement measures** are forecast to translate into a **slight decrease in EU+UK sugar consumption**. This stems from lower processing into ethanol and lower sales of soft drinks and other sweet products relying strongly on catering channels (e.g. ice cream).
- World sugar prices are slowly recovering** from the steep drop in March and April 2020. The EU+UK notified average white sugar price continued to slowly increase and reached EUR 379/t in April 2020.
- Sustained EU+UK sugar imports** lead to a forecast of 2 million t for the current marketing year (+7% year-on-year). Exports remain low since January 2020 and could reach 1 million t (almost 40% less year-on-year).
- Increasing net imports and lower domestic uses result in an **increase of EU+UK end stocks** forecast at 2 million t for 2019/20 (+11% year-on-year).

## 2020/21 EU sugar production forecast close to previous year

- The **EU sugar beet area is estimated to contract** by close to 2% in 2020/21 to reach **1.5 million ha**. Dry weather in the first half of the spring led to an uneven emergence of sugar beet plants. Subsequent rainfalls seem however to have limited for the time being further impact on yields. **Early beet yield estimates** are forecast at **73 t/ha** (+1% year-on-year and equal to the 5-year average).
- 2020/21 EU sugar beet production** is forecast at around **110 million t**, close to the previous year. Sugar production could reach similar levels than in the current marketing year, around 16 million t.
- Global production in 2020/21** is expected to **recover** from low production in the current marketing year, with a higher share of Brazilian cane directed to sugar production instead of ethanol due to the drop of crude oil.



# SPECIALISED CROPS

## Market developments in the EU

| APPLES  | 2018/2019    |                  | 2019/2020    |                  |
|--------------------------------------------------------------------------------------------|--------------|------------------|--------------|------------------|
|                                                                                            | <i>fresh</i> | <i>processed</i> | <i>fresh</i> | <i>processed</i> |
| Production                                                                                 | ↑ +24%       | ↑ +69%           | ↓ -7.0%      | ↓ -36%           |
| Exports                                                                                    | ↓ -13%       | ↑ +94%           | ↗ +1.0%      | ↓ -32%           |
| Imports                                                                                    | ↑ +53%       | ↓ -31%           | ↓ -15%       | ↑ +15%           |
| Consumption                                                                                | ↗ +3.0%      | ↑ +17%           | ↑ +10%       | ↓ -24%           |

| TOMATOES  | 2018         |                  | 2019         |                  |
|----------------------------------------------------------------------------------------------|--------------|------------------|--------------|------------------|
|                                                                                              | <i>fresh</i> | <i>processed</i> | <i>fresh</i> | <i>processed</i> |
| Production                                                                                   | ↘ -3.8%      | ↑ +8.8%          | ↘ -1.7%      | ↗ +1.3%          |
| Exports                                                                                      | ↘ -4.8%      | ↗ +4.8%          | ↓ -6.9%      | ↘ -4.8%          |
| Imports                                                                                      | ↗ +1.3%      | ↗ +2.4%          | ↗ +3.0%      | ↓ -12%           |
| Consumption                                                                                  | ↘ -3.3%      | ↑ +9.4%          | ↘ -0.9%      | ↗ +1.2%          |

| PEACHES<br>NECTARINES  | 2018         |                  | 2019         |                  |
|-------------------------------------------------------------------------------------------------------------|--------------|------------------|--------------|------------------|
|                                                                                                             | <i>fresh</i> | <i>processed</i> | <i>fresh</i> | <i>processed</i> |
| Production                                                                                                  | ↗ +0.8%      | ↗ +1.4%          | ↓ -21%       | ↓ -8.5%          |
| Exports                                                                                                     | ↑ +14%       | ↑ +5.2%          | ↓ -51%       | ↑ +10%           |
| Imports                                                                                                     | ↓ -10%       | ↓ -39%           | ↑ +23%       | ↑ +14%           |
| Consumption                                                                                                 | ↘ -0.5%      | ↘ -1.0%          | ↓ -18%       | ↓ -14%           |

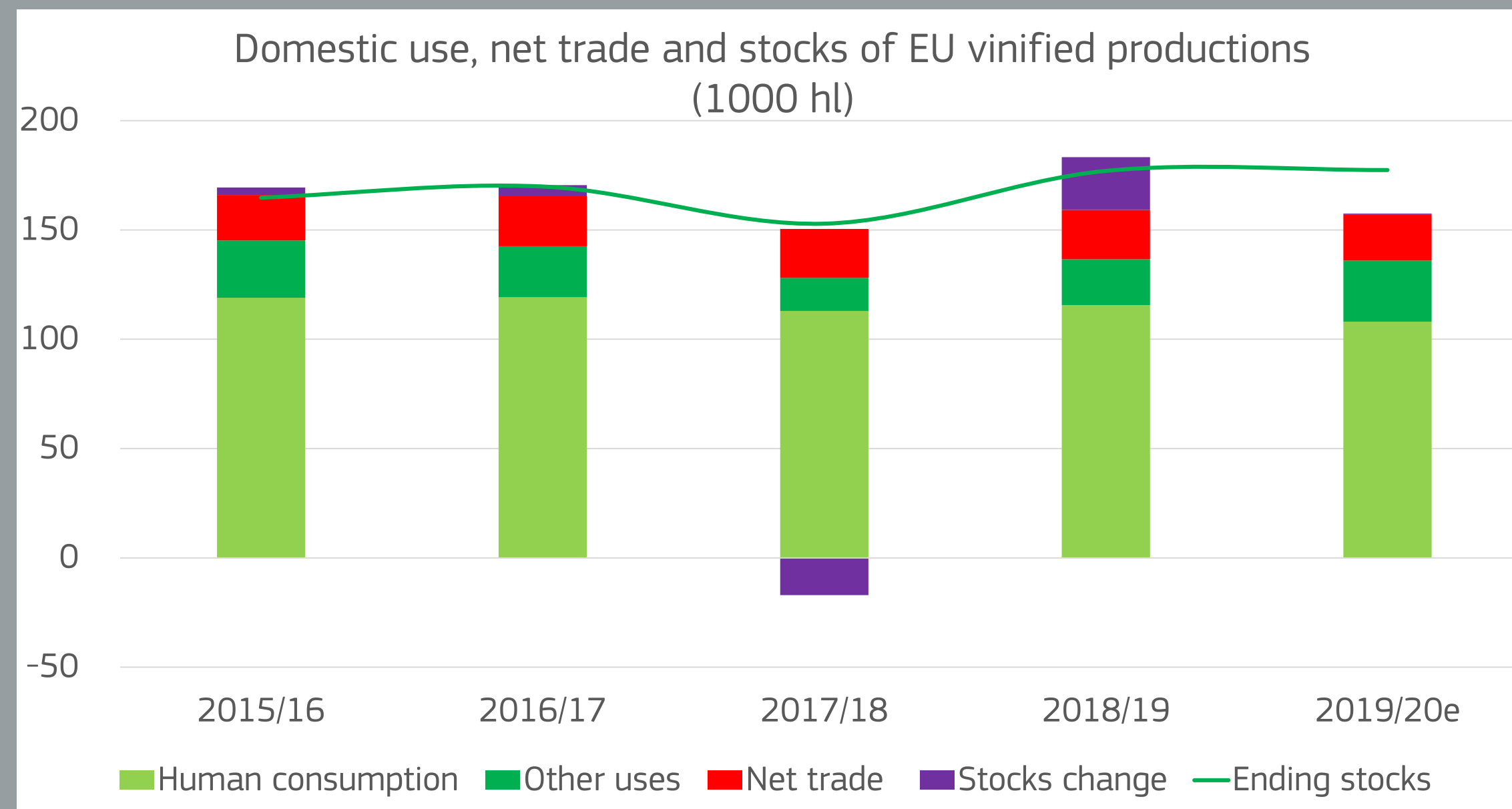
| WINE  | 2018/2019 |  | 2019/2020 |  |
|------------------------------------------------------------------------------------------|-----------|--|-----------|--|
| Production                                                                               | ↑ +37%    |  | ↓ -14%    |  |
| Exports                                                                                  | ↘ -1.0%   |  | ↓ -7.0%   |  |
| Imports                                                                                  | ↓ -5.4%   |  | ↓ -8.4%   |  |
| Consumption                                                                              | ↗ +2.3%   |  | ↓ -6.6%   |  |

| OLIVE OIL  | 2018/2019 |  | 2019/2020 |  |
|-----------------------------------------------------------------------------------------------|-----------|--|-----------|--|
| Production                                                                                    | ↗ +3.4%   |  | ↓ -15%    |  |
| Exports                                                                                       | ↑ +14%    |  | ↑ +5.9%   |  |
| Imports                                                                                       | ↓ -19%    |  | ↑ +36%    |  |
| Consumption                                                                                   | ↓ -5.8%   |  | ↑ +6.4%   |  |

Note: % compared to previous season



## Domestic use stable thanks to crisis distillation



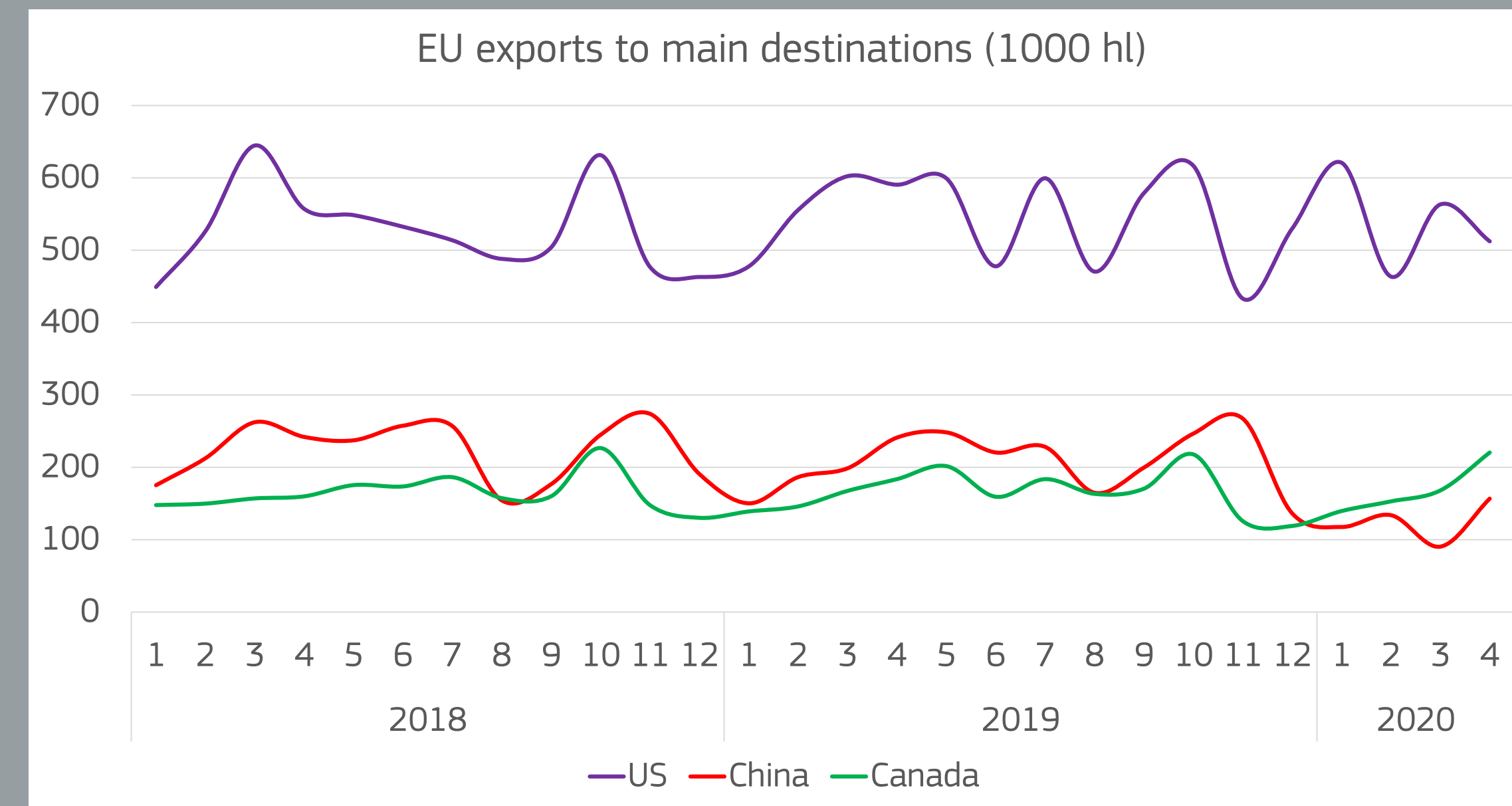
Source: DG Agriculture and Rural Development, based on Eurostat and MS notifications.

EU use of vinified production is expected to **remain stable** in 2019/20.

While **wine consumption is expected to decrease** by 7% in 2019/20 due to Covid-19-related changes in consumption patterns (surge in retail sales not compensating so far the loss in foodservice), vinified production for '**other uses**' (e.g. distillation, vinegar, brandies) is expected **to increase significantly** (+33%). This is among others thanks to the exceptional measures laid down by the Commission allowing crisis distillation.

These developments are expected to result in **stable ending stocks** in 2019/20, at an exceptionally high level.

## EU stocks significantly above average



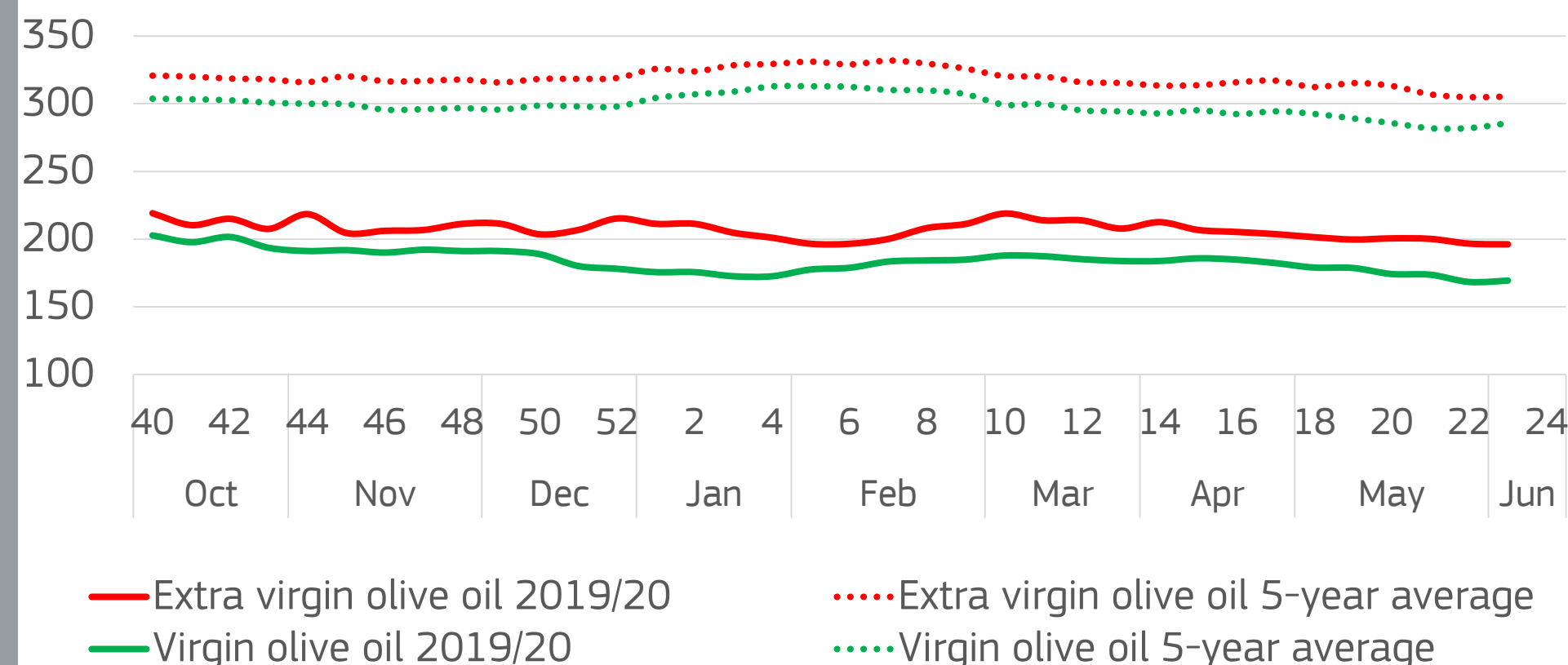
Source: DG Agriculture and Rural Development, based on Eurostat.

