



SHORT-TERM OUTLOOK

FOR EU AGRICULTURAL MARKETS
IN 2020

AUTUMN 2020

Edition N°28



Agriculture
and Rural
Development

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

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HIGHLIGHTS

This short-term outlook edition is based on market intelligence available until mid-September 2020 and reflects the Covid-19 impact to the extent possible. Market forecasts are presented for the EU-27 and assume frictionless trade between the EU and the UK for the rest of 2020 and for 2021.

This autumn edition of the DG AGRI short-term outlook faces the challenge of factoring in the fallouts of the Covid-19 crisis in 2020 and 2021.

Relatively spared so far compared to other, harder hit sectors of the EU economy, the agri-food sector has not been immune to the impacts of the crisis, i.a. because of the reduced demand in foodservice, resulting in a lower consumption of some food products. Changes in consumption channels also affected the marketing of products less likely to be sold in retail.

Overall, the impact of the crisis on food markets has remained limited thanks to the resilience of the food chain. The emerging pattern seems to be that of a reinforcement of some pre-existing trends rather than a

complete overhaul of the food system, with for instance an increase in e-commerce food sales as well as the demand for local food and short supply chains.

In this context, the situation in 2020 remains globally positive: dairy and meat prices recovered from some weakening during the acute phase of the Covid-19 crisis; milk collection growth remains strong; the positive trade balance in meat is increasing; the oilseed and protein production is estimated to increase; EU olive oil exports will reach a new record level. Notable exceptions are cereals (in particular wheat) and sugar, both having suffered from adverse weather and/or plant health conditions.

Many uncertainties remain, particularly about the extent of the second wave of Covid-19 contaminations and about the success of the measures adopted by governments to mitigate the economic consequences. This makes particularly delicate the exercise to forecast the shape of the economic recovery, the impact on food demand and ultimately the impact on agricultural markets for 2021.

Highlights

A major uncertainty remains for the future trade relationships between the EU and the UK. As negotiations are still on-going at the time of finalizing this edition, the assumptions used for the previous STOs are maintained: continuation in terms of trading relations currently applicable between the EU and the UK after 31st December 2020.

The first reported outbreaks of African Swine Fever (ASF) in wild boars on the Eastern border of Germany, and the subsequent closure of key (Asian) export markets to German exports of pigmeat, give rise to strong concerns on the trade front, considering the share of Germany in those EU exports.

Arable crops

Total EU cereal production is estimated at 274.3 million t, 6.8% below last year, with soft wheat production down to 115.5 million t, and maize production at 63.1 million t, mostly due to adverse weather conditions that weighed on yields.

Trade over the 2020/21 marketing year is expected to decline, in particular due to wheat exports falling to

24 million t, a 35% decrease year-on-year. Maize imports would increase, driving overall cereals imports up slightly (+2% year-on-year).

Total EU cereal consumption is due to slightly decrease in 2020/21 (-0.7% year-on-year).

EU oilseed production is estimated to increase slightly compared to the last campaign but to remain below the 5-year average. Total oilseed meal consumption could slightly decline by 0.5% year-on-year. Protein crops production is forecast to reach 4.5 million t, a 10% increase compared to last year. EU consumption, especially of feed, would rebound next year.

Sugar

EU + UK sugar exports are forecast at 0.8 million t for 2019/20, their lowest level in 10 years. Sugar use, impacted by Covid-19, could decrease by 0.5 million t compared to the previous year. The 2020/21 crop suffered from a rain deficit and diseases resulting in the upcoming 2020/21 EU sugar production forecast at 15.9 million t (-2% compared to 2019/20).

Specialised crops

EU olive oil exports continue to grow, reaching a new record level in the 2019/20 campaign. Despite reduced tourism and food services uses, domestic consumption is likely to increase in the main producing regions. In 2020/21, around 2.2 million t is to be produced. This year's record level of exports might not be exceeded next year because of existing stocks in some destinations. Due to an uncertain economic recovery, only a slight EU consumption growth is expected.

Strong demand in 2019/20 for fresh oranges – in part to substitute for the consumption of processed orange juice – led to increased imports (attaining possibly 1 million t), with exports dropping by 15%. Due to favourable weather conditions, the 2020/21 EU orange production could reach the same high level as two years ago (around 6.5 million t).

Highlights

The 2020/21 EU apple production is forecast to reach 11.5 million t (-2%/5-year average). With the previous marketing year's stock almost cleared, the market seems well balanced for the upcoming season.

A low availability of peaches and nectarines and high prices have led to a sharp drop in the EU consumption of fresh peaches in 2020.

EU imports of fresh tomatoes are expected to continue to increase in 2020 (+7%), driven by a growth of imports from Turkey and to a lesser extent from Morocco.

Dairy

EU milk collection growth remains strong and the collection could increase by 1.4% in 2020. This growth is driven by an increase in yield and a lower herd reduction rate because of delayed seasonal slaughtering. Dairy prices remained stable and even increased (butter) after the initial drop due to the Covid-19 outbreak. This will further support EU exports, mainly in WMP, SMP and butter. The

structurally declining trend of drinking milk production has been interrupted in 2020 due to increased domestic and export demand.

In 2021, adjustments of some distribution channels (e.g. e-commerce, takeaways) are expected to support the recovery of dairy consumption. Drinking milk consumption should get back to its normal decreasing trend.

The pace of production in 2021 remains uncertain, even if it is very likely that the high growth rates of 2020 would be hard to repeat given a slow rate of economic and consequently demand recovery. It could grow by 0.8%.

Meat

The EU meat market has started to stabilise, and prices of all meats have been going up since mid-May.

The situation for beef and poultry was better than expected in Q2. The decline in beef production in 2020 is revised upwards to -1.4% compared to 2019.

The production of poultry increased(+1%) in response to a demand shift to less expensive meats.

The situation is less favourable for sheep meat and pigmeat. The sheep meat market faces strong global and domestic supply shortages (production growth -3%), hampered by the uncertainty linked to the EU-UK trade negotiations.

The outbreak of African Swine Fever in Germany mid-September hit the pigmeat market, with immediate import bans implemented by key partners: China, South Korea and Japan. This puts significant pressure on the German and therefore the EU market.

Overall meat trade prospects will remain positive for 2020. A lower demand from foodservice coinciding with tighter global supplies led to reductions in imports, and exports continued to expand except for poultry.

Macroeconomic background

MACRO- ECONOMIC OUTLOOK

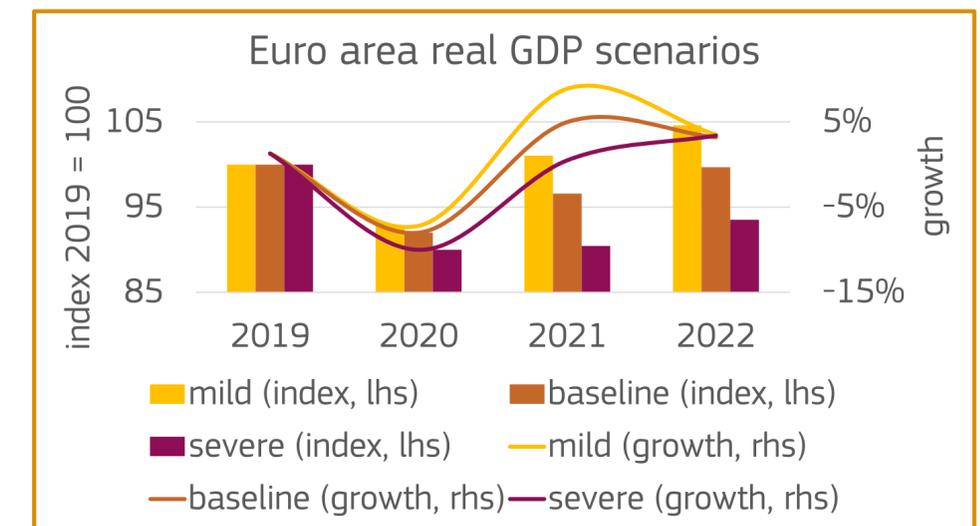
Uncertainty continues for 2020 and 2021 amid slow recovery

- € The macroeconomic conditions in the EU started to improve since the June 2020 forecast, supported by fiscal, monetary and labour market policies. Nevertheless, growth in 2021 should be slower than expected before the summer, undermined by worsening labour market conditions, and the full recovery would be reached only in 2022.
- € Uncertainties remain, in particular regarding the evolution of the Covid-19 crisis and the extent of a **second wave of infections**, which are already increasing in several countries, including EU ones. Forecasts in this edition do not factor-in the impact of a major second wave.

Lower GDP decline in 2020, but slower recovery in 2021

- € The European Commission¹ expects real EU GDP to decline by 8.3% in 2020, before a rebound at +5.8% in 2021. That assumes no major second wave of infections, confinement measures gradually lifted, and continued physical distancing measures.

- € The unprecedented drop in economic output in Q2 2020 (-11.4%) turned lower than expected, economic production has been increasing since June, and short-term indicators point to a rebound already in Q3 (+8%).
- € On the other hand, **prospects for a prompt recovery in 2021 worsened**, as reported in the recent European Central Bank² forecast (+5% for the Euro area, assuming a vaccine would be available, wide-spread and effective by end-2021). A “milder” scenario with the virus contained and the success of economic policy measures, anticipates the Euro area real GDP in 2022 to be above the level forecast at the end of 2019. In contrast, in a “severe” scenario, the real GDP growth would be as low as 0.5% in 2021.

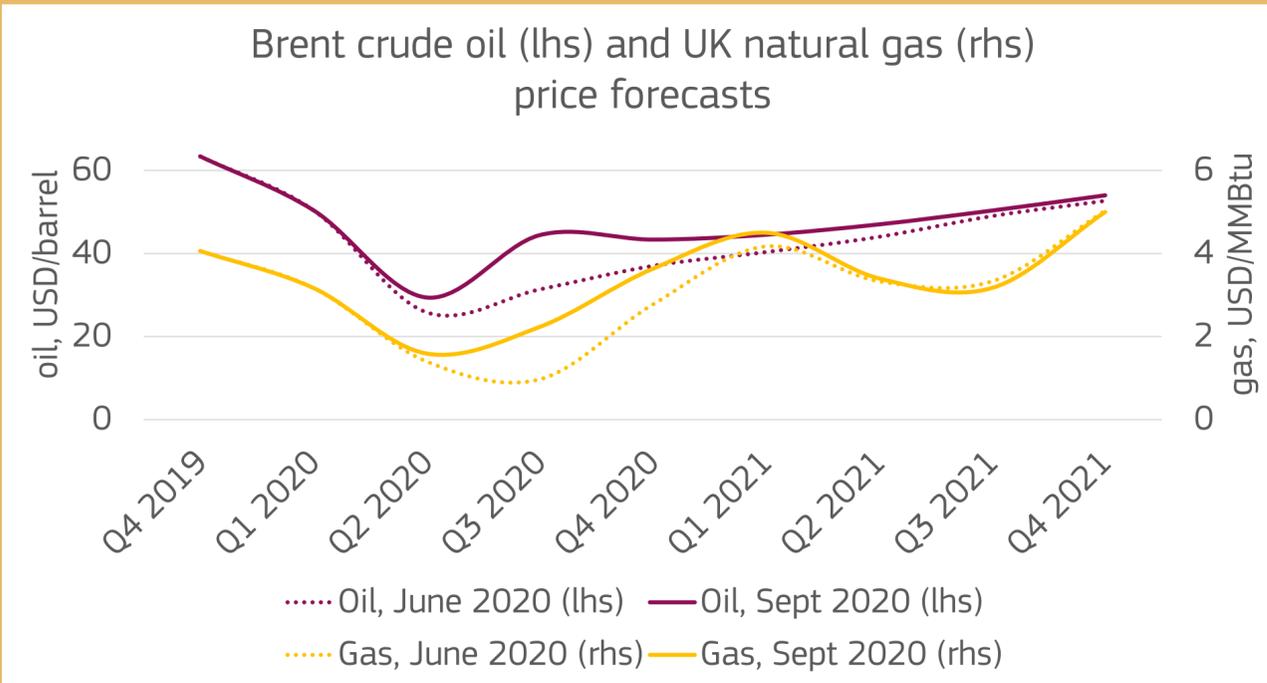


Source: European Central Bank.