EU wine exports, strongly impacted by the Covid-19 crisis globally, are expected to **decline by 6%** compared to the 5-year average. At the same time, imports could decline by 13% compared to the same period.

In January-April, exports to China fell by 18% compared to the same period last year, whereas exports to the US only decreased by 3% despite additional import duties. By contrast, exports to Canada increased (+7%).

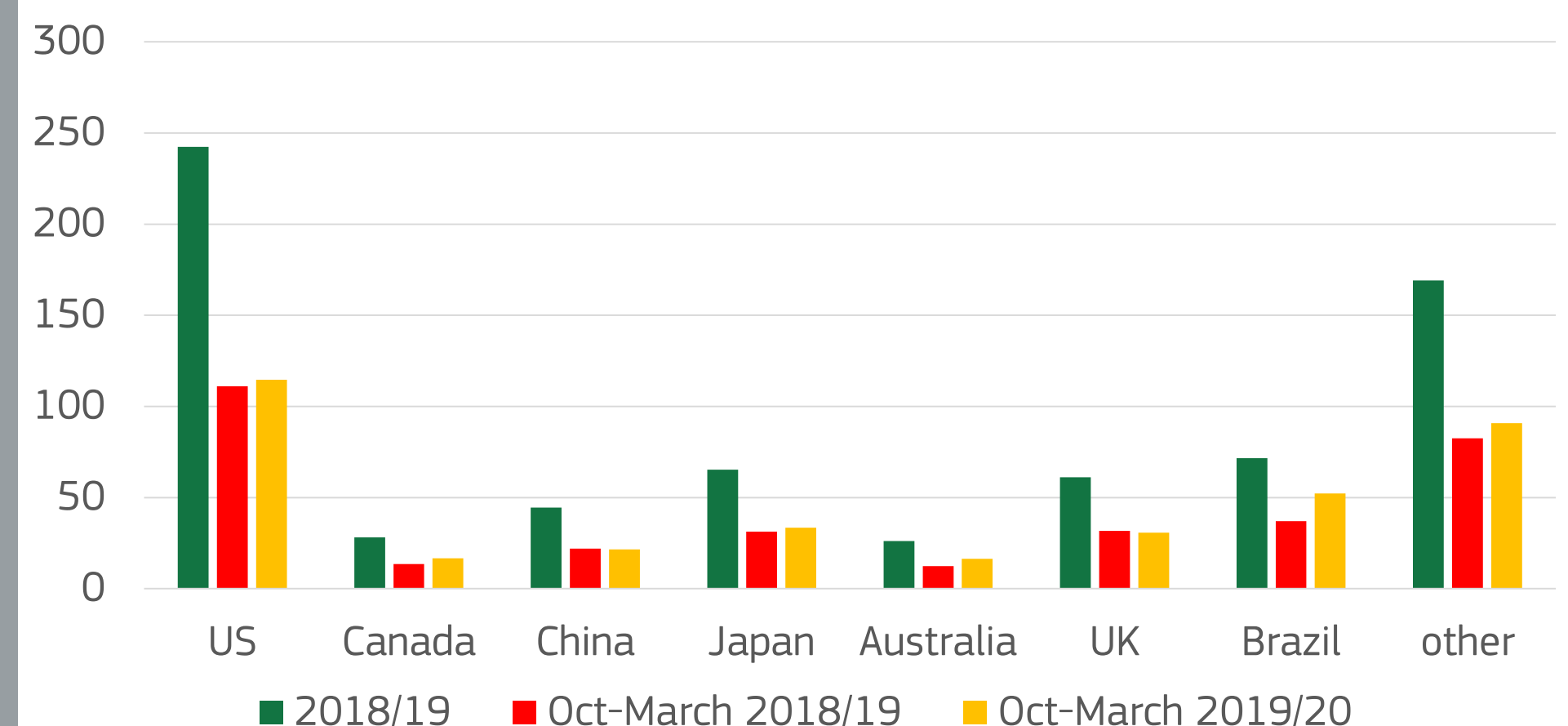


Jaén weekly prices of extra virgin olive oil and virgin olive oil (EUR/100 kg)



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

EU exports of olive oil by destinations (1 000 t)



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

## Olive oil prices remain low due to high availabilities

- 2019/20 EU olive oil production remained below 5-year average (-4%). However, total availabilities (around 2.7 million t) are close to last year's when ES, the main EU producer, had a record harvest.
- There were positive signals pointing towards a price stabilisation early this year following the activation of private storage aid. However, Jaén prices of virgin and extra virgin olive oil **started to decline again** at the beginning of the Covid-19 crisis in March. In May, they were at EUR 170/100 kg for the virgin category and EUR 196/100 kg for the extra virgin one. They remained significantly below last 5-year average for the same period (-41% and -36% respectively).

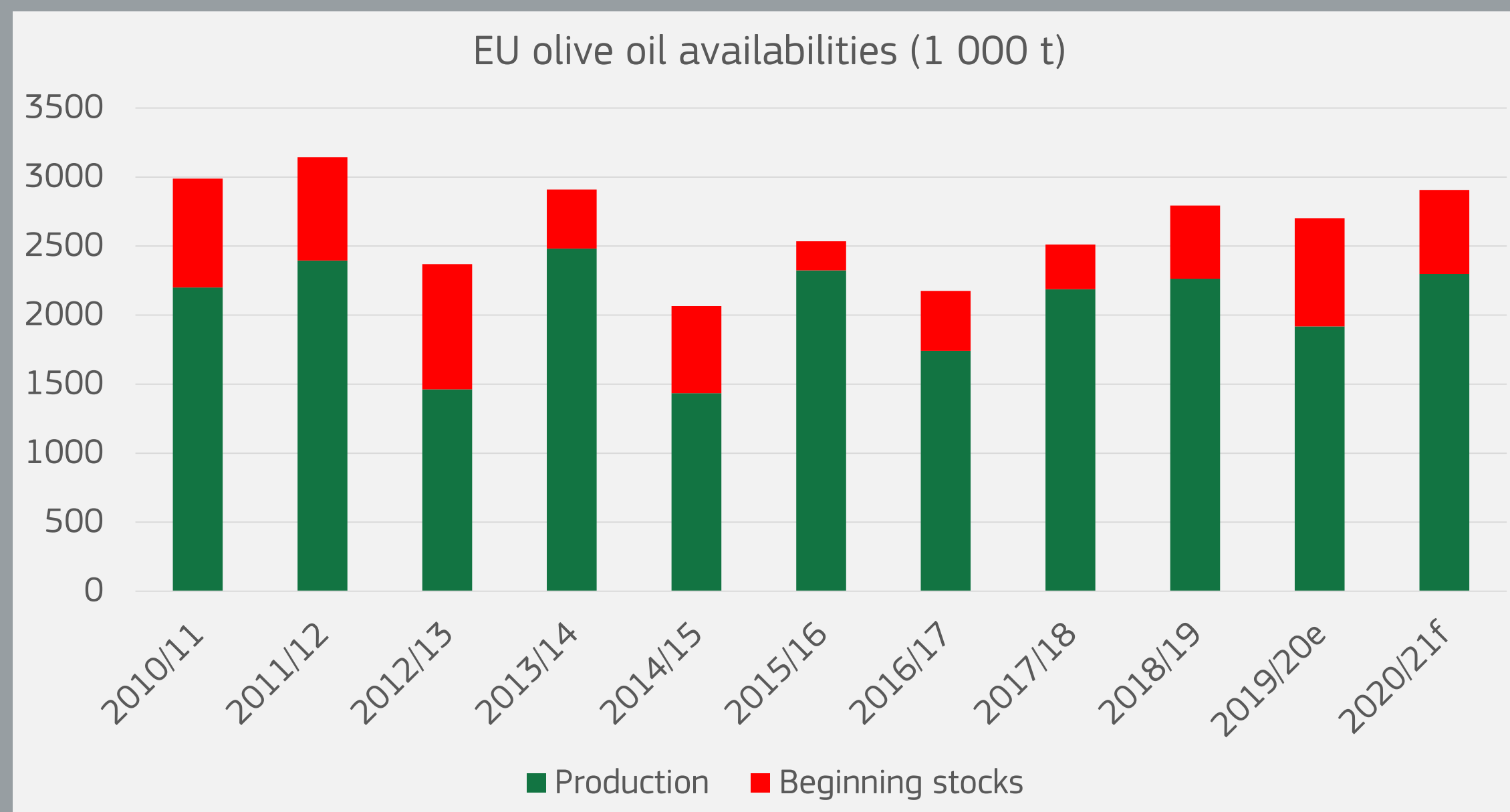
## EU exports continued increasing in 2019/20

- An increase in home cooking due to Covid-19 measures led to an **rise in retail sales** of olive oil, in particular in the main EU producing countries, and in the **use of olive oil in the food industry** (e.g. for canned goods). In non-producing EU countries, sales could likely decrease as a result of a lower purchasing power. All in all, the overall **EU consumption could grow by 6%** in 2019/20.
- EU exports continued to be very dynamic**, growing by 10% in volume (but declining by 24% in value) in October-March. Shipments remained high to all main destinations, with volume increasing most notably to Brazil (+41%), Australia (+32%), Canada (+23%), Japan (+7%), and the US (3%).
- In the specific case of the exports to the US, some took place in **bulk, to be then bottled in the US**. This is the result of recent investments by Spanish companies into bottling facilities there. And some was **Tunisian olive oil** bottled in ES and re-exported to the US: in October-March, EU imports from Tunisia under the inward processing regime increased by 70% year-on-year. The EU is expected to **continue importing olive oil**, likely to reach **200 000 t** by September 2020.
- Global demand is expected to remain strong**, and despite some possible slowdown in a near future due to stockpiling in importing countries in previous months, EU exports could grow by 6% to reach **750 000 t**.
- Both domestic and global demand should facilitate a **stock reduction**, likely to reach **609 000 t** by October 2020.



# Olive oil

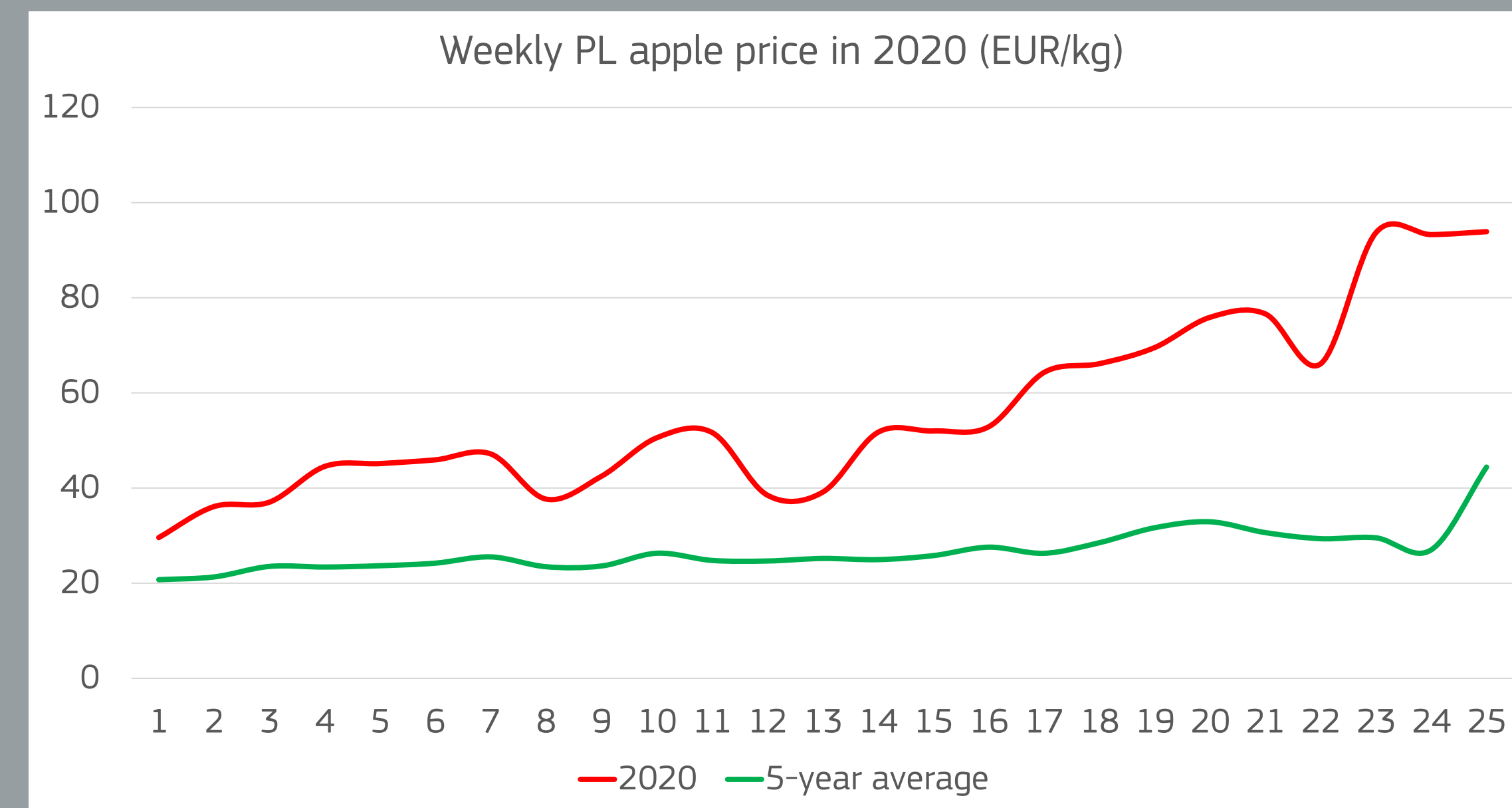
## Another high-production olive oil campaign in 2020/21