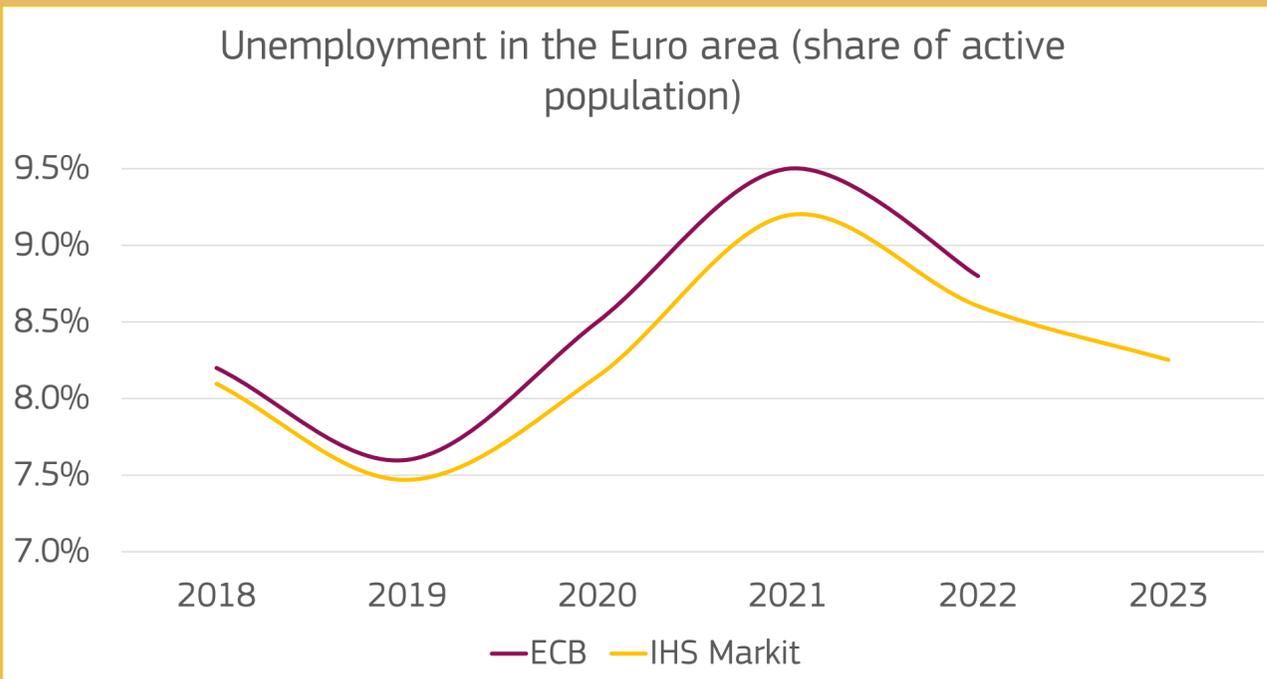
¹ DG Economic and Financial Affairs: https://ec.europa.eu/info/business-economy-euro/economic-performance-and-forecasts/economic-forecasts/summer-2020-economic-forecast-deeper-recession-wider-divergences_en

² European Central Bank: https://www.ecb.europa.eu/pub/projections/html/ecb.projections202009_ecbstaff~0940bca288.en.html

Macroeconomic background



Source: IHS Markit.



Sources: European Central Bank, IHS Markit.

Volatile energy markets and exchange rate challenging exports

- € IHS Markit expects **the gas price to rebound in Q3 2020**, after a lowest in Q2 2020. The winter season should sustain that increase.
- € The Brent **crude oil price remains low**, at around USD 45/barrel in Q3 2020, recovering from the oversupply in spring, although still under reduced demand.
- € After a significant drop in 2020 (0.6% in the EU), **inflation is expected to rebound to 2019 levels in 2021 (1.3%)**.
- € IHS Markit foresees the **EUR/USD exchange rate to continue decreasing until 2021**, by 6.3% compared to 2019, reaching 0.84, likely to have a negative impact on EU competitiveness in world markets.

Expected labour market deterioration until 2021 delayed for now

- € **The increase in EU unemployment has been mitigated until now** (from 6.5% in February to 7.2% in July) thanks to measures implemented by EU governments (short-time work, technical unemployment, restrictions on layoffs).
- € **The situation of the labour market may however worsen in 2021** due to the insufficient speed of economic recovery, as forecast by the European Central Bank. For the Euro area, the unemployment rate might jump from 7.3% in Q1 2020 to 9.5% in 2021 before starting to decrease in 2022.
- € **The increase in unemployment is impacting unevenly upon the different segments of the active population**: young workers, the self-employed, and low-paid and part-time jobs are the most hit; civil servants and people who can work remotely are less affected.



ARABLE CROPS

Market developments in the EU

CEREALS 	2019/2020		2020/2021	
Production	 +9.4%	 -6.8%		
Exports	 +54%	 -29%		
Imports	 -14%	 +2.1%		
Consumption	 -0.4%	 -0.3%		

OILSEEDS 	2019/2020		2020/2021	
Production	 -8.7%	 +0.9%		
Exports	 +3.2%	 -1.8%		
Imports	 +14%	 -4.3%		
Consumption	 +0.2%	 -2.6%		

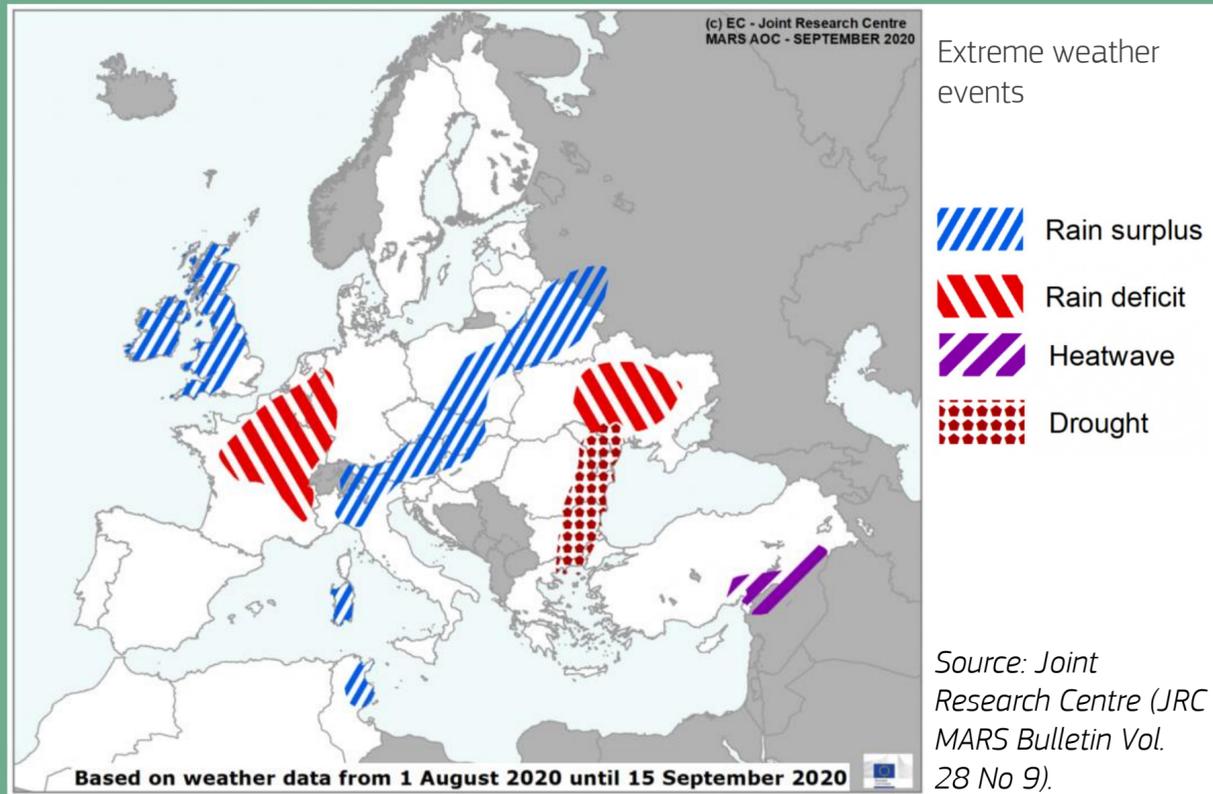
PROTEIN CROPS 	2019/2020		2020/2021	
Production	 -0.9%	 +10%		
Exports	 -10%	 -0.7%		
Imports	 -11%	 -11%		
Consumption	 -3.1%	 +5.1%		

SUGAR 	2019/2020		2020/2021	
Production	 -1.3%	 -2.1%		
Exports	 -50%	 +9.1%		
Imports	 -2.8%	 +0.0%		
Consumption	 -2.5%	 +1.5%		

Note: % compared to previous season

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EU total cereal and wheat production 2020/21

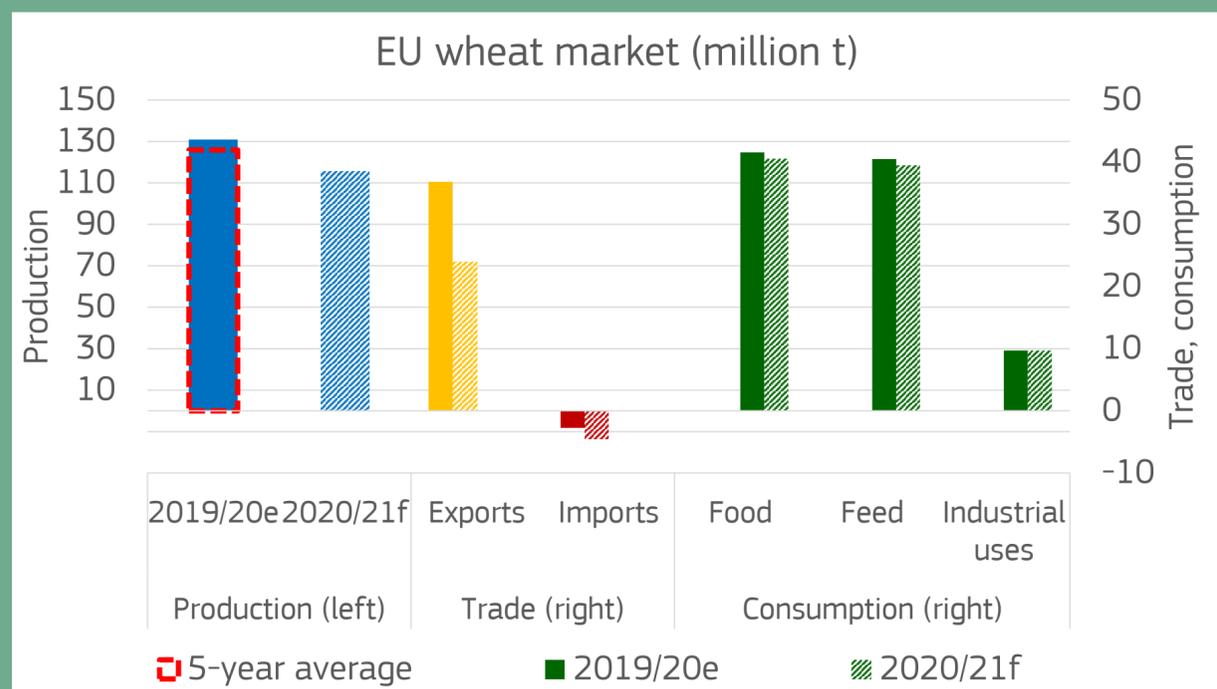


EU weather conditions affected cereals production

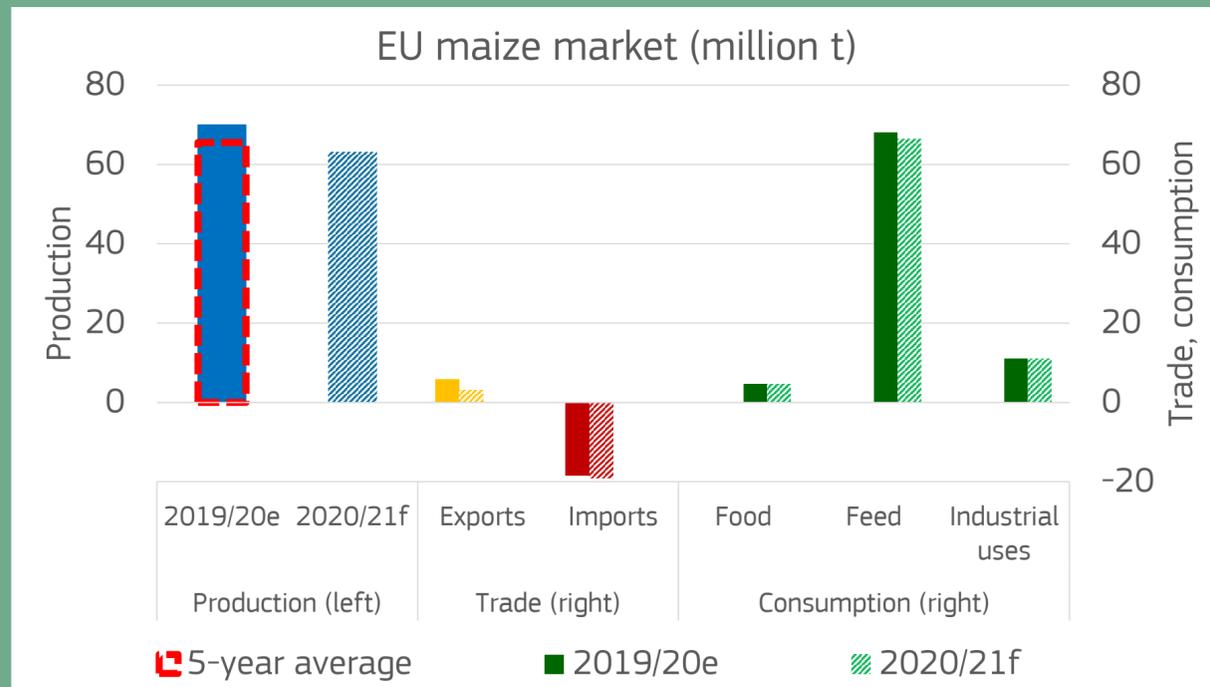
- The persistently dry conditions over the summer across many parts of the EU influenced negatively the different stages of plant development. Total EU 2020/21 cereals production is expected to reach **274.3 million t**, -6.8% compared to 2019/20 (-2.6%/5-year average).
- High temperatures** over the summer affected large parts of FR, RO, the Benelux countries, DE and BG. The average daily temperature exceeded the seasonal values by 2 to 3 degrees. The number of hot days (>30°C) was also significantly higher compared to the long-term average. It was above 15 days in the **Mediterranean region** and **Black Sea** countries, and between 5-10 in FR, the **Benelux** countries and northern DE.
- In August, significant **rainfall** in central EU, eastern PL and IE was beneficial for summer crops, while a lack of rainfall and high temperatures in southern ES impacted upon the water availability.

Soft wheat market to contract in 2020/21

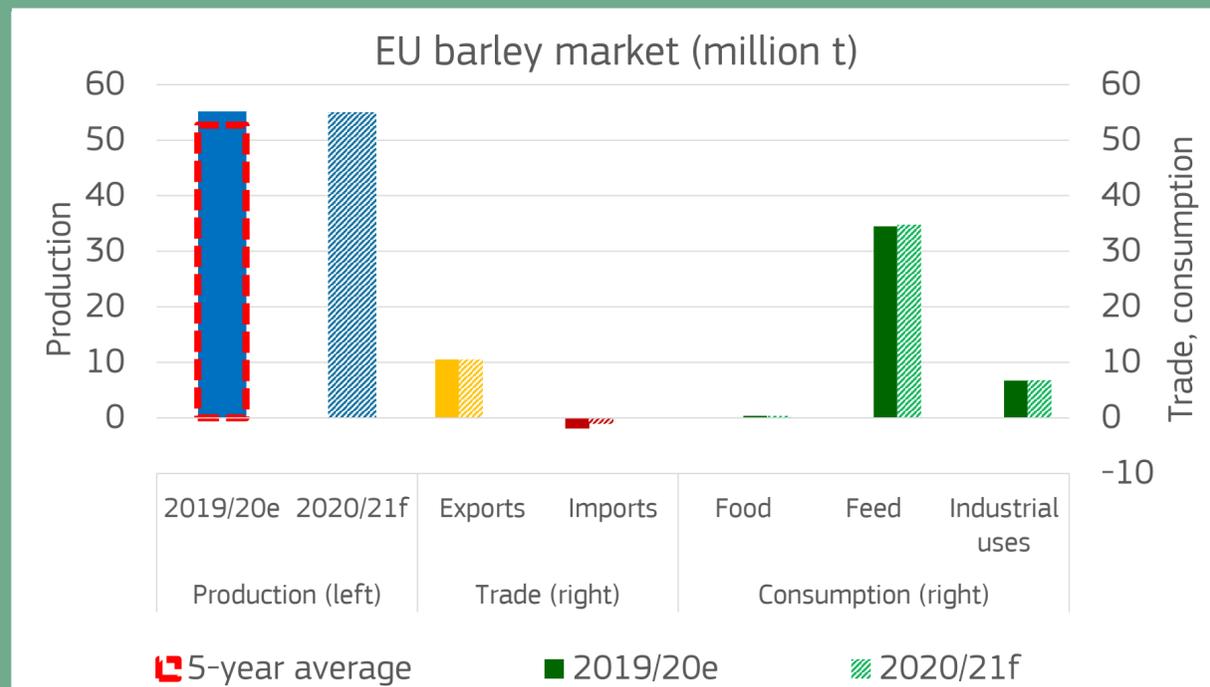
- The EU 2020/21 **wheat** production is estimated at **115.5 million t** (-8% compared to the 5-year average). Area hit a 13-year low and yield is -3.6% below 5-year average. Nevertheless, first estimates for wheat **quality** are overall **positive** in DE and FR.
- Biggest decrease in production is expected in FR (-7 million t compared to the 5-year average) and RO (-1.5 million t). Yields declined in both countries, by 9% and 39% respectively due to abnormal dry conditions especially for winter wheat.
- Smaller FR and RO** crops should be partially compensated by **larger-than-usual** harvests in **Mediterranean countries** (ES, IT, SI) reflecting overall good conditions. In PL, a **near-record** output volume is expected due to stable areas and above average yields.
- Global production is forecast at a new record, boosted by bumper harvests in Russia, Canada and Australia in particular. **EU exports** could decrease to **24 million t** (-11% year-on-year).
- EU total consumption is due to decrease to 95.3 million t, mainly linked to smaller consumption in the feed industry (reaching 39.5 million t, -2.5% year-on-year).



EU maize and other coarse grains 2020/21 production



Source: DG Agriculture and Rural Development.



Source: DG Agriculture and Rural Development.

Significant drop in EU maize production

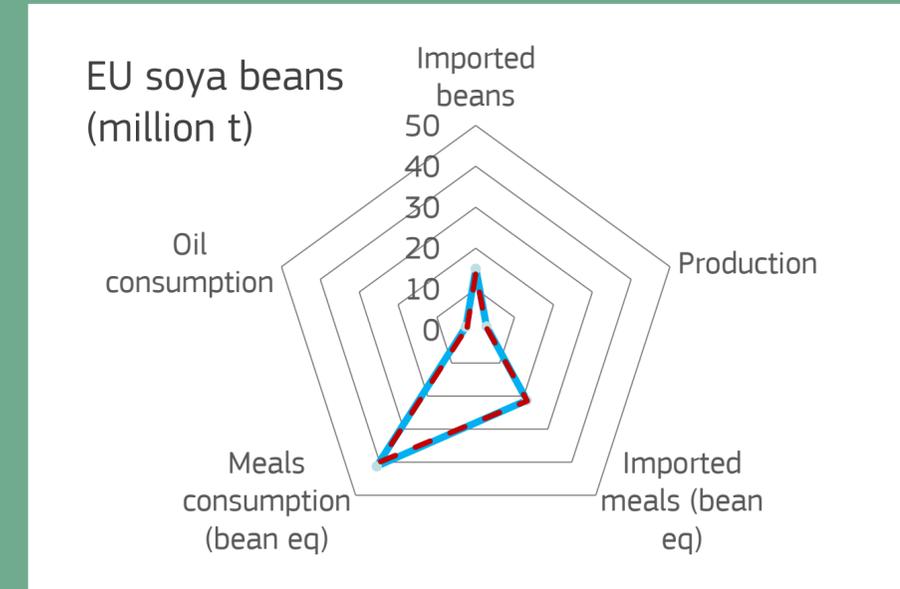
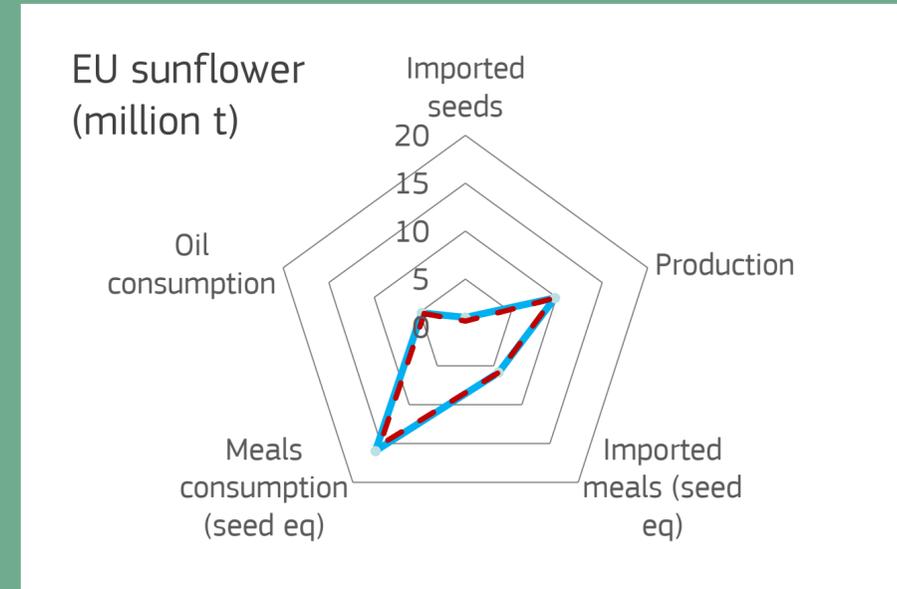
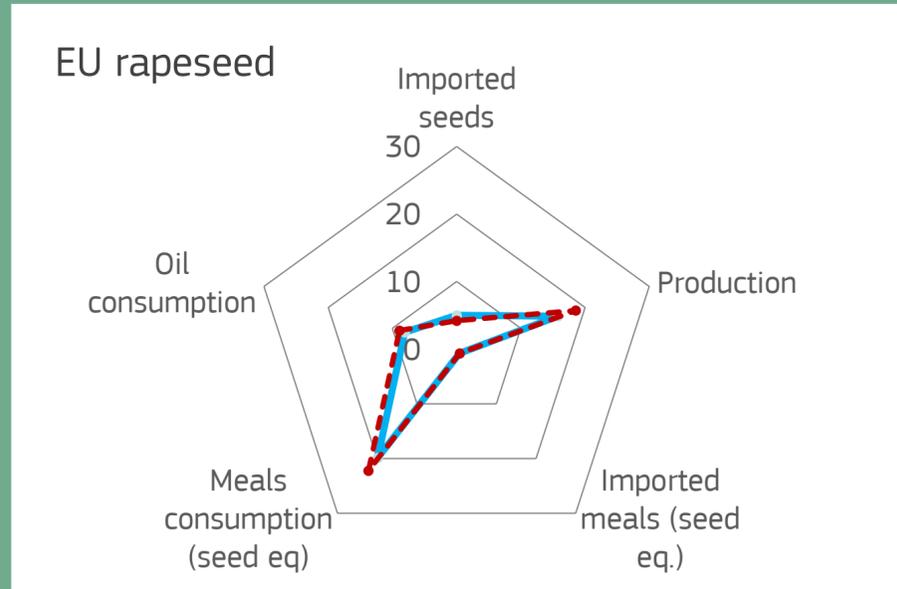
- The EU 2020/21 total **maize** production is estimated at **63.1 million t** (-9.8% compared to last year's record volume, -3.7% compared to the 5-year average). With a stable harvesting area, the drop in production results from significantly **lower yields across the EU** (-7.7%/5-year average).
- In 2020/21, production in FR should increase by 10.5% and reach 14.4 million t. In RO, production is estimated at 10.2 million t (-41% year-on-year) due to a **dramatic fall** in yields due to extremely dry conditions in the eastern part of the country. HU, IT and ES, on the contrary, are expected to achieve bigger harvests thanks to good growing conditions resulting in above-average yields.
- According to the latest estimates, **global maize** production could break a **new record**. Global consumption should increase after a stabilization in 2019/20 and global trade remains dynamic, supported by demand for feed use and ample supplies from the US, Brazil and Ukraine. EU imports could reach 20 million t to compensate for the lower production.
- Overall, total **EU consumption may drop** to 82.7 million t due to lower demand for **feed use**. EU maize imports are however likely to increase in 2020/21.

Good market prospects for barley and other cereals

- EU 2020/21 **barley** production should remain stable at **55.0 million t** (+4.3%/5-year average) with major differences between winter (-12.5% year-on-year) and spring barley (+13.9% year-on-year).
- EU barley consumption would benefit from a **slight growth** in **industrial** and in **feed uses** and increase year-on-year. Malting barley consumption dropped significantly in 2019/20 and is assumed to rebound. With ample availabilities worldwide, EU export prospects remain stable year-on-year and EU stocks-to-use levels should increase.
- Total production of **other cereals** (including rye, sorghum, oats and triticale) would reach **33.4 million t** (+8.8% year-on-year). The production in PL, the largest EU producing country, should **increase** significantly (+29% year-on-year), especially for spring cereals.
- Total consumption of other cereals in the EU is expected to increase due to the rise in production; **feed use** would consequently **increase** by 1.2 million t and reach **20.7 million t**.

EU oilseed and protein crop 2020/21 production

Limited EU oilseed prospects while a rebound in protein crop production and consumption

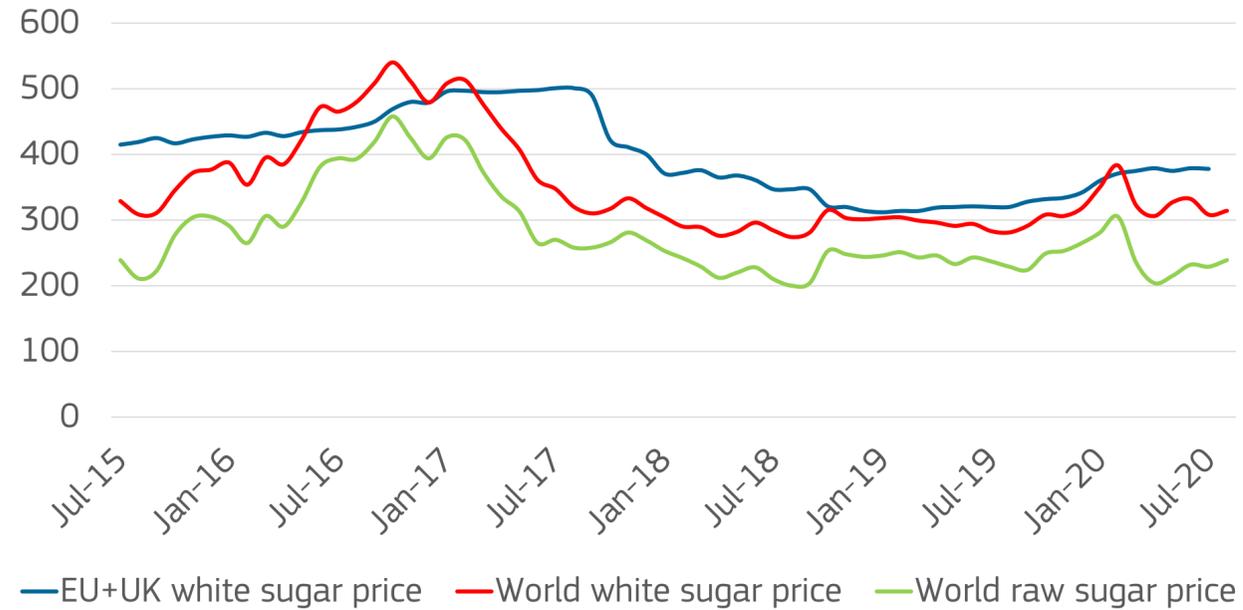


Source: DG Agriculture and Rural Development.