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

# Apples

## Record apple price in PL



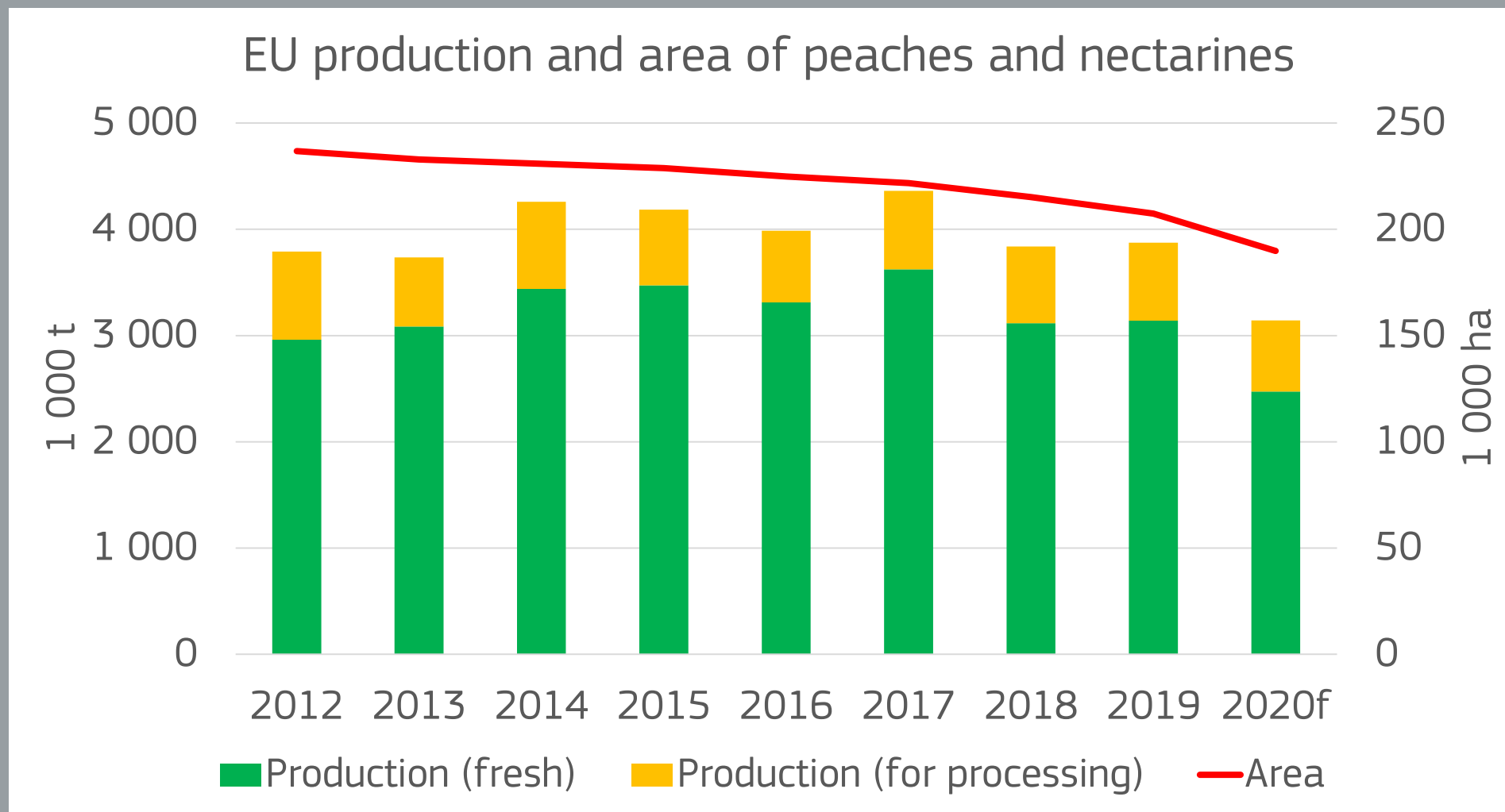
Source: DG Agriculture and Rural Development, based on MS notifications.

- Over the spring, **rainfalls favoured flowering in ES** and conditions have been good so far. If they remain so, another large harvest could be expected. On the contrary, **heat waves in EL and lack of rain in main producing regions in IT** will likely add on an alternance of production (off season in 2020/21). PT is likely to sustain an average growth, although likely at a lower rate than last year.
- As a result, the **2020/21 EU olive oil production could be around 2.3 million t** (+20% year-on-year).

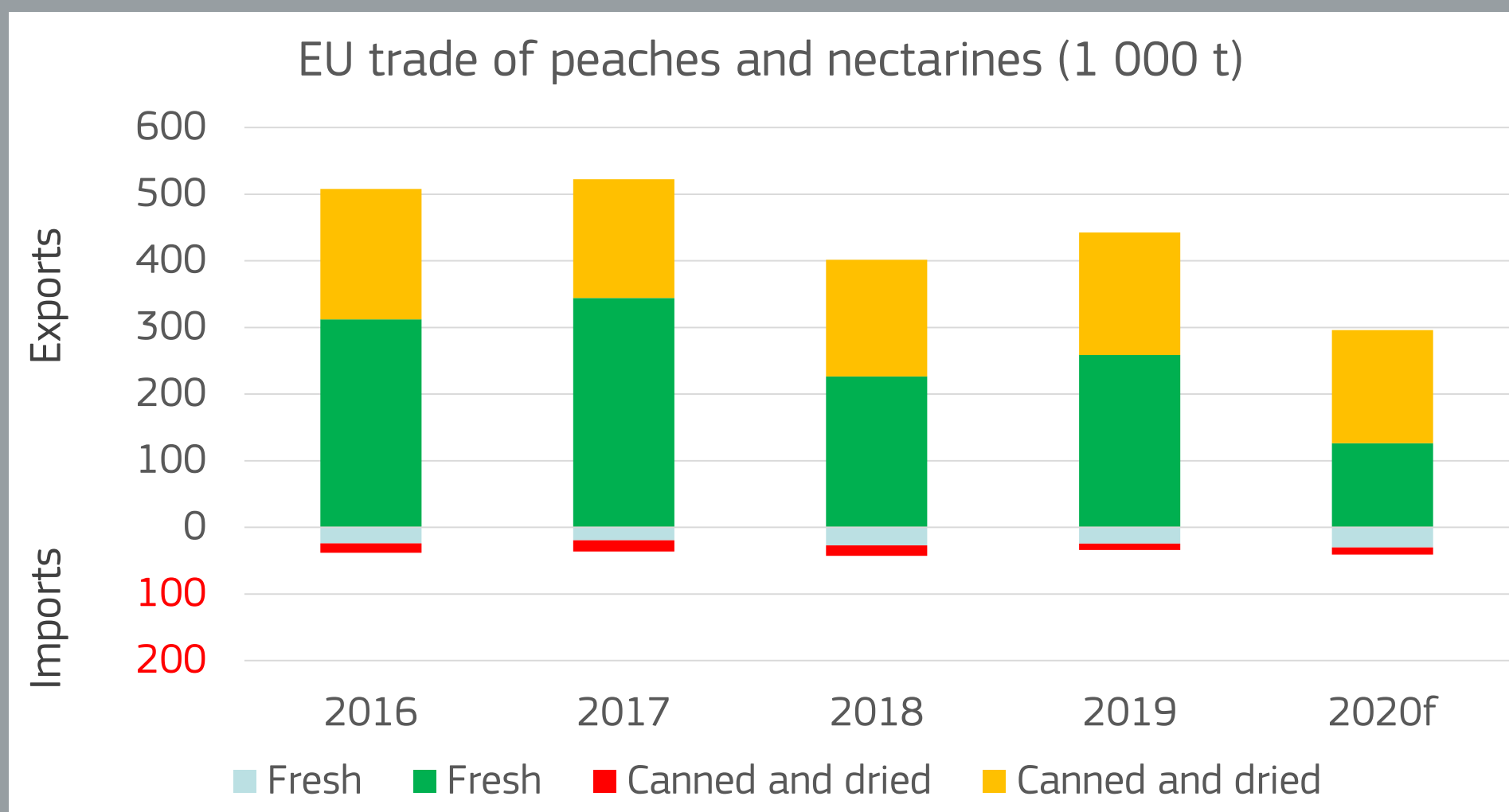
- EU apple prices have been high over the last months due to a small 2019/20 crop and a firm demand during the sanitary crisis period. In PL, **apple prices were record high**, which can be explained by the very low stocks there (58 000 t) and the perspective of an average to low harvest in the next campaign after periods of late frost in the end of April and beginning of May.
- EU exports of fresh apples fell sharply in January-April (-32%) compared to the same period last year. Shipments are expected to remain at this low level and the overall decline to be 15% despite high exports at the beginning of 2019/20.



# Peaches & nectarines



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



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

## Record low production of peaches and nectarines

- Adverse weather conditions and grubbing up of area due to structurally low prices and high production costs are expected to lead to a **record low production (3.1 million t) of peaches and nectarines** in 2020 (-23%/5-year average).
- In IT, production is forecast to decline by 42% in 2020 due to a decline in production area and damage of flowering buds after the spring frost. In ES, in addition to same factors as in IT, severe hail storms affected production in Catalonia and Aragon, the main producing regions, in mid-June. As a result, ES production could decline by 20%.
- The low production had a **positive impact on prices**. Peaches prices increased by 19% in the first seven weeks of the season compared to the same period last year.

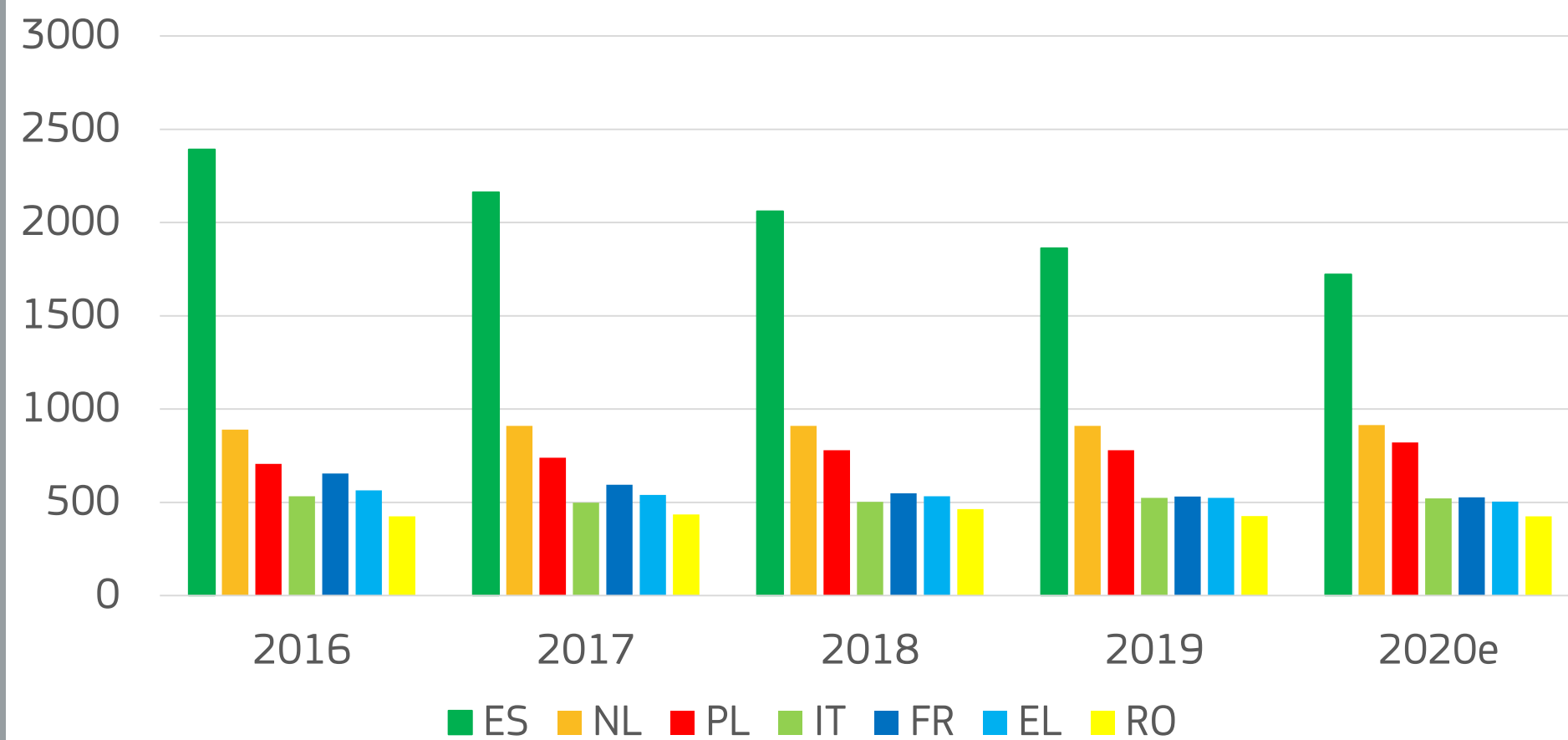
## Strong decline in EU consumption and exports of fresh peaches

- Low availability and high prices** are expected to result in a **drop in EU consumption of fresh peaches and nectarines** to 5.3 kg per capita (-18% year-on-year). Exports are forecast to decline by 51%.
- Covid-19 measures have stopped sales of canned peaches in foodservice, whereas retail sales increased significantly in March and April. They should be back close to normal in the coming months, although **sales in foodservice are expected to remain below average**.
- Overall, 2020 EU **apparent consumption of processed peaches** is due to **decline by 14%** in 2020 (-12%/5-year average).
- Thanks to the high EU production of peaches in 2019, **exports of canned and dried peaches were high** in January-April 2020 (+42%/same period in 2019) despite additional US import duties. **Shipments to the US** grew by 55% compared to the same period last year.
- An average 2020 production of peaches for processing together with expected average stocks at the end of June should lead to stable exports in the second half of 2020. Overall, exports should still increase by 10%.



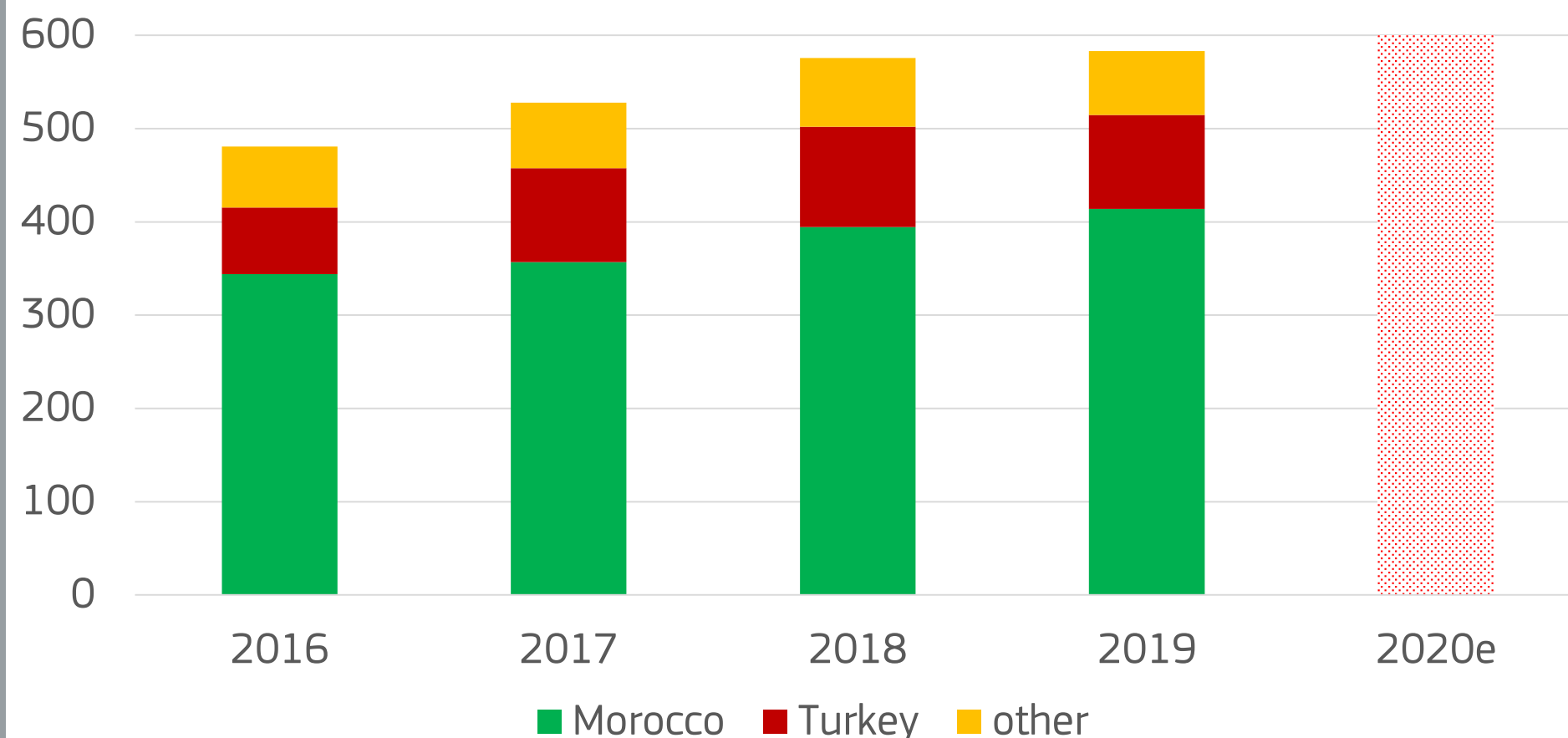
# Tomatoes

EU fresh tomato production (1 000 t)



Source: DG Agriculture and Rural Development, based on Eurostat and Tomato World Processing Council.

EU fresh tomato imports by origin (1 000 t)



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

## Steady decline in production of fresh tomato

- 🌱 EU production of fresh tomato is expected to **decrease by 2%** in 2020 driven by a decline of production in ES (-7%), the largest producing country. ES tomato producers switch to the production of more profitable greenhouse vegetables.
- 🌱 By contrast, production in PL is due to increase thanks to further investments in greenhouse production. Production in other EU countries should overall be stable: decreasing yields due to a further focus on the production on smaller-sized and high value-added tomatoes should be balanced out by the extension of the duration of the winter production.
- 🌱 The EU production of tomatoes for processing, following a long-term cyclical trend, is expected to **increase by 1%** in 2020.
- 🌱 This should result in an overall stable EU tomato production in 2020.

## Turkey gaining share in fresh tomato imports

- 🌱 Covid-19 measures stopped the demand in foodservice, affecting in particular the demand for round tomatoes; and pushing prices down. At the same time, home consumption in particular of small-sized tomatoes increased. On balance, the EU consumption of fresh tomatoes is expected to **slightly decline in 2020** (-1%/2019).
- 🌱 EU exports of fresh tomatoes were down by almost 20% in January-April due to Covid-19 measures (logistical problems and increased transport costs) but have been dynamic since then. Overall, in 2020 a **decline of 7%** is expected (-13%/5-year average).
- 🌱 EU imports of fresh tomatoes are expected to **continue to increase** in 2020 (+3%/2019,+11%/5-year average). Whereas Morocco accounts by far for the largest share of imports (71% in 2019), imports from Turkey (17% of EU imports) were in January-April 37% above imports in the same period last year. Imports from Morocco rose only by 3%, being more affected by Covid-19-related logistic difficulties.



# MILK AND DAIRY PRODUCTS

## Market developments in the EU

| MILK  | 2019 |       | 2020 |       |
|------------------------------------------------------------------------------------------|------|-------|------|-------|
| Milk collection                                                                          | ➡    | +0.5% | ➡    | +0.7% |
| Dairy herd                                                                               | ↘    | -1.2% | ↘    | -0.6% |
| Milk yield                                                                               | ➡    | +1.8% | ➡    | +1.3% |

| CHEESE  | 2019 |       | 2020 |       |
|--------------------------------------------------------------------------------------------|------|-------|------|-------|
| Production                                                                                 | ➡    | +0.4% | ➡    | +0.3% |
| Exports                                                                                    | ⬆    | +5.1% | ➡    | +2.0% |
| Imports                                                                                    | ⬆    | +7.6% | ⬇    | -5.0% |
| Consumption                                                                                | ➡    | -0.1% | ➡    | -0.4% |

| BUTTER  | 2019 |       | 2020 |       |
|--------------------------------------------------------------------------------------------|------|-------|------|-------|
| Production                                                                                 | ➡    | +1.1% | ➡    | +3.1% |
| Exports                                                                                    | ⬆    | +25%  | ⬆    | +15%  |
| Imports                                                                                    | ↘    | -0.6% | ⬇    | -15%  |
| Consumption                                                                                | ➡    | -0.1% | ➡    | +0.2% |

| SMP  | 2019 |       | 2020 |       |
|-----------------------------------------------------------------------------------------|------|-------|------|-------|
| Production                                                                              | ➡    | +0.5% | ⬆    | +5.0% |
| Exports                                                                                 | ⬆    | +15%  | ⬇    | -10%  |
| Imports                                                                                 | ⬆    | +22%  | ⬇    | -10%  |
| Consumption                                                                             | ↘    | -2.2% | ⬇    | -7.3% |

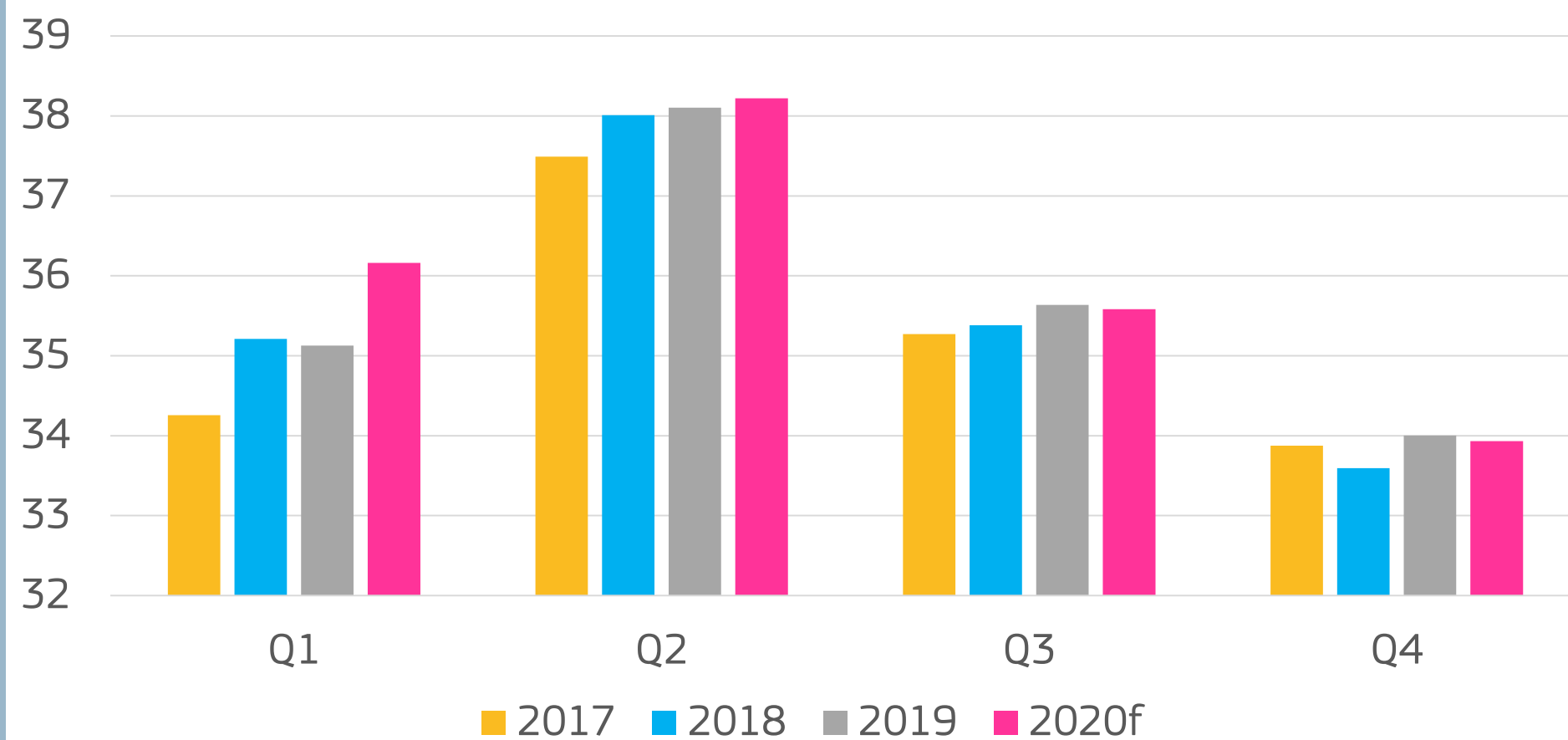
| FRESH DAIRY PRODUCTS  | 2019 |       | 2020 |       |
|------------------------------------------------------------------------------------------------------------|------|-------|------|-------|
| Production                                                                                                 | ↘    | -0.9% | ➡    | -0.4% |
| Exports                                                                                                    | ⬆    | +5.9% | ⬆    | +5.0% |
| Imports                                                                                                    | ⬇    | -6.4% | ↘    | -2.0% |
| Consumption                                                                                                | ↘    | -1.3% | ↘    | -0.6% |

| WMP  | 2019 |       | 2020 |       |
|-------------------------------------------------------------------------------------------|------|-------|------|-------|
| Production                                                                                | ➡    | +0.5% | ➡    | +0.5% |
| Exports                                                                                   | ⬇    | -9.0% | ➡    | +0.0% |
| Imports                                                                                   | ↘    | -0.8% | ➡    | +0.0% |
| Consumption                                                                               | ⬆    | +8.7% | ➡    | +0.8% |

Note: % compared to previous season

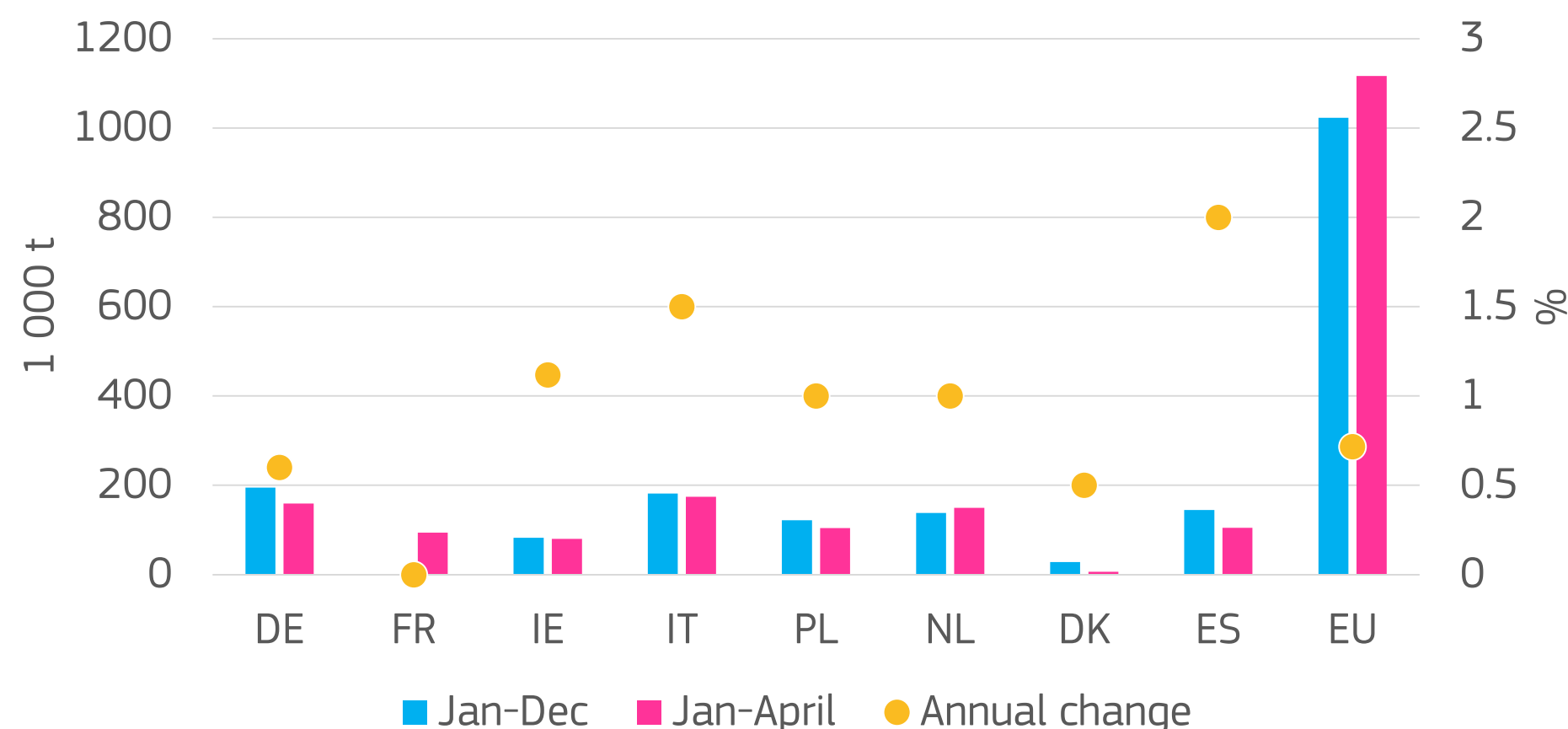


EU milk collection by quarter (million t)



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

Forecast annual milk production growth in 2020



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

## EU milk production expected to slow down in Q3 and Q4



Over the spring, **favourable rains improved grass productivity** in some EU countries (ES, IT, DK). Besides, **low feed prices** allowed using more purchased feed. This (and an extra day in February) contributed to a **2.3% growth** of the EU milk collection in January-April 2020. IT contributed the most to this growth (17%), followed by DE (14%) and NL (13%).



In 2020, the **EU milk collection could grow by 0.7%** (more than anticipated in the spring outlook), up to close to **144 million t**. A good yield growth (+1.3%) driven by good quality pastures and an increased use of compound feed could more than compensate for the dairy herd decline (-0.6%).