- EU total **oilseed** production in 2020/21 is estimated at **28.4 million t** (+0.9% year-on-year). This is partly due to a 2.7% increase in rapeseed production.
- Although still low in historical terms (14.8% below the 5-year average), the total EU **rapeseed** production benefits from a combination of higher areas and yields, reaching **15.8 million t**. DE and PL production increased due to higher than average yields while FR production dropped due to dry conditions (-30%/5-year average).
- With **2.8 million t** (+3.4% year-on-year), EU **soya** production should be close to the record of 2018, benefiting from an increase in areas (+2.9% year-on-year) and in yields. EU **sunflower** production should decrease to **9.8 million t** (-2.5% year-on-year) despite a 1.6% year-on-year increase in areas, but yields are negatively impacted by dry conditions in major producing areas (RO, BG).
- Crushing** volumes are expected to decline by 2.5% year-on-year and reach **44.7 million t**. Lower meal production could be compensated by a slight rebound of imports to sustain the demand.
- Global soya production is forecast to reach a new record (370 million t according to the USDA), with a rebound of US production and a continuous increase in Brazil and Argentina. Tied to the Chinese feeding industry demand, trade should expand globally.
- Total EU **oilseed imports** of **52.5 million t** (equivalent seeds and beans) would correspond to a **1.3% decline year-on-year**, still 2.7% above the 5-year average.

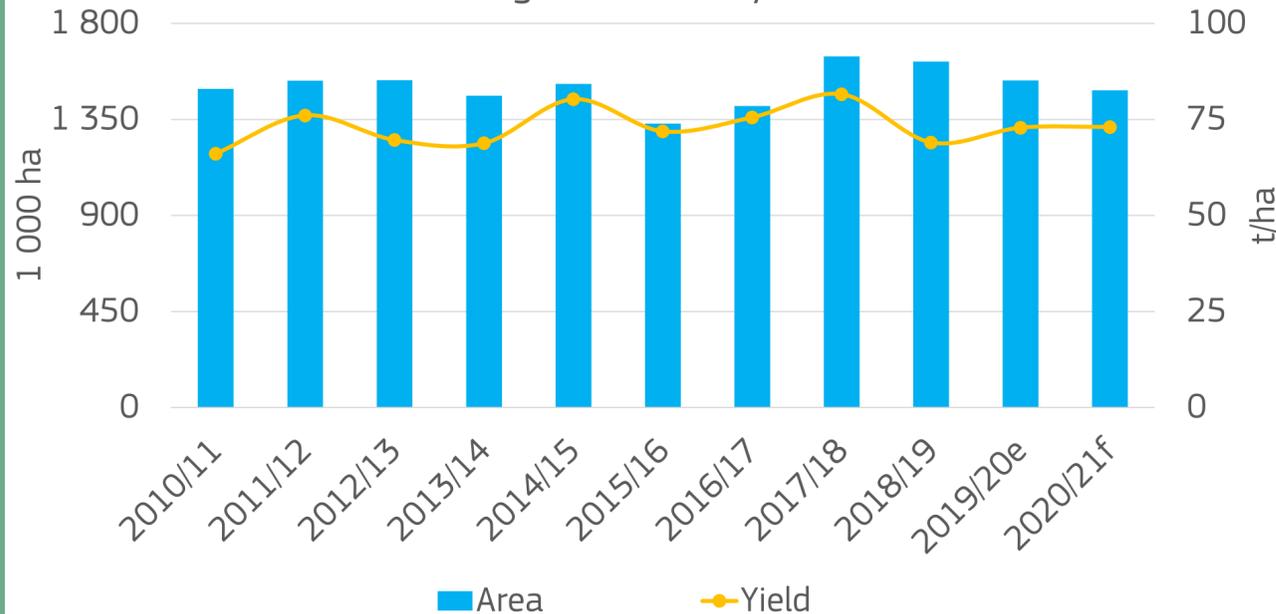
- EU 2020/21 **protein crops** production is expected to reach **4.5 million t** (+10.3% year-on-year). EU production of field peas (2.2 million t) and broad beans (1.2 million t) should increase thanks to a rebound in areas, combined with average yields.
- Areas for **other dry pulses and protein crops** (including lentils and chickpeas) are estimated to be 3.1% **lower** than last year. It is mainly due to a second year of declines in areas in ES (-12% in 2019/20 and -14% in 2020/21).
- After two years of consecutive decreases in protein crops consumption for feed, both an **increase in feed rations** due to a lower availability of cereals and an increase in food demand would support a **rebound of total EU consumption** by 5.1%.

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



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

EU sugar area and yield



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

EU+UK exports at their lowest level since 2010/11

- The 2019/20 marketing year is coming to an end. **EU+UK production is estimated at 17.4 million t**, 230 000 ton less than in 2018/19 (-3% below 5-year average).
- The **EU+UK price increased** over the first part of the marketing year and **stabilised** over the last months at around EUR 380/t. On the contrary, world sugar prices decreased again in July, and the gap between EU and world prices increased to between EUR 50/t and EUR 70/t since March.
- With lower EU+UK production, lower global demand and bearish world prices, **exports remained low** and are forecast at 0.8 million t, the lowest level since 2010/11. Imports could reach 1.85 million t, slightly below the previous year (-3%).
- 2019/20 total **domestic uses** of sugar are forecast to **decline by almost 0.5 million t** (-2.5% year-on-year).
- Resulting EU+UK stocks are estimated at 2.2 million t (22% above 2018/19 stocks).

Mediocre 2020/21 sugar beet yield due to rain deficit and diseases

- Rain deficit in western Europe and pressure from diseases (yellowing) result in a **yield forecast** for the **2020/21 EU crop slightly below the 5-year average**, at 73 t/ha. With the EU sugar beet area estimated at 1.5 million ha, EU sugar beet production could reach 109 million t (-3% year-on-year).
- Considering average sugar content, **EU sugar production is forecast at 15.9 million t** for 2020/21, compared to 16.2 million t in 2019/20.
- While 2019/20 consumption dropped in the context of Covid-19 confinement measures, **EU human consumption is expected to recover** in 2020/21, close to the 2018/19 level.
- 2020/21 imports are forecast to be similar to the previous year while **EU exports** could slightly increase and reach **1.2 million t**.

SPECIALISED CROPS

Market developments in the EU

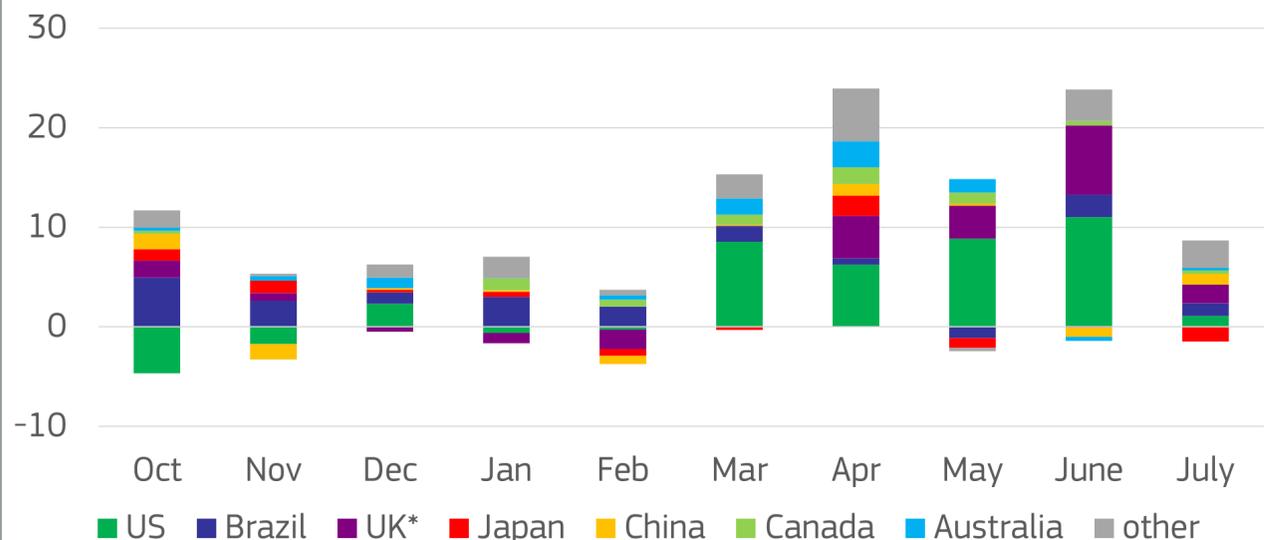
OLIVE OIL 	2019/2020		2020/2021	
Production	↓	-15%	↑	+16.6%
Exports	↑	+16%	↔	-3.7%
Imports	↑	+63%	↓	-58%
Consumption	↔	+3.2%	↔	+3.5%

APPLES	2019/2020		2020/2021	
	<i>fresh</i>	<i>processed</i>	<i>fresh</i>	<i>processed</i>
Production	↑ +15.1%	↓ -45%	↔ -3.3%	↑ +6.3%
Exports	↓ -17.1%	↓ -33%	↑ +7.9%	↓ -7.1%
Imports	↔ +4.5%	↑ +5.5%	↔ +3.4%	↔ -1.8%
Consumption	↑ +36%	↓ -38%	↓ -7.8%	↑ +8.6%

ORANGES 	2019/2020		2020/2021	
	<i>fresh</i>	<i>processed</i>	<i>fresh</i>	<i>processed</i>
Production	↔ +0.1%	↓ -22%	↔ +2.1%	↑ +20%
Exports	↓ -15%	↔ -1.2%	↑ +9.6%	↔ -0.6%
Imports	↑ +13%	↔ -2.1%	↓ -6.6%	↔ -1.2%
Consumption	↔ +3.5%	↓ -9.3%	↔ +0.1%	↔ +5.0%

Note: % compared to previous season

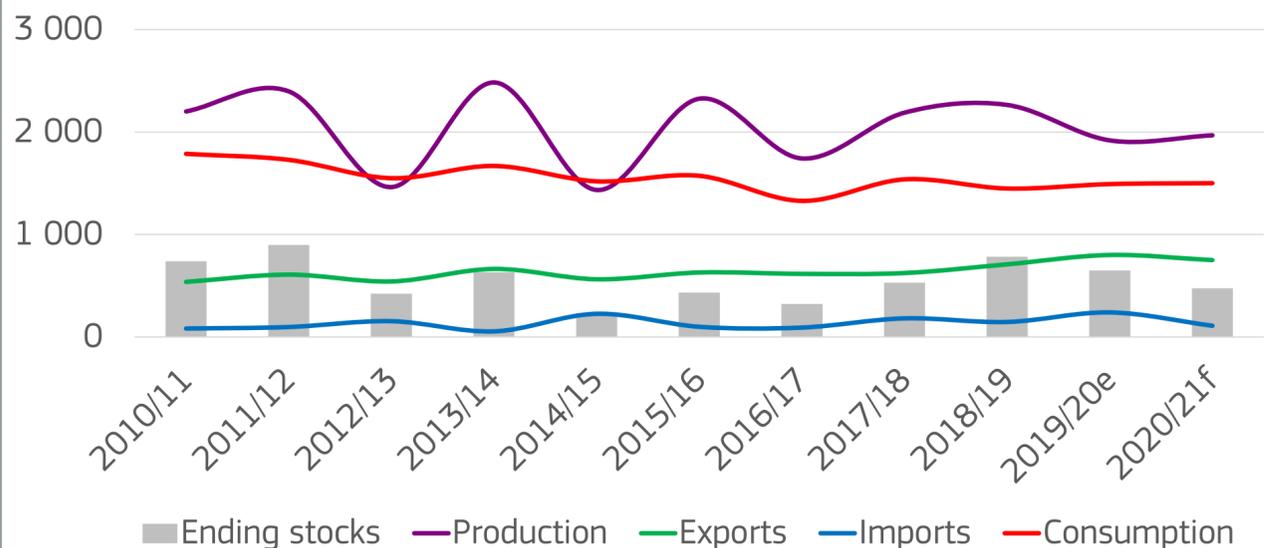
2019/20 EU olive oil exports volume change, by month and destination (1 000 t)



Note: *UK July figures are not yet complete

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

EU olive oil production, consumption, trade and ending stocks (1 000 t)



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

New record volumes of EU exports in 2019/20 campaign

In Oct-July, **EU exports grew significantly in volume**, reaching new records in all main export destinations. Shipments to the US grew by +16%, Brazil +32%, Japan +3%, UK* +32%, China +3%. They are accounting for around 70% of EU exports. However, the **value of EU exports is not growing proportionally**. It dropped by 3% in the US and around 10% in China and Japan. Although some slowdown of export growth is likely to occur at the end of the campaign due to high volumes exported in the same period in 2019/20 campaign, **EU exports could reach a record 820 000 t**.

EU imports, close to 90% originating in Tunisia, continued to grow and **could reach a historic level** in 2019/20 (240 000 t), comparable to the one in 2014/15. These increasing flows are driven by both EU processing and re-exporting needs, which helps to sustain business relations in certain export destinations where some EU exports are restricted due to retaliation tariffs (US).

In the EU, an increased production in IT and EL, a record harvest in PT, and strong consumption by households in main producing countries due to the lockdown, supported a **consumption growth**. It is expected to be +3% despite the reduced demand from the tourism and foodservice industries. Together with an anticipated export growth, it should contribute to a **stock reduction by 20%**.