EU milk production should continue to be supported by **largely available and relatively cheap feed** as well as **favourable conditions for pastures' growth**. These are expected to remain in most regions of southern and western Europe while water stress and high temperatures could limit pasture growth in others.



Compared to 2019, EU milk collection growth is expected to **slow down in Q2** (+0.3%) and to **decline in Q3 and Q4** (both -0.2%).



**Cows' slaughtering** is likely to accelerate in the upcoming months as a reaction to the **recovery of meat prices** driven by restarted foodservice demand. However, uncertainties on the market could weigh on dairy prices and therefore farm margins could be squeezed.

## DE, IT, ES and NL to contribute the most to milk production growth



**DE is expected to contribute the most to EU milk production growth** (18%), followed closely by IT, ES and NL. Further increase is expected also in IE, DK and PL. By contrast, production is expected to remain stable in FR.

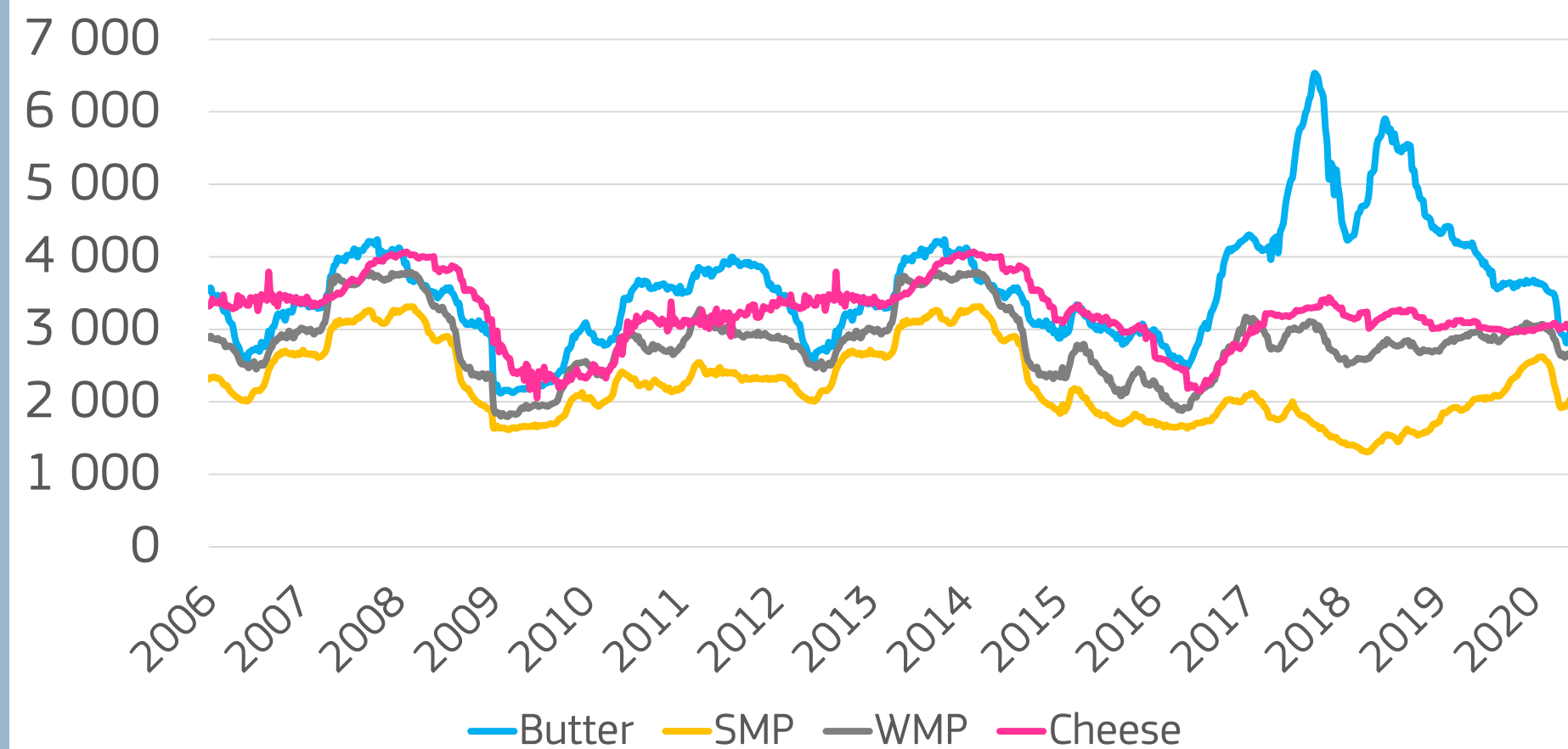


As a result of lower growth rates in EU countries of higher milk solid content (e.g. IE), **milk fat content is expected to decline slightly** (-0.2% compared to a strong growth last year) whereas milk protein content should remain stable. Despite this, milk fat and protein availabilities should grow (+0.5% and +0.7% respectively) due to a stronger growth in milk deliveries.



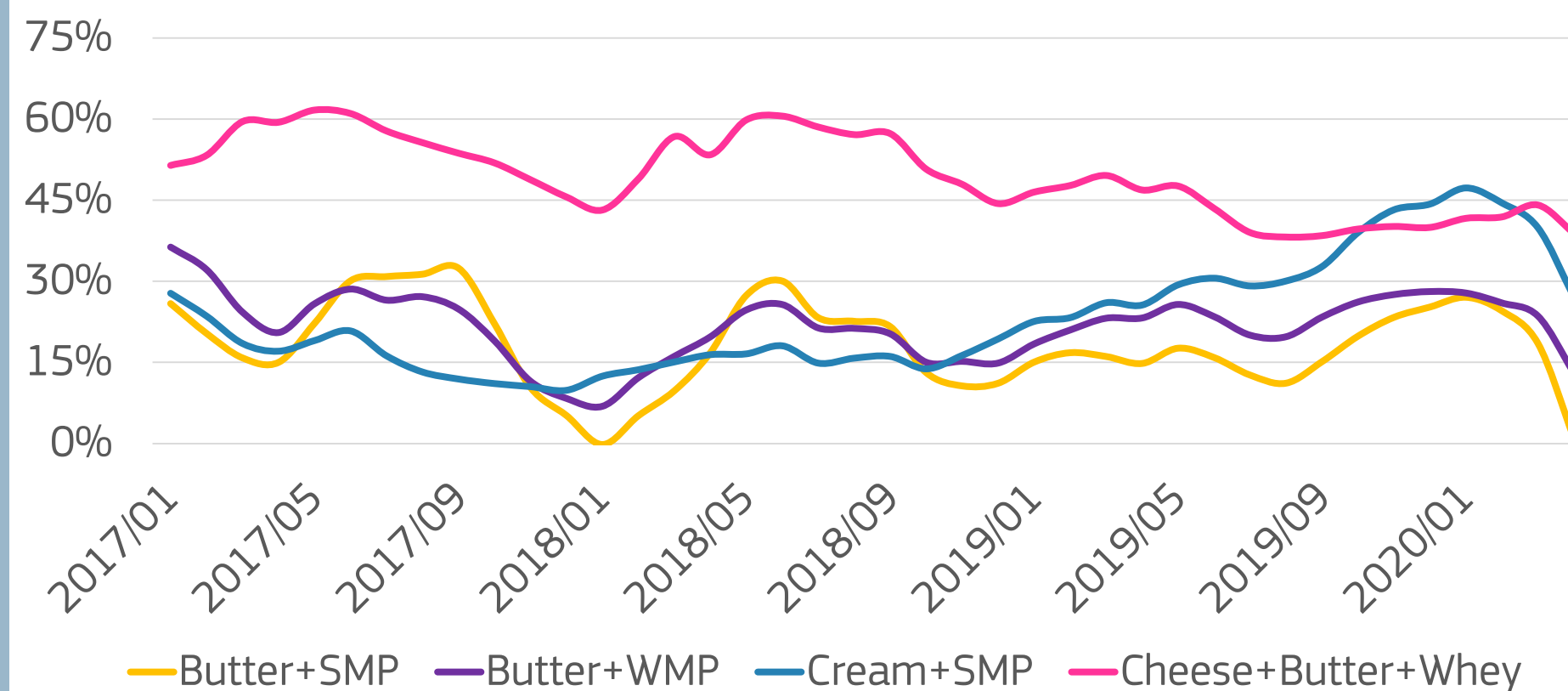
# Milk and dairy prices

EU weekly dairy prices (EUR/t)



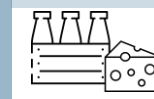
Source: DG Agriculture and Rural Development, based on MS notifications.

Monthly gross margins of dairy products' returns on raw milk price

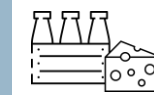


Source: DG Agriculture and Rural Development, based on Eurostat and MS notifications; cream price based on CLAL.it.

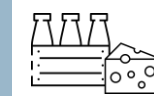
## EU prices of SMP and butter stopped declining



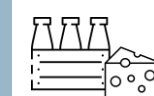
The decline of **EU SMP price**, which accelerated with the Covid-19 outbreak in the EU in March, was reversed in April. At the beginning of June, it was close to **EUR 2200/t** (+6% compared to the same week in 2019), 28% above the intervention price. With such prices, the EU remains competitive on the global market.



**EU butter price** reached its lowest level in early May and increased since then. At the beginning of June, it reached almost **EUR 3100/t** (23% below last year) and remained well above the intervention price. At the moment, the EU is the most competitive actor on the market with a price difference of more than USD 300/t with Oceania and USD 700/t with the US.

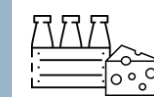


Despite weakened demand in foodservice, **cheese prices were stable**, around **EUR 3000/t**.

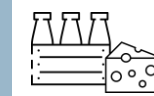


In May, **EU WMP price** also bounced back, reaching close to **EUR 2700/t** in early June. This price is very competitive on the world market, being very close to the Oceania price.

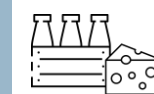
## Cheese continues to provide best returns



Decline in commodity prices during the Covid-19 outbreak translated into an exacerbated **seasonal decline of EU raw milk price** in April (EUR 33/100kg, -3%/2019), a drop of 5% since the beginning of 2020 and slightly below last 3-year average (-0.3%).



Even if the EU butter price declined, production of a combination of **cheese, butter and whey continued providing the best gross margins** to raw milk produced\* (+37%) until April, followed by the combination of SMP and cream (27%), and WMP and butter (13%).



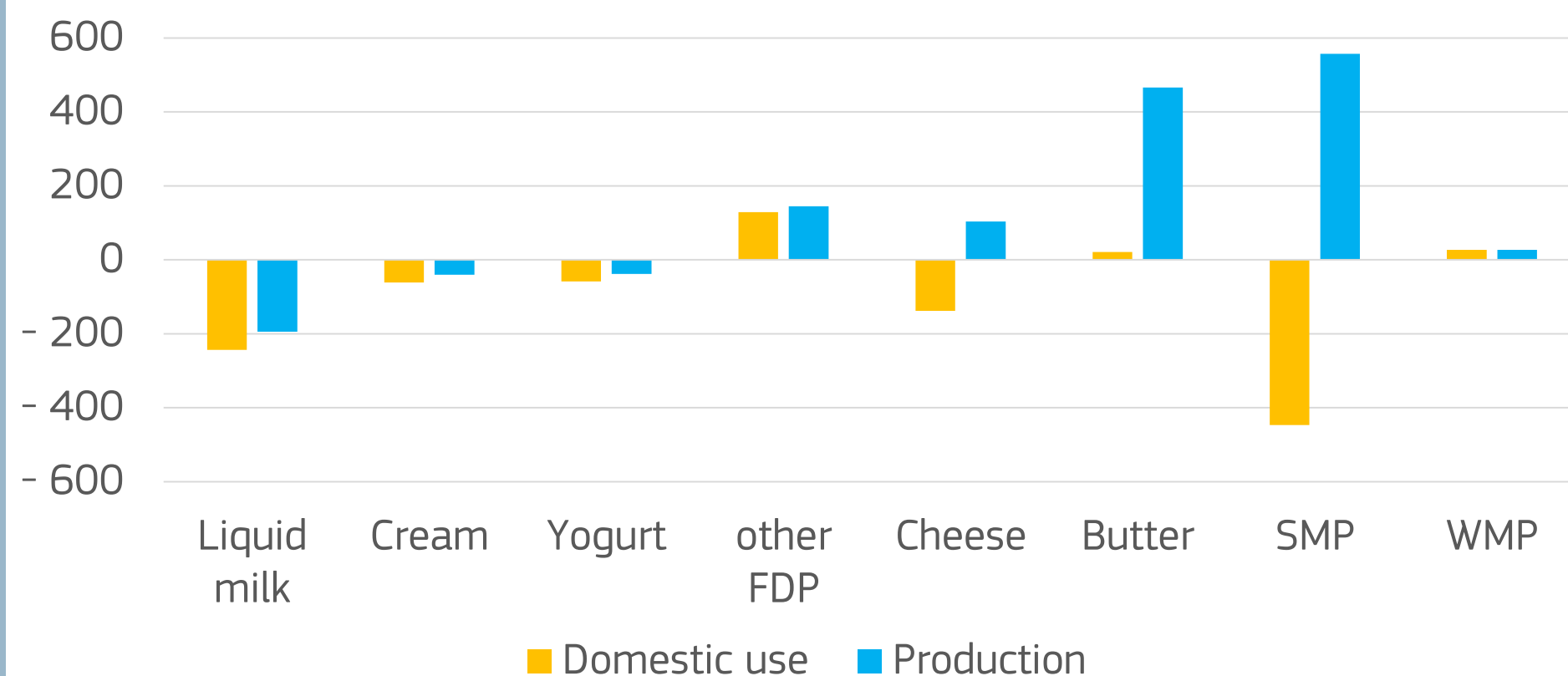
The drop in EU SMP and butter prices reduced considerably the gross margin of their combined production (only 1% above the raw milk price in April, compared to 19% in March).

\*Based on a maximized use of milk fat and protein in given months for respective combinations of products, taking into account monthly prices of dairy products and raw milk price. No processing cost is taken into account.



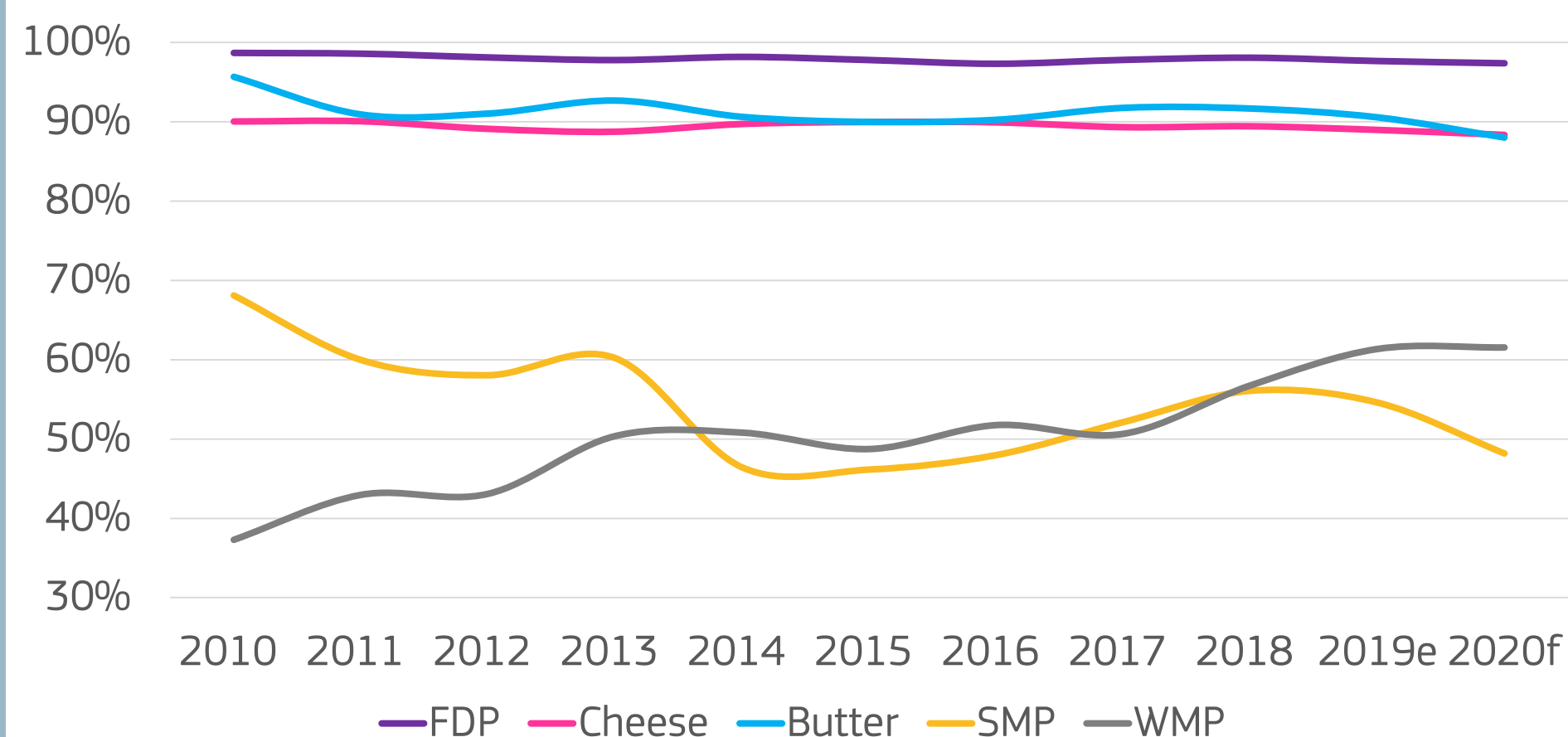
# Dairy products

Forecast EU production and domestic use change of selected dairy products in 2020 (1 000 t of milk eq.)



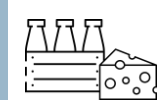
Source: DG Agriculture and Rural Development, based on Eurostat.

Share of EU consumption on production

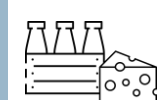


Source: DG Agriculture and Rural Development, based Eurostat.

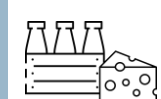
## Competitive EU butter, SMP and WMP prices to support exports



The additional milk could mostly be channeled to SMP and butter production. **SMP production could grow by 5%** to satisfy export demand, which could reach a level similar to 2018. Use on the EU market (according to Gira: 82% industry and 18% feed) is likely to be sustained for products of viable demand and lower price sensitivity (e.g. baby food, chocolate). Significant reduction in demand for other products could result in an overall **decline in domestic use (-7%)**.

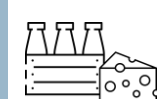


More competitive **EU butter** price should support **exports (+15%)**. Despite an expected lower use of butter in foodservice, cooking and baking at home should lead to increasing retail sales, resulting in **sustained consumption (+0.2%/2019)** and **increased production (+3%)**.

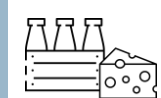


**WMP demand** is likely to remain **strong** despite a weaker economy thanks to a consumption of “affordable treatments” (e.g. chocolate, confectionery), leading to a **limited growth of the domestic use (+0.8%/2019)**. Price should lead to a **stabilisation of exports**. Therefore, the production is expected to grow (+0.5%).

## Retail sales in cheese and FDP not compensating for foodservice loss



The **increasing EU demand for cheese in retail and industry** (e.g. ready meals) is not expected to compensate for foodservice losses. This could result in an overall **lower cheese consumption (-0.4%)**. Despite exports that could grow (+2%) thanks to increasing shipments to Japan and also to the UK, domestic consumption decline could lead to **lower production growth** than previously anticipated (+0.3%) and stock levels could also increase by 30 000 t at the end of 2020.



The **loss in foodservice sales** could also impact negatively **EU consumption of fresh dairy products (FDP)**, adding up to a declining trend in drinking milk (-0.6%) despite an increase in retail sales. **Exports could grow (+5%)**, mainly due to the recovery in China and a positive image of EU products there as well as an increasing health awareness and consumption of FDP. Overall, this would lead to a **lower production (-0.4%)**.



# MEAT PRODUCTS



## Market developments in the EU

| BEEF  | 2019                                                                                |       | 2020                                                                                |       |
|------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|-------|-------------------------------------------------------------------------------------|-------|
| Production                                                                               |  | -0.9% |  | -1.7% |
| Exports                                                                                  |  | +3.4% |  | +2.0% |
| Imports                                                                                  |  | +4.1% |  | -7.0% |
| Consumption                                                                              |  | -1.0% |  | -2.3% |

| POULTRY  | 2019                                                                                |       | 2020                                                                                |       |
|---------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|-------|-------------------------------------------------------------------------------------|-------|
| Production                                                                                  |  | +1.6% |  | -2.0% |
| Exports                                                                                     |  | +2.2% |  | -8.0% |
| Imports                                                                                     |  | +1.6% |  | -10%  |
| Consumption                                                                                 |  | +1.5% |  | -1.6% |

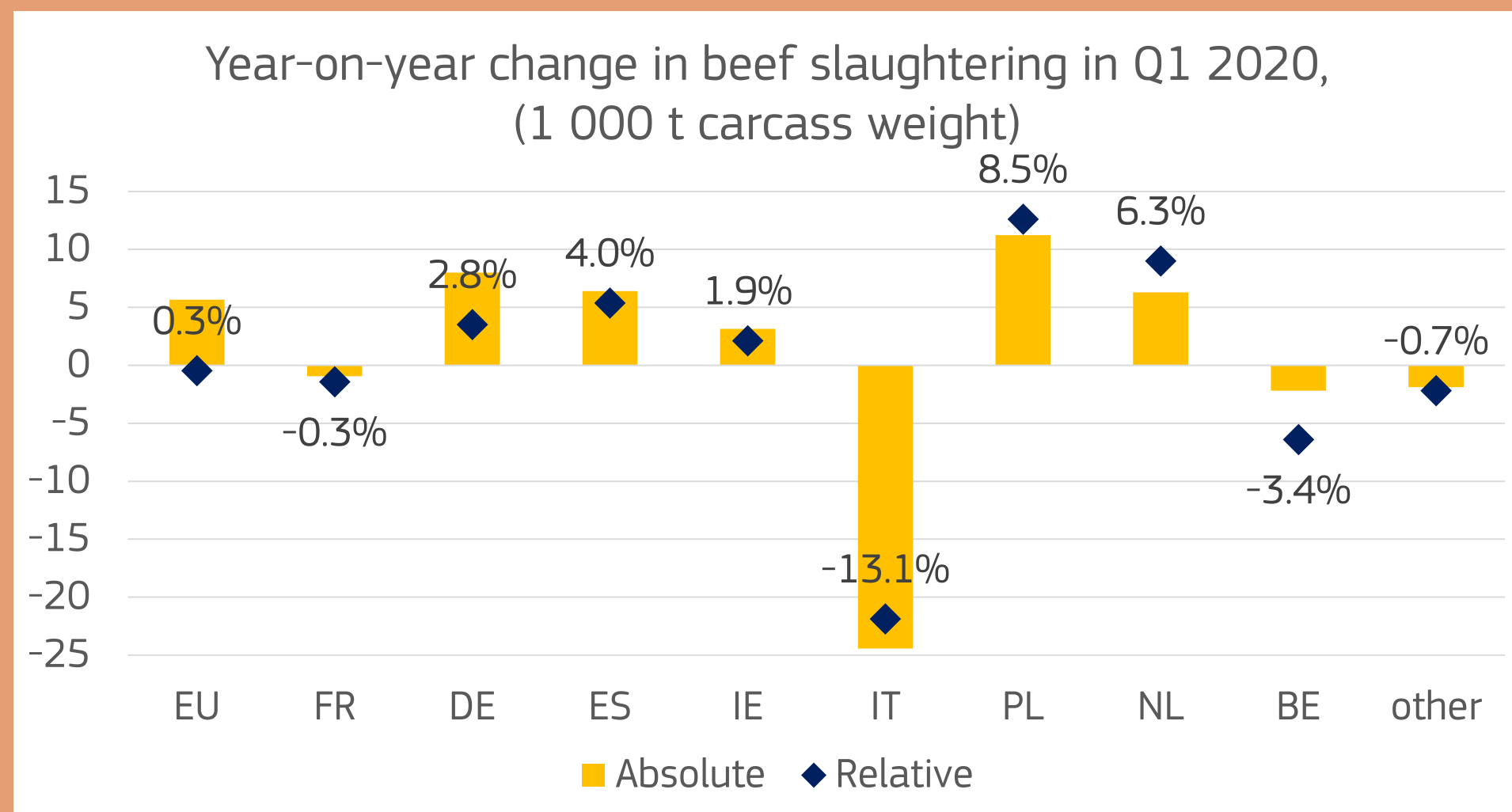
| PIGMEAT  | 2019                                                                                  |       | 2020                                                                                  |       |
|---------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|-------|---------------------------------------------------------------------------------------|-------|
| Production                                                                                  |    | -0.9% |    | +0.5% |
| Exports                                                                                     |  | +8.9% |  | +10%  |
| Consumption                                                                                 |  | -3.6% |  | -2.7% |

| SHEEP & GOAT  | 2019                                                                                  |       | 2020                                                                                  |       |
|--------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|-------|---------------------------------------------------------------------------------------|-------|
| Production                                                                                       |    | +5.8% |    | -1.5% |
| Exports                                                                                          |  | +9.8% |  | +2.0% |
| Imports                                                                                          |  | -5.7% |  | -5.0% |
| Consumption                                                                                      |  | +2.7% |  | -2.6% |

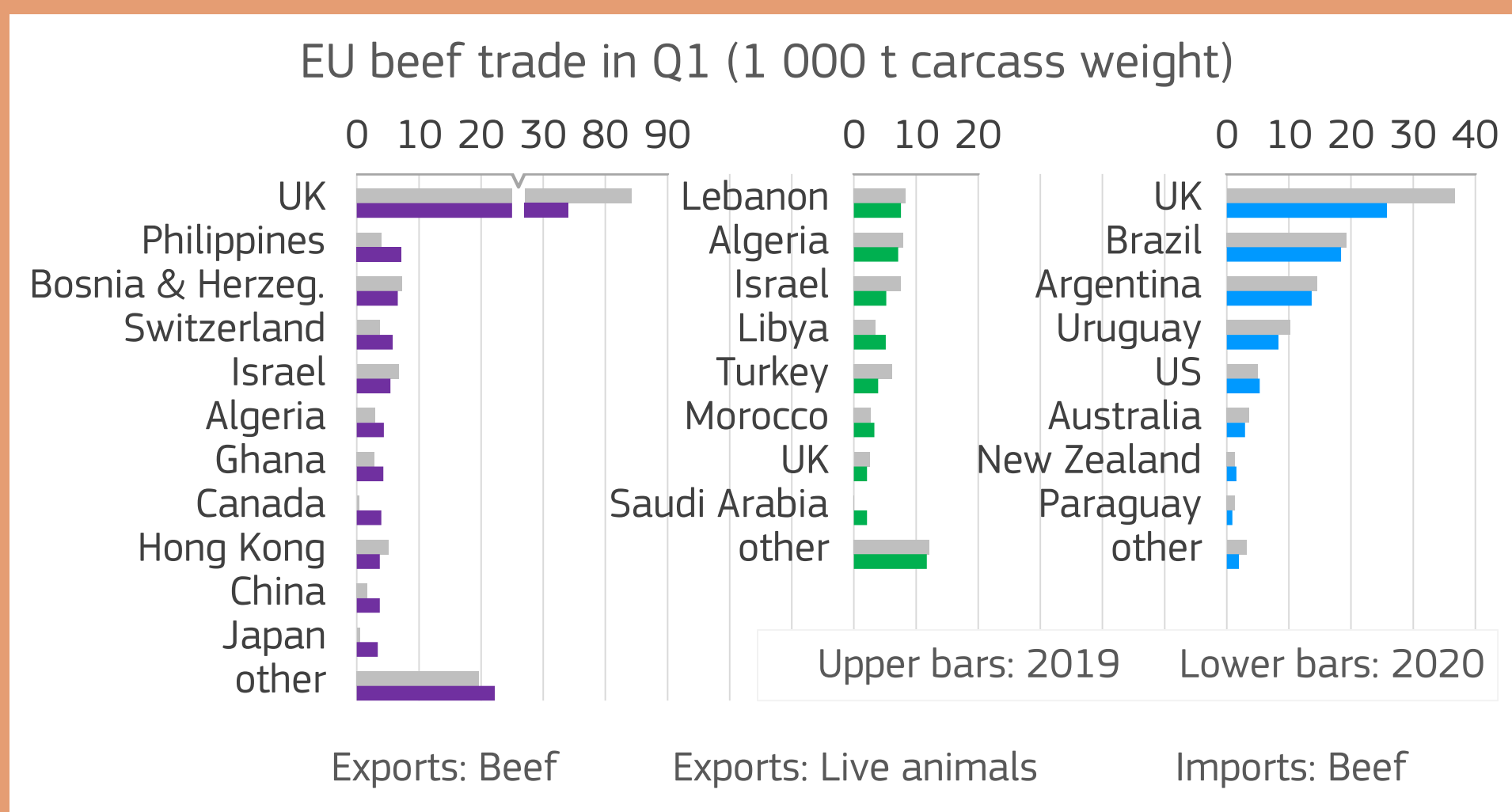
*Note: % compared to previous year  
Net production and meat trade*



# Beef and veal

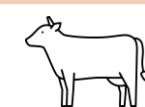


Source: DG Agriculture and Rural Development, based on Eurostat.

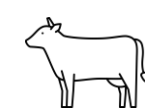


Source: DG Agriculture and Rural Development, based on Eurostat.

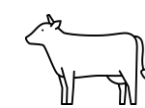
## EU beef production down in 2020



**EU beef production increased slightly in Q1** (+0.3% year-on-year). Continued growth in slaughtering in DE, ES and IE and a boost in PL and NL compensated for a massive drop in IT (driven by lower slaughter of cows and heifers).

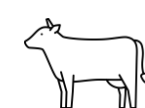


Prices, which were more stable at the beginning of the year, have fallen since mid-March when foodservice demand for high-value cuts switched to cheaper retail products. With the reopening of restaurants, demand and therefore **prices started to recover at the beginning of May**.