Stable EU stocks in 2020/21

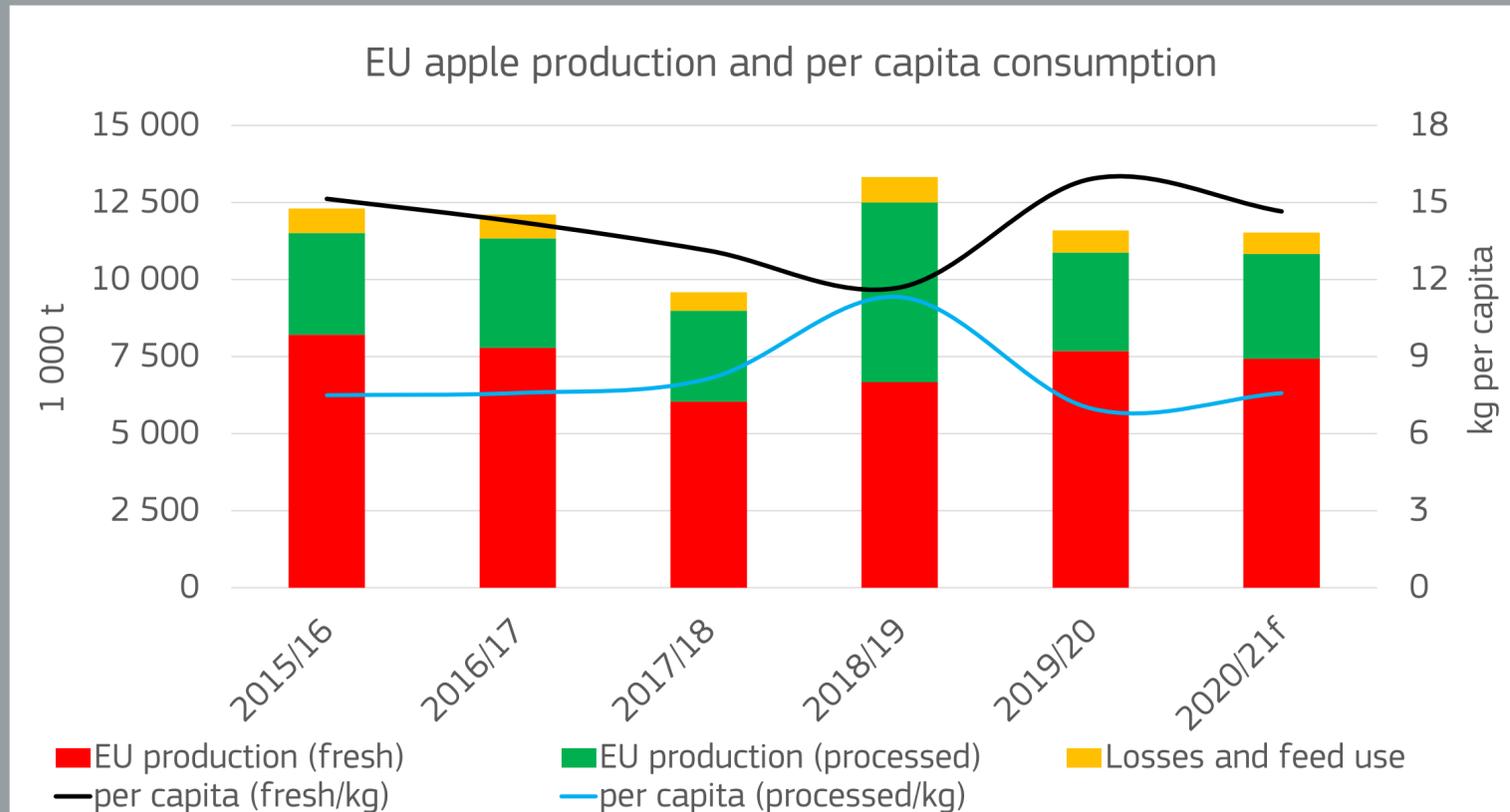
Over the summer, **weather conditions** in the Iberian Peninsula **deteriorated for olive growers**, with some very warm and dry episodes, resulting in lower 2020/21 production estimates in ES (1 550 000 t) and PT (100 000 t). EL and IT are expected to follow a bi-annual pattern of production alternance, EL likely to produce 280 000 t, IT around 290 000 t. As a result, **2020/21 EU olive oil production** could be around **2.2 million t** (+17% year-on-year).

Lower EU exports are forecast for 2020/21 (790 000 t), due to existing stocks in some destination countries following the record flows as well as a weakened purchasing power worldwide. **EU imports could also decrease** due to lower availabilities in non-EU countries and less re-exports need.

Further **EU consumption growth is expected (3.5%)** constrained by a low production in IT and EL whose consumers have a strong preference for national olive oils; and only a slow tourism and foodservice recovery. This may still contribute **stable stocks**.

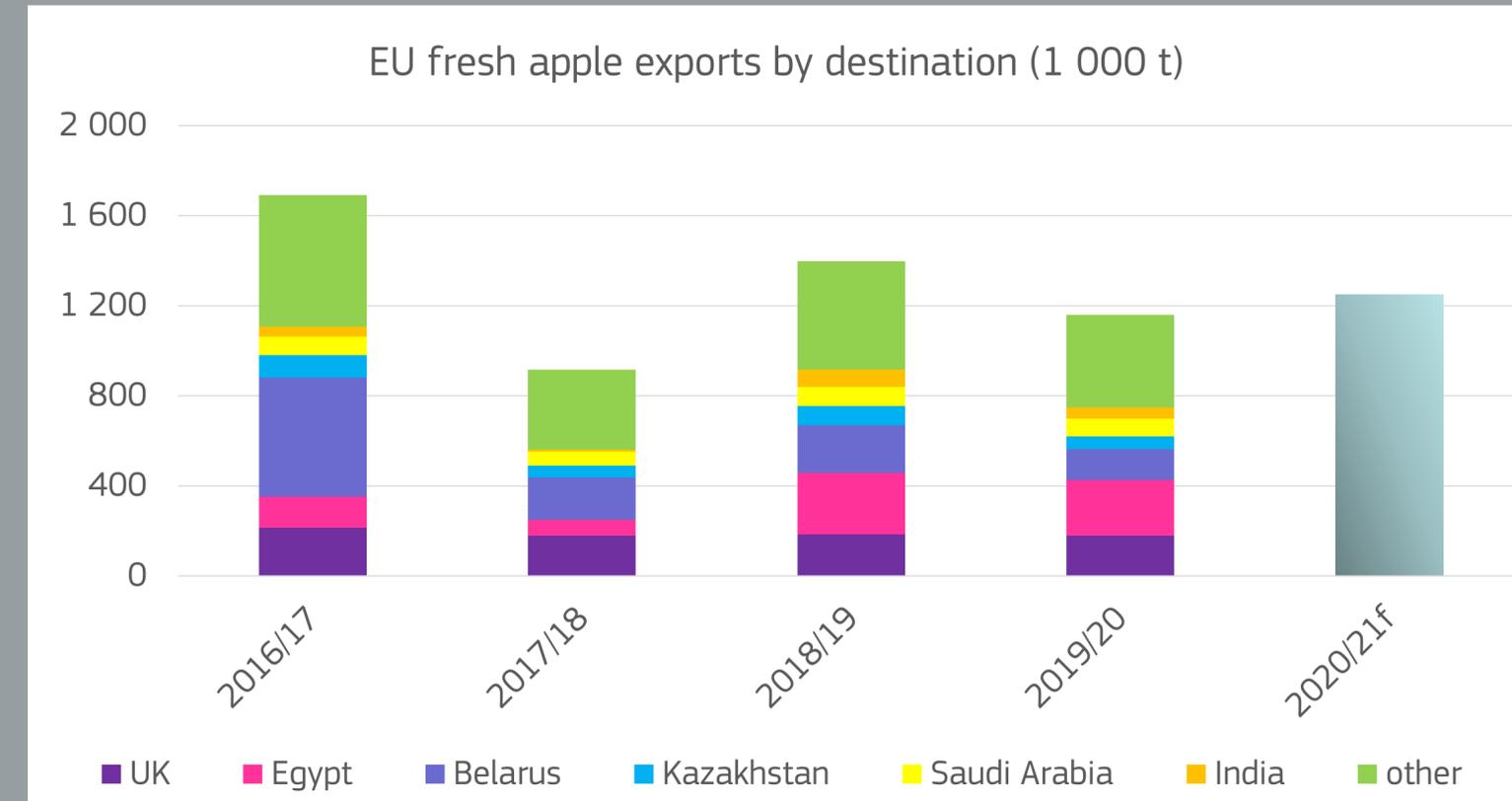
Apples

EU apple production below average and low stocks



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

Strong domestic demand keeps apple exports low



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

🍏 The **EU production of apples** is forecast to reach 11.5 million t in marketing year 2020/21, **2% below** its past 5-year **average**. Production in PL is expected to recover from last years' low production (+17%), partly driven by an increase in area (+10 000 ha), whereas production declines in FR (-13%), IT (-1%) and DE (-4%). With the stock from the 2019/20 campaign almost cleared, the market seems well balanced.

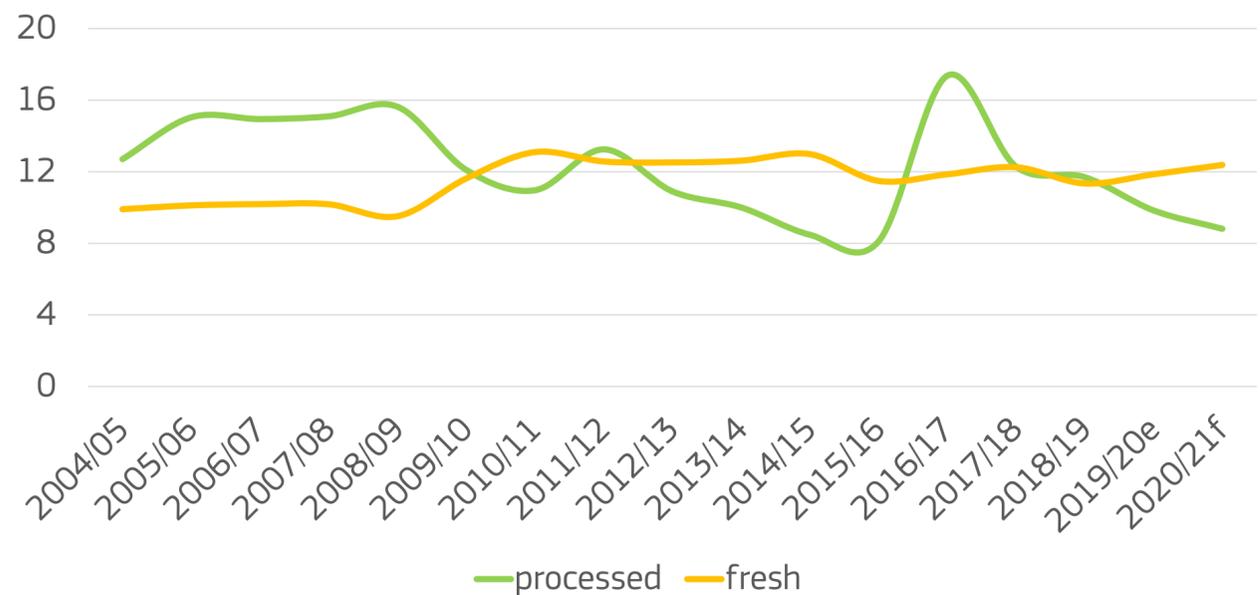
🍏 The **EU consumption of fresh apples** is due to **decline** to 14.7 kg per capita. This is 8% below the 2019/20 level, when consumption reached record high levels driven by home consumption.

🍏 **EU exports of fresh apples** are expected to **increase** by 8% compared to 2019/20 when exports dropped sharply as a result of both high domestic prices and restrictions on the export market. They would, however, remain below average (-10%).

🍏 Around 30% of the EU usable apple production in 2020/21 (3.4 million t) would be used for processing (+6% year-on-year). With stocks below average, **exports of processed apples could decline** by 7% whereas **imports** are due to **remain stable**. This would result in an apparent consumption above last year's one (+9%).

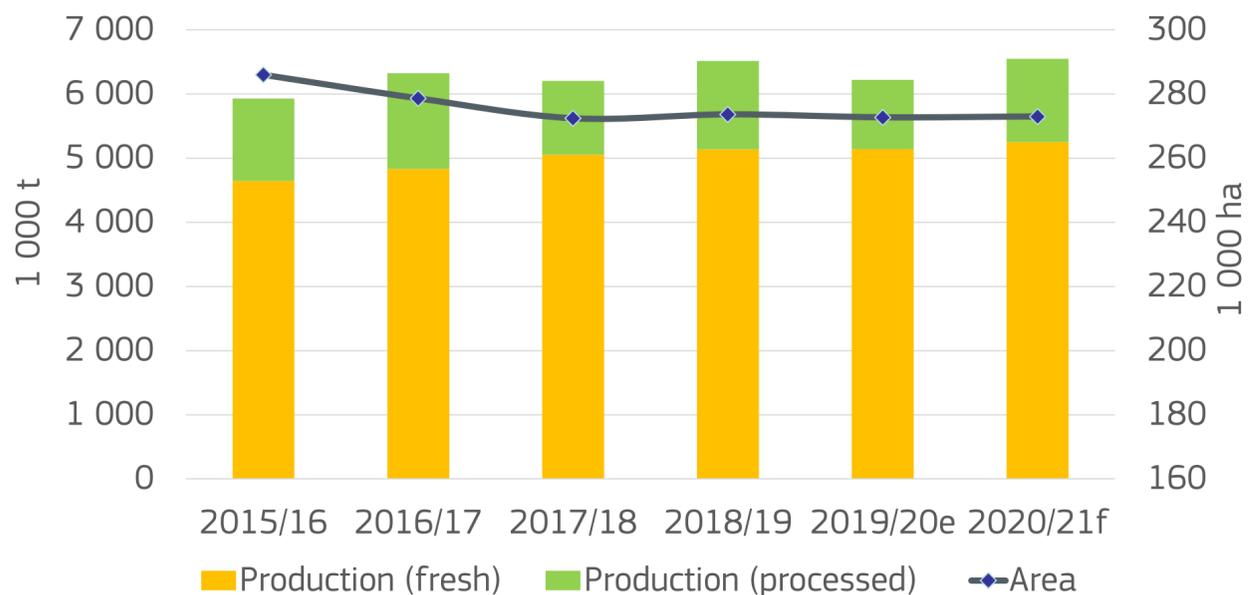
Oranges

EU oranges consumption (kg per capita)



Source: DG Agriculture and Rural Development.

EU oranges production and area



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

Record high imports of fresh oranges in 2019/20

- 🍊 The **2019/20 EU orange production** is estimated to be slightly above **6.2 million t**. This is 5% less than in the previous year and results from lower yields. 1.1 million t of oranges produced in the EU would be directed towards processing in 2019/20 (-22% below the previous year).
- 🍊 Lower EU production, high production in South Africa and a strong EU demand for fresh oranges triggered a **significant increase in imports of fresh oranges**, forecast at close to 1 million t (+13%). **Exports of fresh oranges** on the contrary are estimated to have **dropped by 15%**. Both **imports and exports of processed oranges** (mainly juice and juice concentrates) should be slightly **lower** in 2019/20, by respectively 2% and 1%.
- 🍊 Notwithstanding previous years' stocks, the overall apparent consumption of oranges indicate a **decline in consumption** (-2%). However, the consumption of fresh oranges could increase by 3% to 12.8 kg per capita at the detriment of processed, following also a long-term trend of substituting processed orange juice by fresh, but more pronounced this year.

High EU production forecast for 2020/21

- 🍊 For **2020/21**, a **stable EU production area** is forecast at 273 000 ha. Yields could be above average as weather conditions were favourable to flowering. This results in a forecast **EU production at 6.55 million t for 2020/21** (+5% year-on-year), close to the high production level in 2018/19. Production directed to processing could reach 1.3 million t, a 200 000 t or 20% increase compared to 2019/20.
- 🍊 **EU imports** of both processed and fresh oranges are forecast **to decrease in 2020/21** due to higher EU production. While exports of fresh oranges could recover from the drop in 2019/20, exports of processed oranges could further decline along the long-term decreasing trend.
- 🍊 Apparent **consumption of processed oranges is forecast to grow** with increased domestic processing, while consumption of fresh would remain close to 2019/20 levels.

MILK AND DAIRY PRODUCTS

Market developments in the EU

MILK 		2020	2021
Milk collection	↗	+1.4%	↗ +0.8%
Dairy herd	→	-0.4%	↘ -0.8%
Milk yield	↗	+1.6%	↗ +1.6%

CHEESE 		2020	2021
Production	↗	+0.7%	↗ +0.5%
Exports	↑	+5.0%	↗ +3.0%
Imports	↗	+2.0%	→ +0.5%
Consumption	→	-0.2%	→ +0.5%

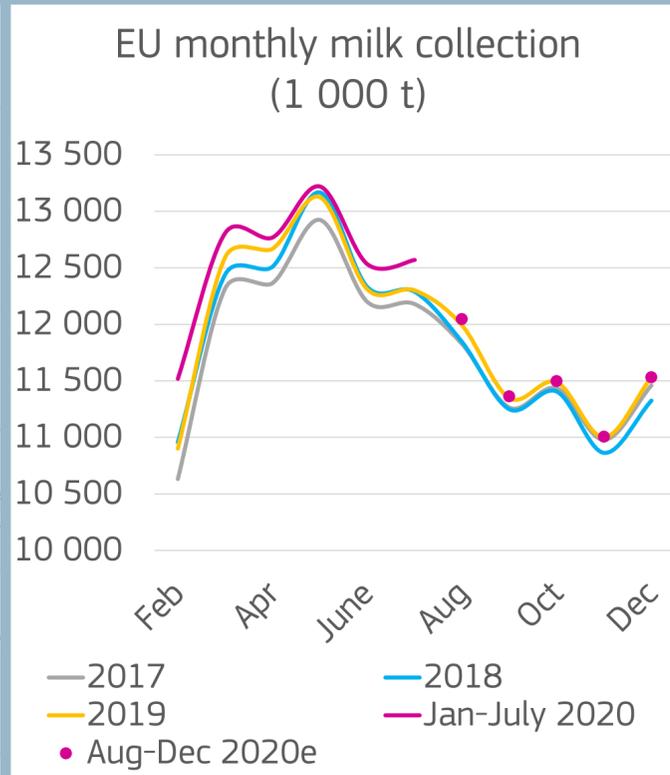
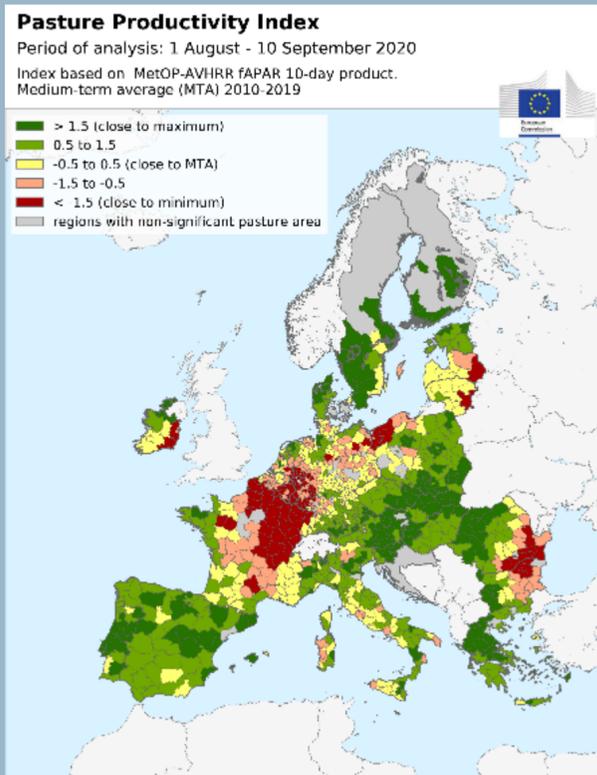
BUTTER 		2019	2020
Production	↗	+2.5%	↗ +1.0%
Exports	↑	+10%	↑ +5.0%
Imports	↓	-15%	→ +0.0%
Consumption	→	+0.2%	→ +0.4%

SMP 		2020	2021
Production	↑	+5.0%	↗ +3.0%
Exports	↓	-10%	↑ +5.0%
Imports	↓	-5.0%	→ +0.0%
Consumption	↓	-6.9%	↗ +0.5%

FRESH DAIRY PRODUCTS 		2020	2021
Production	↗	+0.9%	→ -0.2%
Exports	↑	+8.0%	↑ +5.0%
Imports	↓	-5.0%	→ +0.0%
Consumption	→	+0.4%	→ -0.4%

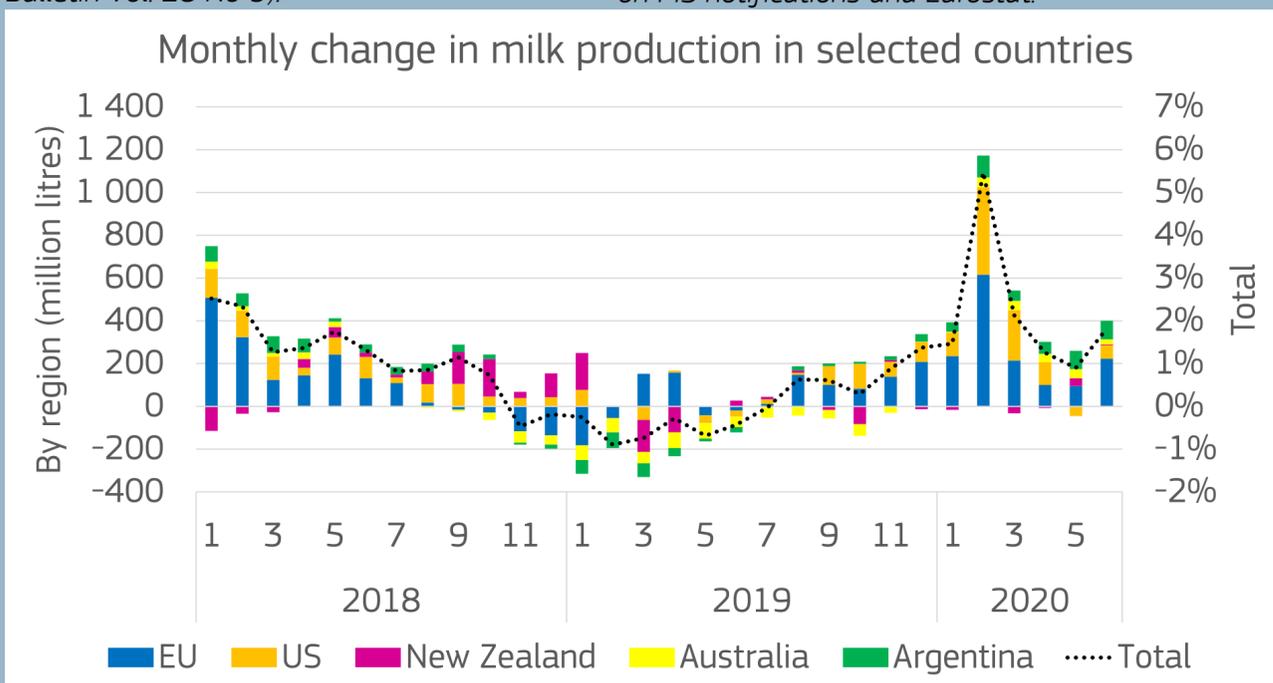
WMP 		2020	2021
Production	↗	+0.7%	↘ -0.5%
Exports	→	+0.0%	↘ -2.0%
Imports	↓	-10%	→ +0.0%
Consumption	→	+0.2%	↗ +0.6%

Note: % compared to previous season



Source: Joint Research Centre (JRC MARS Bulletin Vol. 28 No 9).

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



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

EU milk production growing despite mixed weather conditions

- Over the summer, a lack of rainfall and above-average temperatures hampered the pasture development in northern DE, western PL, north-eastern FR, and the Benelux countries. Summer weather conditions were more favourable in Central Europe as well as in the Iberian Peninsula.
- This could impact negatively upon feed availability (hay and silage) in the coming months, contributing to a slowdown of the milk production growth towards the end of the year. Q3 2020 production growth is still likely to remain positive (1%) thanks to a strong collection growth until July (+2%). Q4 2020 production is due to be around the same level as last year.
- The overall EU milk collection growth should be around 1.4% in 2020, driven by an increase in milk yield (+1.6%) supported by generally favourable pasture conditions until July as well as affordable feed. At the same time, the dairy herd is expected to decline further (-0.4%), with increased slaughtering in the second half of the year.

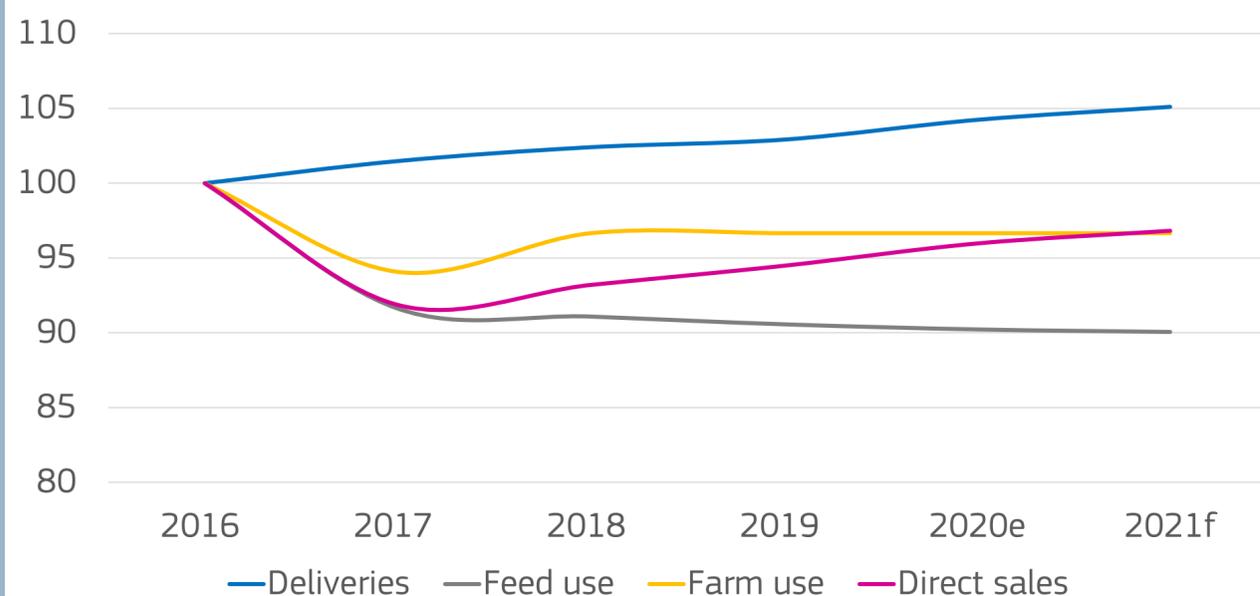
World production increasing while EU prices remain overall stable

- Dairy production is increasing in the other main producing regions in the world despite a significant demand shock, as well as transport and production restrictions caused by Covid-19. In Jan-June, the US production grew at a similar rate as in the EU, Australia recovered from last-year's low (+5%) and the weather conditions favoured a significant production increase in Argentina (+9%). New Zealand's new season is likely to benefit from the good weather conditions so far.
- Despite increasing global milk supply, EU prices remain relatively stable. EU SMP price have been close to EUR 2150/t since June. The increasing trend of the EU butter price has been sustained since mid-May, reaching around EUR 3400/t at the beginning of September. Cheese prices and WMP price have been stable (around EUR 3000/t for cheddar and gouda, EUR 2700/t for WMP).
- Recovery in EU butter price and stable SMP price reverted the decline in EU milk price equivalent caused by the Covid-19 outbreak. The EU milk price equivalent reached close to EUR 31/100 kg in August (2% below last year).