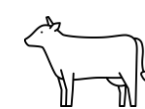


The expected **decline in beef production in 2020** (-1.7%) assumes constrained output and reduced demand in Q2. It also reflects smaller breeding herds and lower store cattle, and potential supply effects of dry spring on grazing and fodder availability in the second half of the year, which will lead to early slaughtering at lower carcass weights.

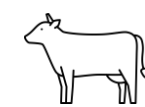
## Lower imports and meat availabilities



**Beef exports increased in Q1** (+4% year-on-year), benefitting all key EU countries except FR. Shipment to destinations other than the UK increased by around 30%. The UK share in EU exports dropped from 60% to 50%. IE redirected losses in the UK (-10 000 t) partially to Asia (+6 200 t to Philippines, China, Japan) and the US and Canada (+2 200 t). Overall, the **export growth is expected at 2% in 2020**. **Live exports declined** to all main destinations (except Libya, Morocco), and the same pace (-5%) is expected for the whole of 2020.



**Imports**, mostly from the UK and Mercosur, **were down in Q1** (-17% year-on-year). The EU became less attractive for Brazil, which redirected its shipments to China and Russia. The UK switched its exports to China, Canada, the US and Japan. Tighter supplies in key exporters will contribute to an **annual EU imports drop** of 7% in 2020.



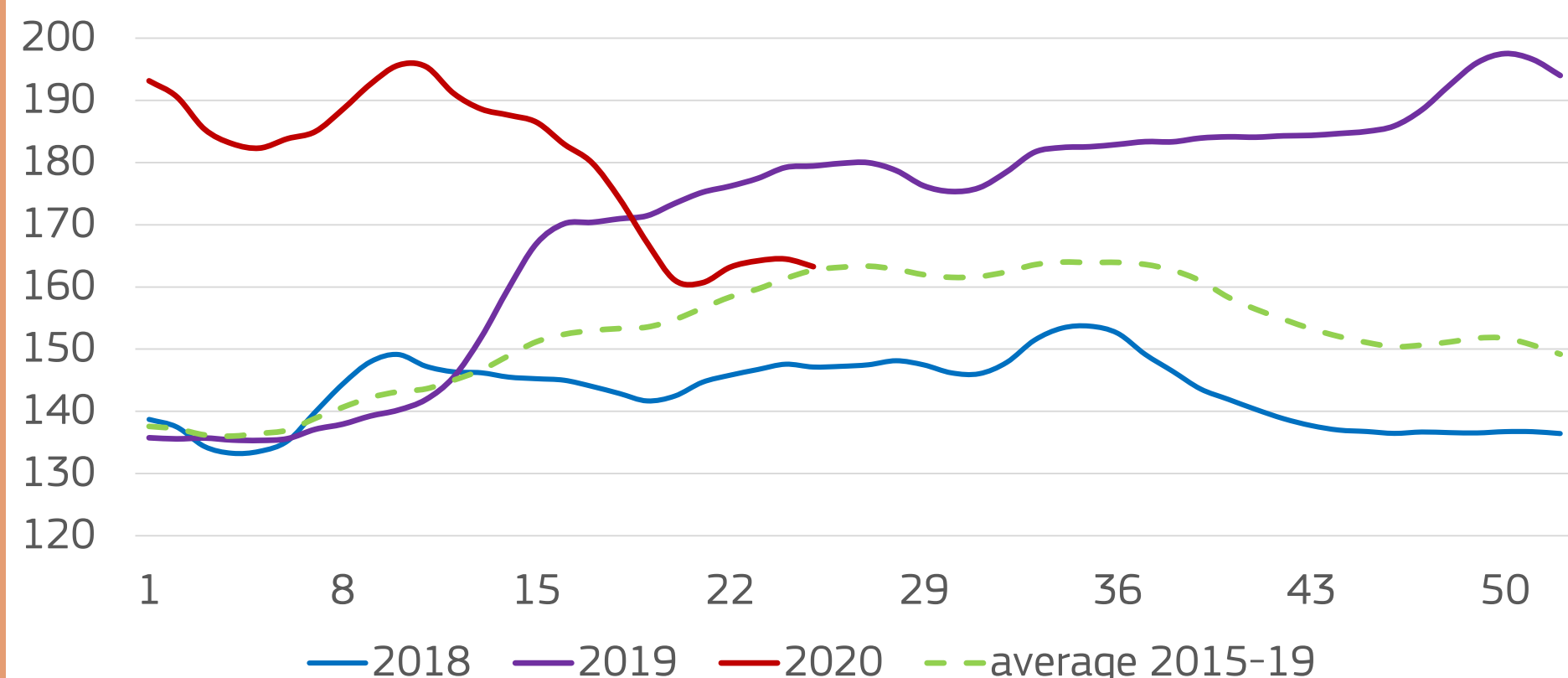
Apparent **consumption of beef is projected to decline** to 10.4 kg per capita in 2020 (-2.7%), reflecting restaurants' closure during confinement, tighter domestic supply and lower imports.





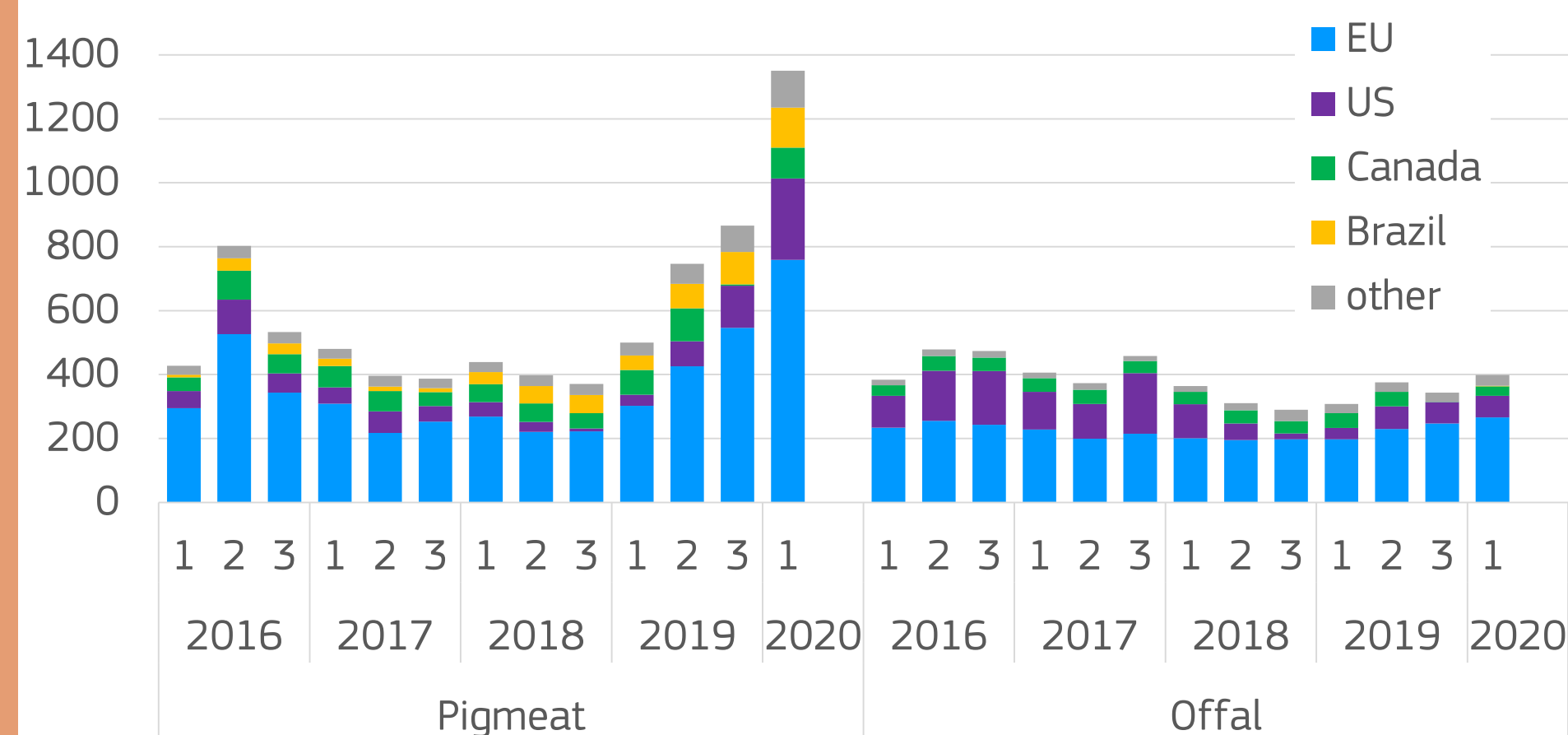
# Pigmeat

Weekly EU pigmeat price, class S+E  
(EUR/100 kg)



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

Chinese pork imports (1 000 t carcass weight)



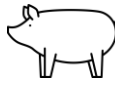
Note: 1=January-April, 2=May-August, 3=September-December.

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

## EU pigmeat production up in 2020

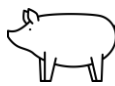
 EU pigmeat production was slightly down in Q1 (-0.5% year-on-year), driven by declines in PL (-8.2%) and IT (-20%). Growth in production, supported by high prices, was firm in other key EU producers with a rebound in DE (+1.1%) and DK (+2.7%), a continued sharp rise in NL and ES (both +4.4%, and benefitting from rebuilt herds) and a modest increase in FR (+0.6%). EU exporters benefited from strong demand from China (except PL due to the spread of ASF), which compensated the fall in demand from other main destinations (UK, Japan, South Korea, US, Philippines and Australia).

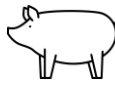
 Prices, which surged over 2019 when supply tightened and exports rose, started to recede towards the 5 year-average when foodservice demand plummeted. **Prices have started to rise again in the last weeks**, following the rebound of foodservice and world demand. They stabilized at EUR 163/100kg in week 25.

 Pigmeat production is expected to increase slightly in 2020 (+0.5%). It will be supported by favourable prices, return of consumer demand and **solid export prospects** (+10%/2019), mainly to China, and recent investments in the sector, assuming ASF does not spread further within the EU.

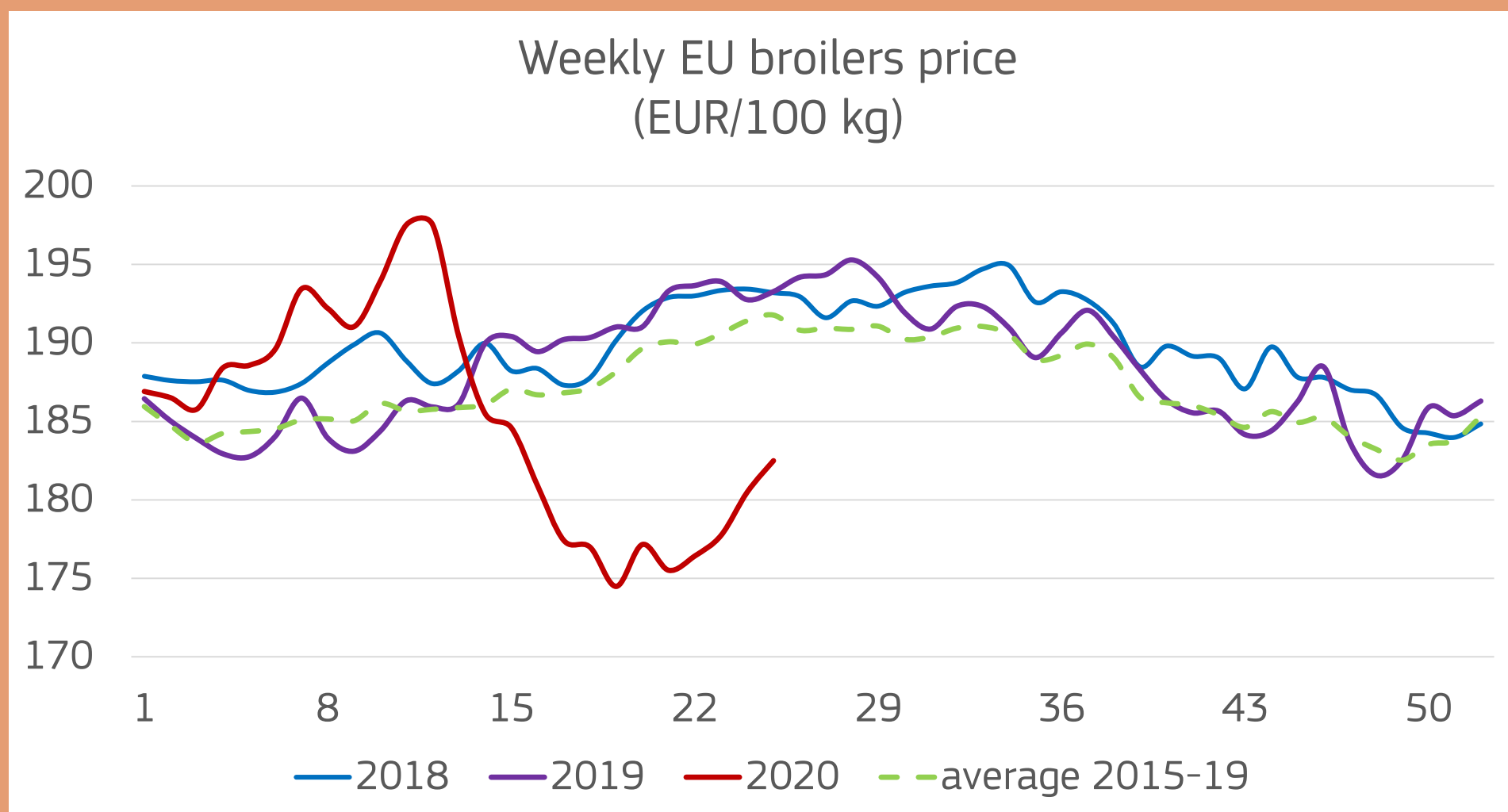
 Reduction in consumer demand during confinement and overall limited domestic availability will lead the **apparent consumption of pigmeat to fall** below 30 kg per capita in 2020.