- The seasonal increase of EU milk price is likely to remain below last year's level due to supply growth stronger than the fragile demand recovery.

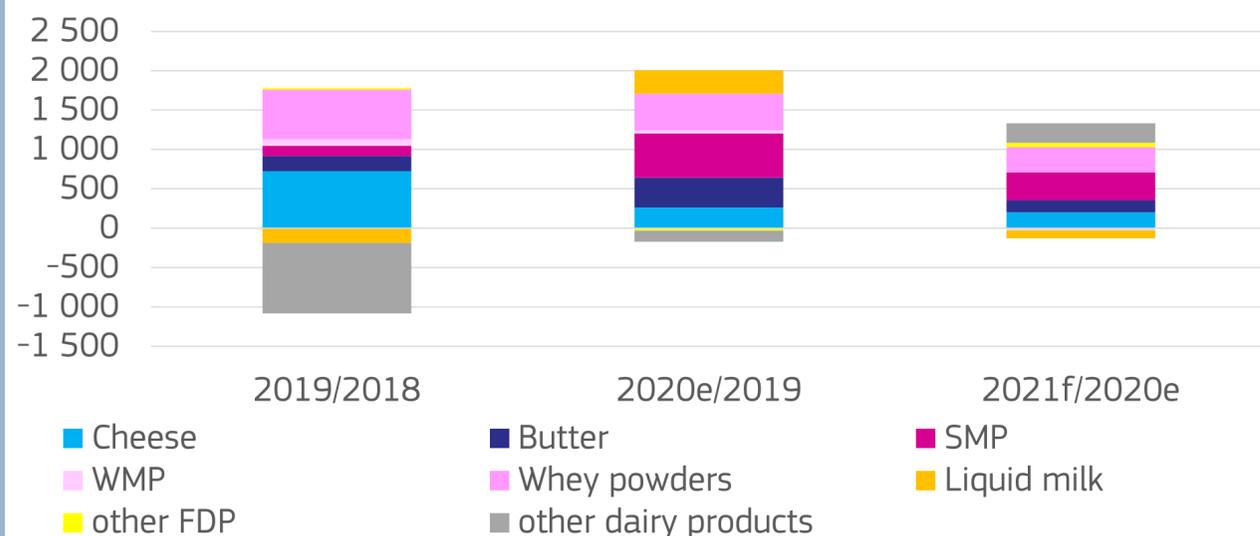
Milk and Dairy products

Trends of EU milk production channels (2016=100)



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

Annual change in EU production of selected dairy products (1000 t of milk eq.)



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

More milk in 2021 and reinforced demand for local sales



Higher than expected EU milk deliveries are likely to **increase the availability of milk solids**. Until July, milk fat grew by 1.8% year-on-year and milk protein by 1.6%. DE, FR, IE, NL and PL accounted for around 70% of the milk fat growth, with IE recording the strongest growth (+5%) thanks to its grass quality. These EU countries represented 80% of the milk solid growth (IE +4%).



In 2021, assuming normal weather conditions, **EU milk production could grow at a modest rate (+0.8%)**, driven by yield growth (1.6%) and further dairy herd reduction (-0.8%). **The pace of production remains uncertain**, but the high growth rates of 2020 would be hard to sustain in case of a slow demand recovery.



It is expected that the Covid-19 outbreak will lead to a **further growth of direct sales** in response to reinforced consumer demand for local food and short supply chains. This trend is to continue in 2021 as well.

Drinking milk benefitting from increasing milk production



Consumer demand continues supporting the **production growth of drinking milk** since the beginning of the year (around +4% compared to Jan-July last year). **The structural decline should stop**, with a 1.5% increase in 2020. In Jan-June, EU exports increased by 3%, mainly driven by China (+17%), the main EU export market. This trend should be reinforced towards the end of the year, leading to an overall increase of Fresh Dairy Products (FDP) exports in 2020 (+8%).



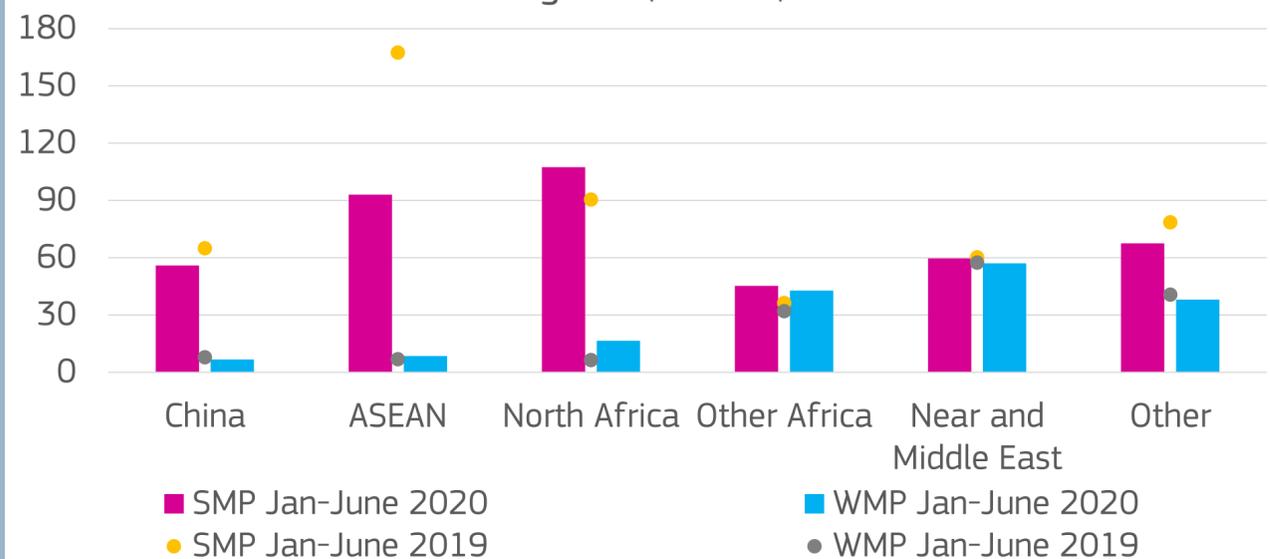
Contrarily, **cream and yoghurt production are likely to decline by 0.5%** in 2020. This is due to a **competition for milk fat use** and a reduced use in domestic food service not fully compensated by retail sales and growing exports. In Jan-June, cream shipments to China (36% of the EU exports of cream) grew by 40% and yoghurt shipments to the UK (65% of the EU exports of yogurt) by 7%.



In 2021, stockpiling behaviour experienced during the first lockdown periods is less likely to be observed, the food chain having proved to be resilient and consumers being better acquainted with Covid-19 restrictions. As a result, **consumption would revert to a declining trend (-0.4%)**, leading to a reduction in production. **Exports are likely to grow further (5%)**, driven by a positive image of EU FDP.

Dairy products

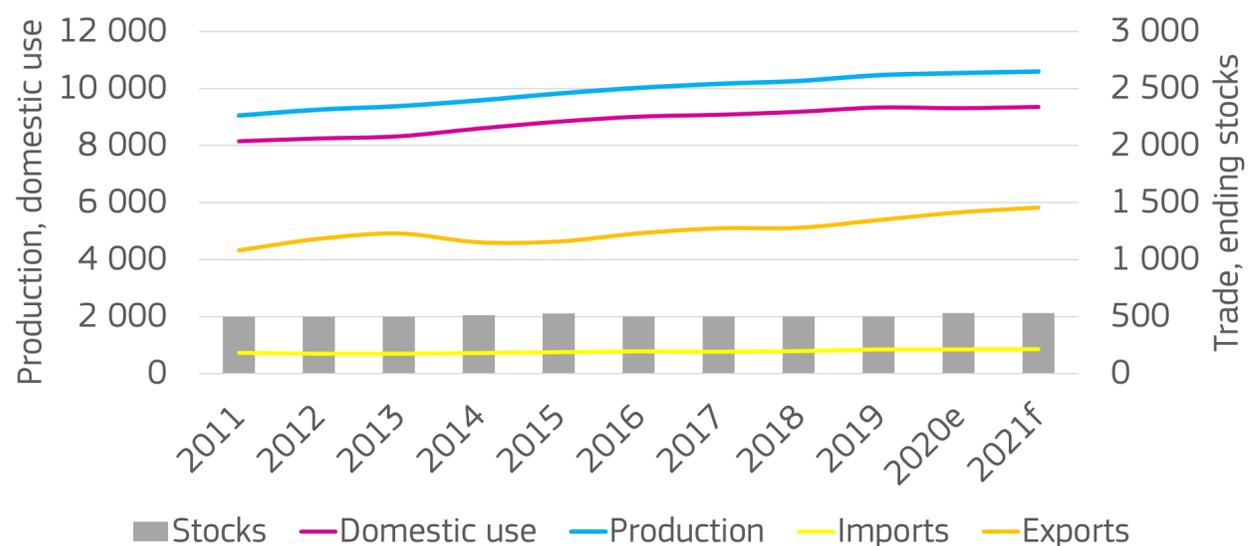
Jan-June EU exports of SMP and WMP by selected regions (1000 t)



Note: List of countries belonging to regions are in Statistical Annex.

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

EU cheese production, domestic use, trade and ending stocks (1000 t)



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

Export demand sustaining EU production of milk powders

Competitive EU prices of SMP, WMP and butter continue supporting EU exports. **EU SMP exports** are expected to **reach a historically second highest level** (850 000 t) while domestic processing should get back to 2017 levels. This will lead to a production increase of 5% in 2020, followed by a 3% growth in 2021, driven by an increasing export demand and affordable price.

In Jan-June, **EU WMP exports** kept on growing (+12%), mainly to Africa (+53%), while exports to the Near and Middle East, the largest EU export markets, declined by 1%. Despite an increasing competition from New Zealand in the coming months, **competitive EU prices should allow EU exports to remain stable**. With an expected stable EU demand (+0.2%), almost 1% more WMP is to be produced in 2020. In 2021, **availabilities worldwide and an increasing substitution of WMP** by other milk powders are likely to reduce EU exports (-2%), resulting in a production decline (-0.5%).

Despite an increasing **EU butter** price, EU exports are growing and are likely to **reach a record high in 2020** (320 000 t). Losses in foodservice are likely to be compensated by retail sales, stabilizing domestic consumption. In 2021, further adjustments in foodservice and retail channels (e.g. more restaurant providing takeaways, e-commerce) could increase EU consumption (+0.4%) and EU exports are likely to remain competitive. This should support production growth (+1%).

EU cheese exports to grow also in 2021

The EU consumption of cheese continues being impacted upon negatively by foodservice closures, which could result in an overall decline in 2020 (-0.2%). **Global demand for EU cheeses remains positive**, with increasing shipments to Japan, Switzerland, South Korea and Ukraine more than compensating for the losses in the US market. EU exports are expected to grow by 5%, supported by a production increase of 0.7%. In 2021, adjustments in foodservice and retail channels should help EU cheese consumption to grow by 0.5%. Combined with increasing EU exports, production should grow by 0.5%.

With cheese production growing, **more whey is due to be produced** in 2020 (+3%) to satisfy an increasing EU demand for dairy proteins (+0.9%) and a recovered import demand in China. This should lead to higher EU exports (+5%).

MEAT PRODUCTS

Market developments in the EU

BEEF 	2020	2021
Production	👇 -1.4%	👇 -1.5%
Exports	👈 +1.0%	👇 -4.0%
Imports	👇 -10%	👈 +0.0%
Consumption	👇 -2.1%	👇 -1.2%

POULTRY 	2020	2021
Production	👈 +1.0%	👈 +1.0%
Exports	👇 -6.0%	👈 +1.0%
Imports	👇 -12%	👈 +6.0%
Consumption	👈 +1.5%	👈 +1.3%

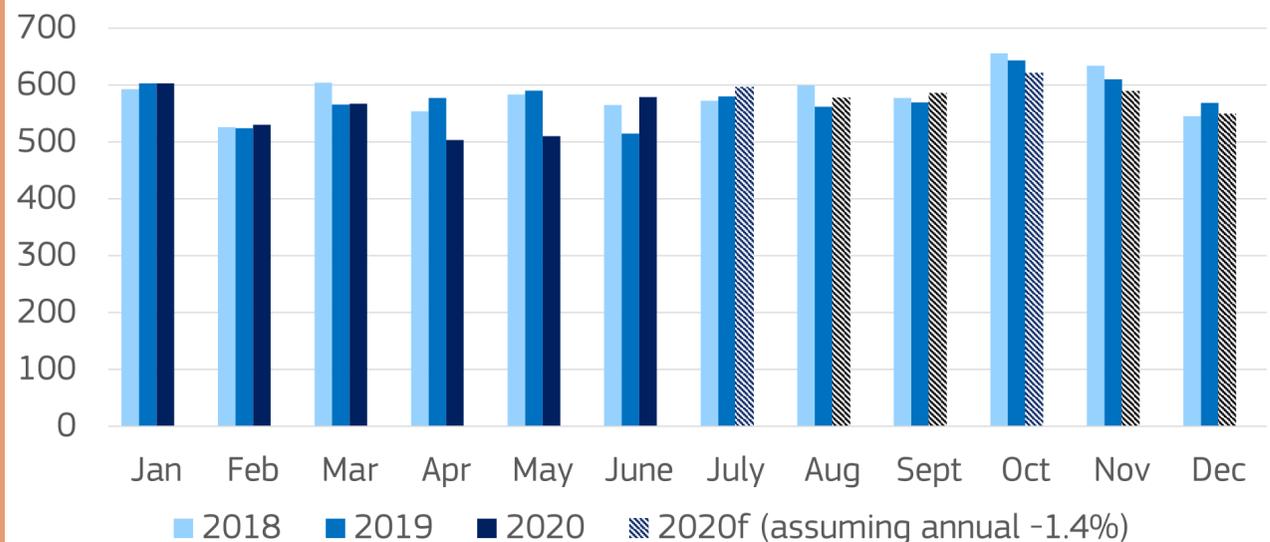
PIGMEAT 	2020	2021
Production	👇 -0.5%	👇 -1.0%
Exports	👈 +2.0%	👇 -10%
Consumption	👇 -1.1%	👈 +1.0%