## Further surge in Chinese demand, and EU exports up

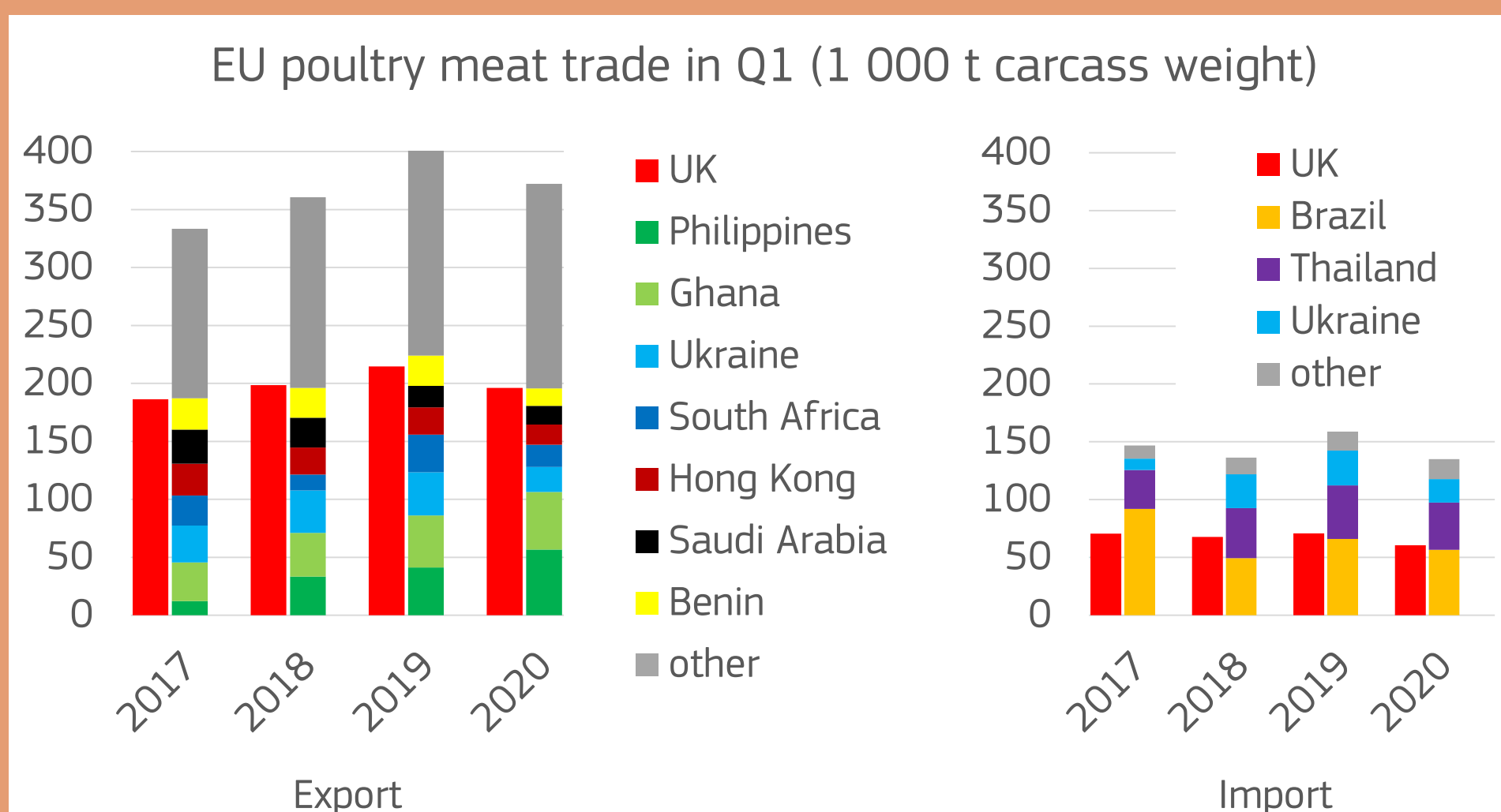
 With the persistence of ASF in China, experts anticipate a further herd reduction, an associated drop in pigmeat production of 15-25% in 2020, and a **need for more imports**. China's imports of pigmeat grow massively until April (170% year-on-year), benefitting the EU (+150%) and other key suppliers (US, Brazil and Canada). The import shares in China increased for the latter countries (19%, 9% and 7% respectively) to the detriment of the EU (55%). Demand for offal also increased, but mainly to the benefit of the EU.

 The unprecedented magnitude of recent trade flows of pigmeat to China may soften in the second half of the year, urging consumption of other (imported) meats.





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



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

## EU poultry production down in 2020



The rise of EU poultry production in Q1 (+1.8% year-on-year) reflected an increase in the main producing countries (ES excepted). Higher production was supported by prior investments (in eastern EU countries) and price increase. Additionally, demand for poultry meat continued, shifting from more expensive meats.



The **decline in EU prices** since mid-March was primarily driven by the collapse of prices in PL. Prices fell when restrained exports (due to spread of avian influenza in PL in the beginning of 2020) combined with lower domestic foodservice demand confronted ample supply.



The expected **decline in poultry production in 2020** (-2%) assumes a drop in slaughtering in Q2-Q4 and reflects the capacity of the sector to quickly adapt to a decline in demand as well as market uncertainties, including as regards export. Poultry meats other than chicken (ducks, guinea fowls, pigeons or quails) are expected to be particularly impacted.

## Lower trade, and consumption limited by drop in demand



Poultry exports declined sharply in Q1 (-8% year-on-year), including a drop of 9% of exports to the UK, despite the EU strengthening its position in two key destinations, the Philippines (+38%) and Ghana (+10%). The two leading EU exporters have experienced a contrasted situation, with NL increasing its shipments (+2%) in particular to the UK and the Philippines, while PL exports declined by 10%. With changes in international trade flows (return and expansion of Brazil in China and Ghana) **EU exports are expected to decrease** by 8% in 2020.



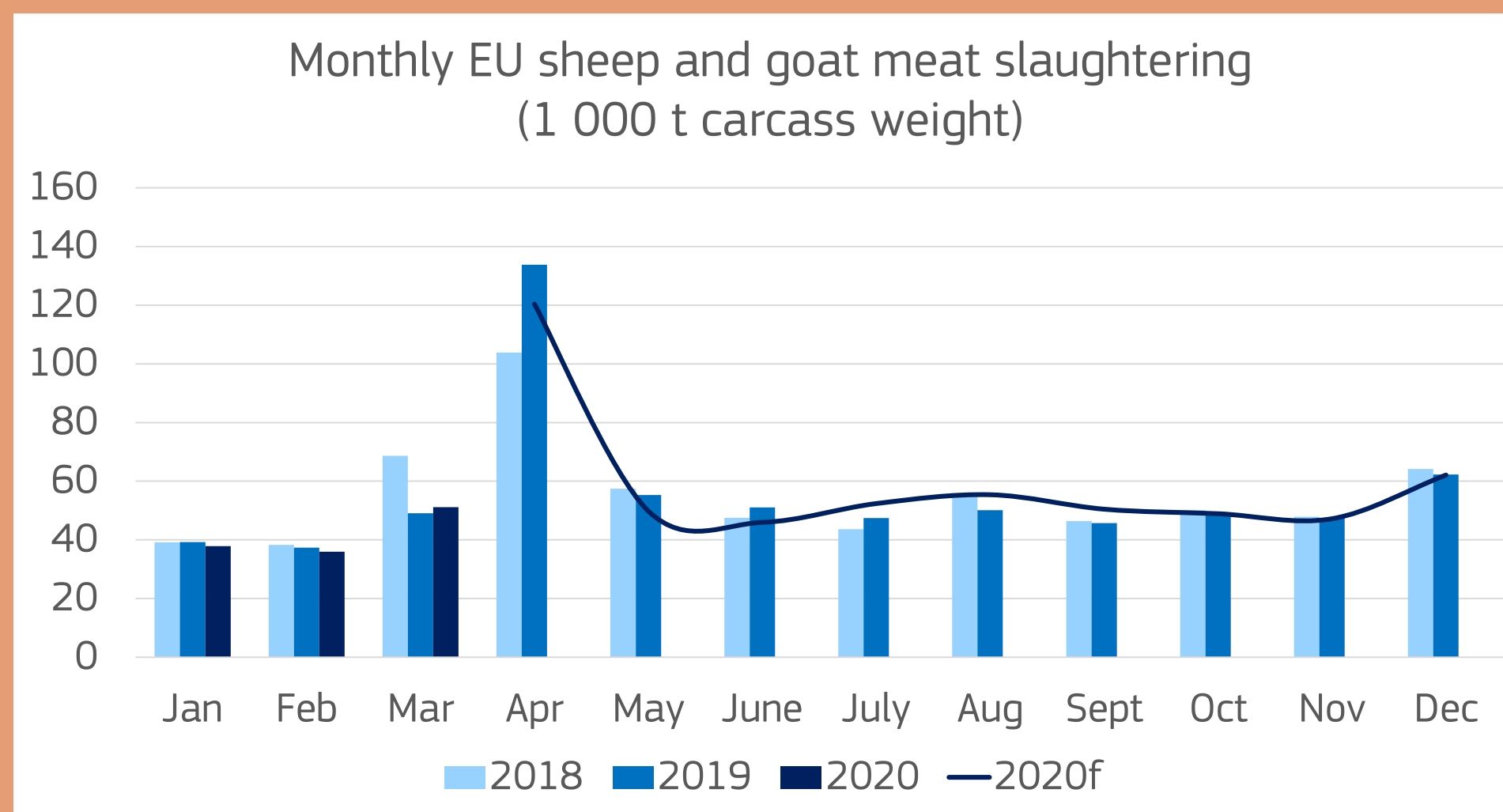
**Imports were down in Q1** (-14% year-on-year), as the EU lost attractiveness for its suppliers in particular in Brazil, which redirected its shipments to China. **Imports are expected to fall** by 10% in 2020. The Covid-19 effects in Brazil and Thailand are an additional risk factor.



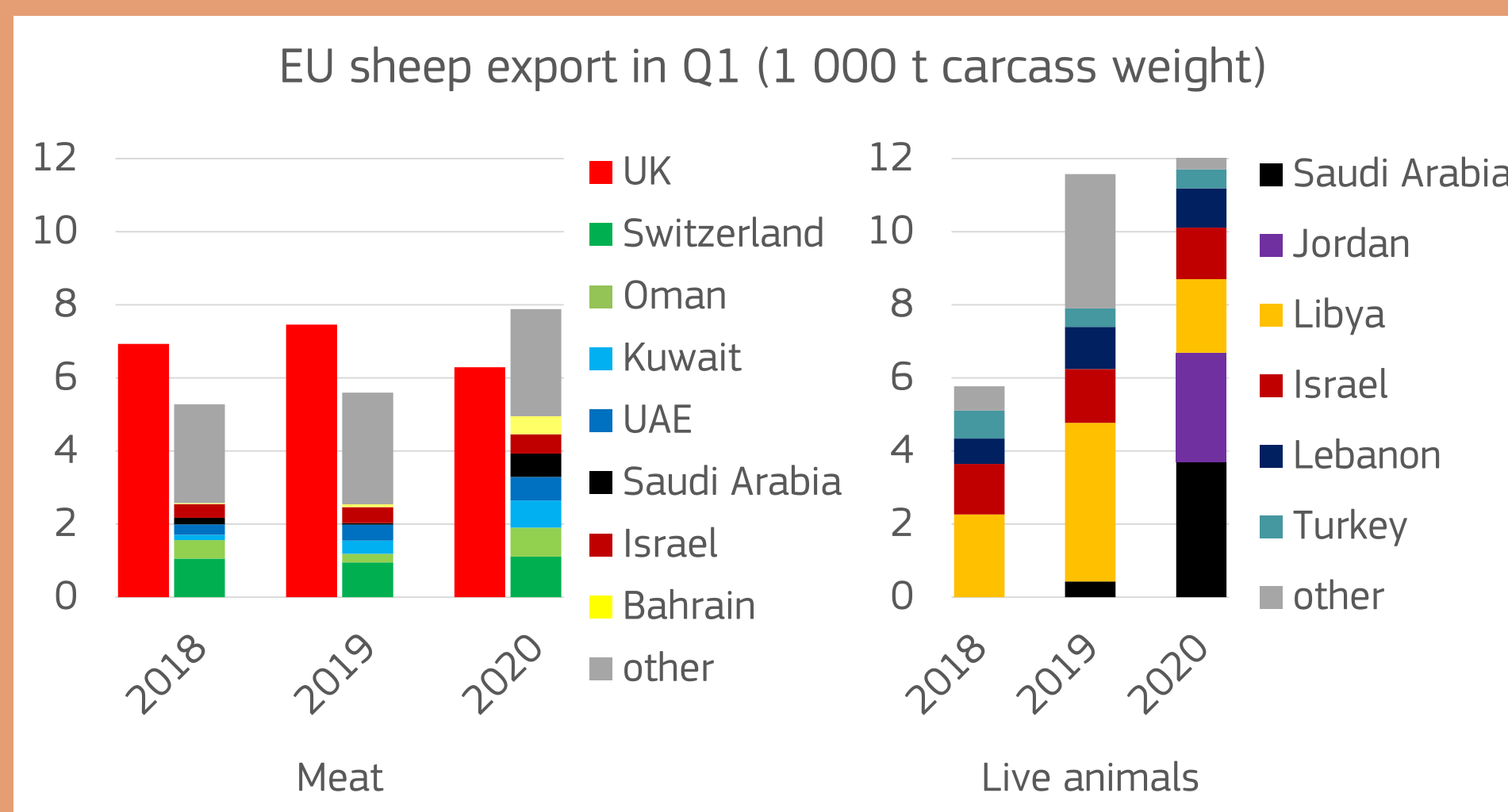
**Apparent consumption is expected to decline by 1.9%** in 2020 to 24 kg per capita, as a consequence of the demand dropped in the EU foodservice sector.



# Sheep and goat meat



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

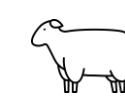


Source: DG Agriculture and Rural Development, based on Eurostat.

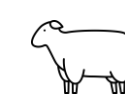
## Sheep and goat meat production down in 2020



**EU sheep and goat meat production declined in Q1** (-0.5% year-on-year). Slaughtering of goats and sheep dropped in ES and notably in EL, following reductions of herds and fewer ewes put to the ram in 2019. IE and RO slaughtered more sheep thanks to expanding herds in 2019.

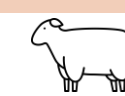


Prices of lambs trailed strong fluctuations: an upsurge due to Brexit uncertainty and a drop due to Covid-19 measures. **Prices have started to bounce back** once demand from foodservice picked up.

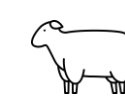


**The expected decline in sheep and goat meat production in 2020** (-1.5%) assumes a drop in demand from foodservice and home consumption during the Easter and Ramadan celebrations, and supply shortages due to logistical problems, due to the Covid-19 crisis. It also reflects smaller herds, stagnated domestic demand, risks of lower trade and potential effects of dry weather.

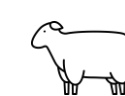
## Exports up, imports down



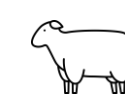
**EU sheepmeat exports increased in Q1** (+9% year-on-year). Higher volumes to key destinations (Switzerland, Oman, Kuwait, UAE, Saudi Arabia, Israel and Bahrain) compensated for a decline of exports to the UK (-15%). All EU main exporters (ES, RO, IT, NL) recorded higher exports, with the exception of IE (losses to the UK and Canada). **The export growth is estimated to soften** to +2% in 2020 as enough supply to satisfy trade demand may not be available.



**Exports of live animals increased in Q1 2020** (+5% year-on-year), supported by higher demand from Jordan and Saudi Arabia, and despite fewer animals being shipped to traditional partners Libya and Lebanon. Overall, **exports of live animals are due to decline** by 2% in 2020, as this high level of shipments might be refrained.



**Imports of sheepmeat are expected to fall in 2020** (-5%). Imports from the UK declined by around 25% in Q1, and those from New Zealand and Australia stagnated. Tight availability due to weather conditions in those countries will contribute to the expected decrease in shipments 2020.



**Apparent consumption, at 1.4 kg per capita, is expected to decline** in 2020 (-2.9%) due to lower demand during festive periods, and lower meat availability as a consequence of lower imports and tight supply.



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