SHEEP & GOAT 	2020	2021
Production	👇 -3.0%	👇 -1.0%
Exports	👈 +6.0%	👈 +0.0%
Imports	👇 -4.0%	👇 -3.0%
Consumption	👇 -4.0%	👇 -1.6%

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

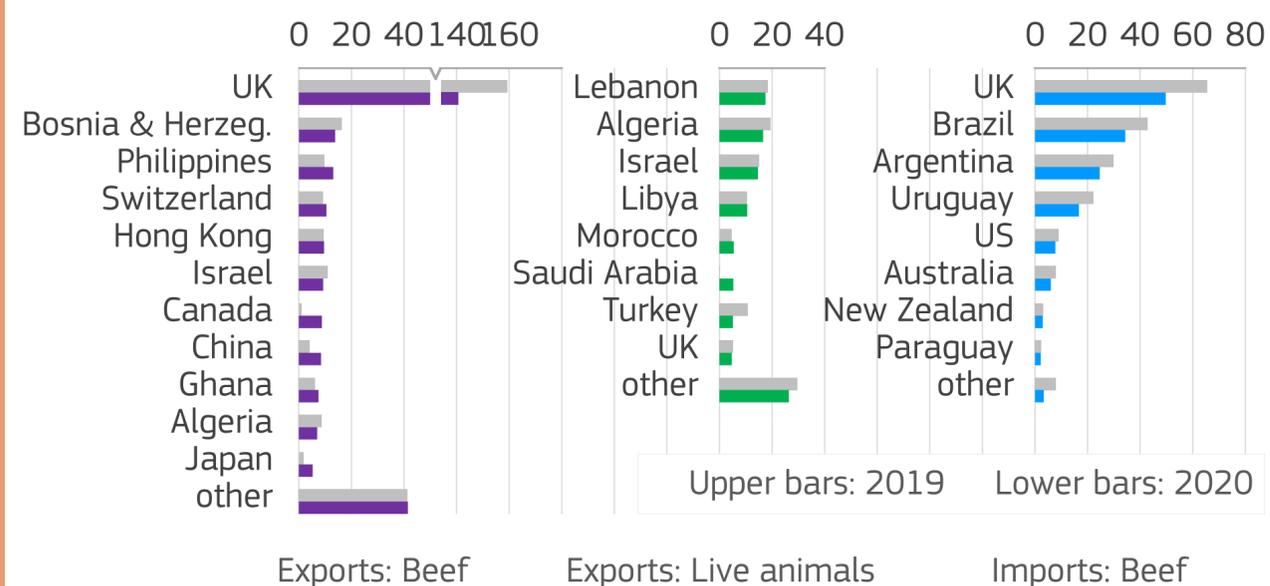
Beef and veal

Monthly EU beef slaughtering
(1 000 t carcass weight)



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

EU beef trade (Jan-June, 1 000 t carcass weight)



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

EU beef production stabilises in the second half of 2020



The EU beef production decreased in the first half of 2020: -2.4% year-on-year. In April-May, slaughtering numbers in most countries stagnated (FR, NL, DE) or declined (IE, AT, ES, and significantly in IT), because of Covid-19 measures and a lower demand from foodservice. With the reopening of restaurants and tourism catching up, demand has been recovering. **Prices**, which bottomed mid-May, are back to levels seen a year ago.



The **estimated decline in beef production in 2020** (-1.4%) assumes a stable production in the second half of the year. In addition to the Covid-19 impact, the decline in 2020 can also be attributed to the adverse effects of a dry spring on grazing and fodder availability, which led to early slaughtering at lower carcass weights. Reductions in herd size in some countries (FR, DE and IE), as confirmed by the **May-June livestock survey**, may also translate into a further decline in EU production in 2021 (-1.5%).

Stable exports, while lower imports limit meat availability



Beef exports declined slightly in the first half of the year (-1% year-on-year). While shipments to the UK were down 9%, exports to other destinations increased by around 12% in total, benefiting IE, DK, IT, FR and DE strongly. Overall, **export growth is expected** at +1% in 2020 but may turn negative in 2021 (-4%), given limited domestic availability. **Live exports declined** to all main destinations (except Morocco), with a -5% forecast for the whole of 2020.

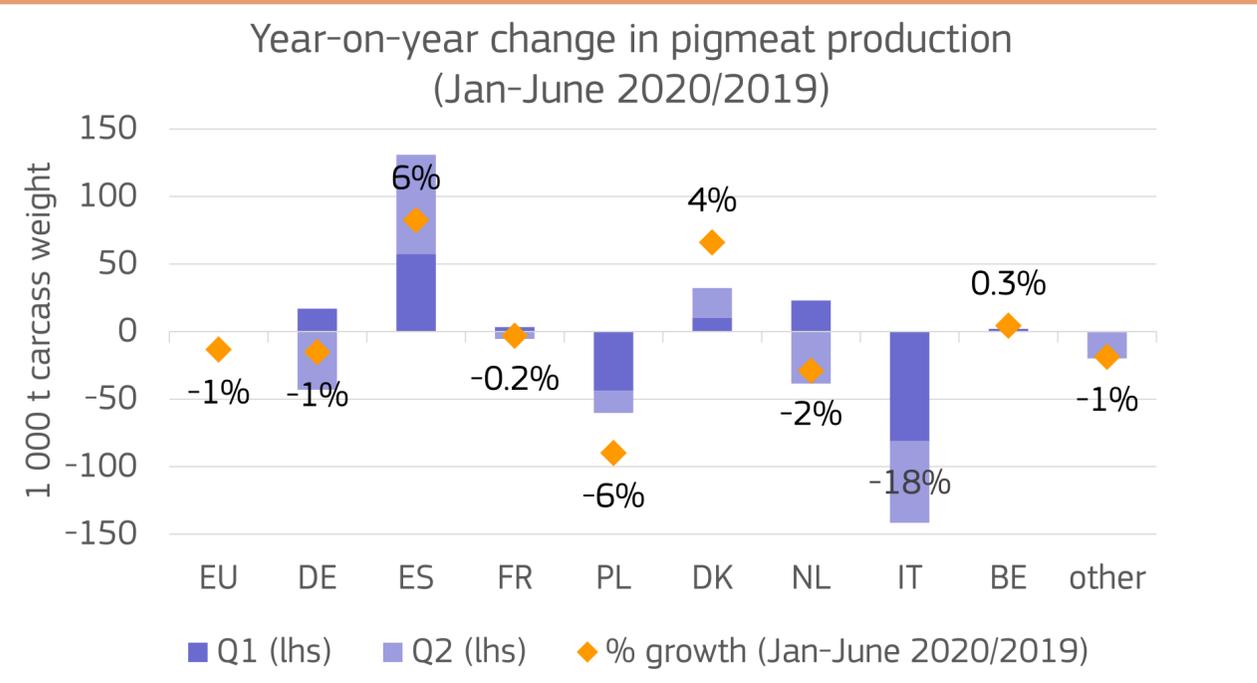


Imports plummeted in the first half of the year (-22% year-on-year), due to the drop in demand in the EU during restaurant closure, and tight supplies in all key exporters. The UK and Brazil redirected their shipments to China and other destinations. More favourable conditions in the rest of the year could limit the drop in **annual EU imports to 10% only in 2020** followed by stable imports in 2021.

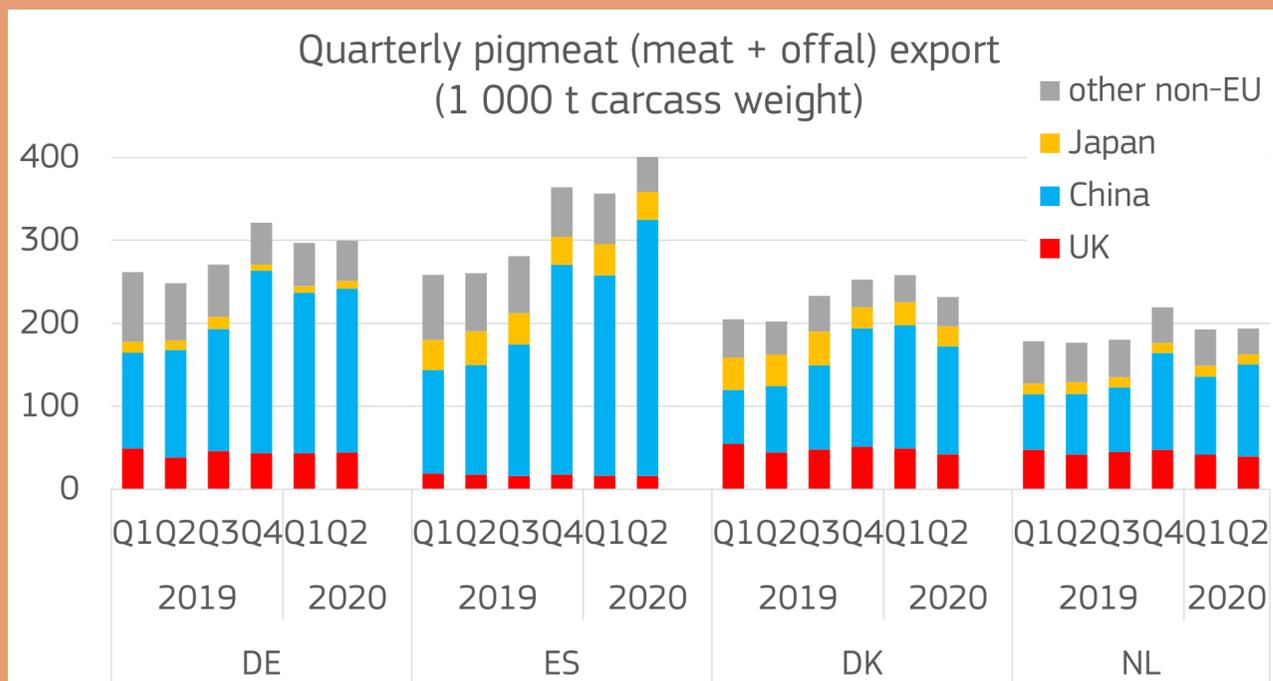


The apparent **consumption of beef is projected** to decline to 10.4 kg per capita in 2020 (-2.1%).

EU pigmeat production will grow less than expected in 2020



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



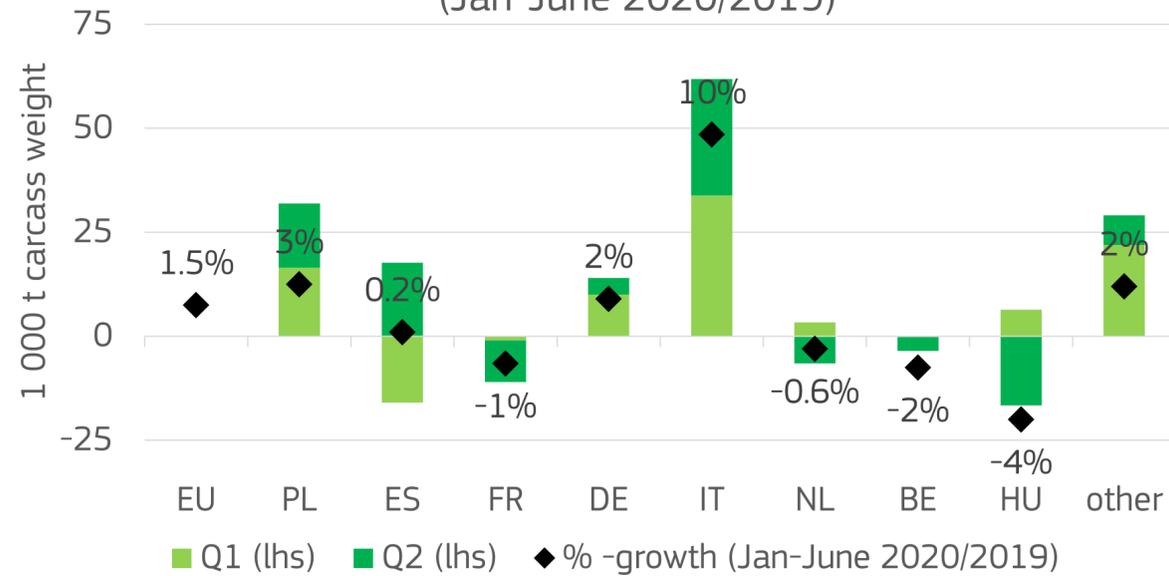
Source: DG Agriculture and Rural Development, based on Eurostat.

- EU pigmeat production was down in the first half of 2020 (-0.9% year-on-year), with declines in DE, FR, IT, NL and PL offsetting increases in ES and DK.
- Favourable prices, a return of consumer demand and benefits from recent investments are expected to have contributed to the increase in production in Q3. However, the discovery of ASF in wild boars in the Eastern border of DE in mid-September and resulting bans will affect German exports and the EU market in Q4. **Prices, which had stabilised since the beginning of the summer, are under pressure.** Any production growth in Q4 should come only from ES, DK and IE, which expanded their herds, including breeding sows in 2019, as confirmed in the May-June livestock survey.
- Overall, the **production of pigmeat is set to decline in 2020 (-0.5%) and 2021 (-1%).** The apparent **consumption of pigmeat is projected to decline to 32.8 kg per capita in 2020 (-1.1%).**

Lower exports due to ASF

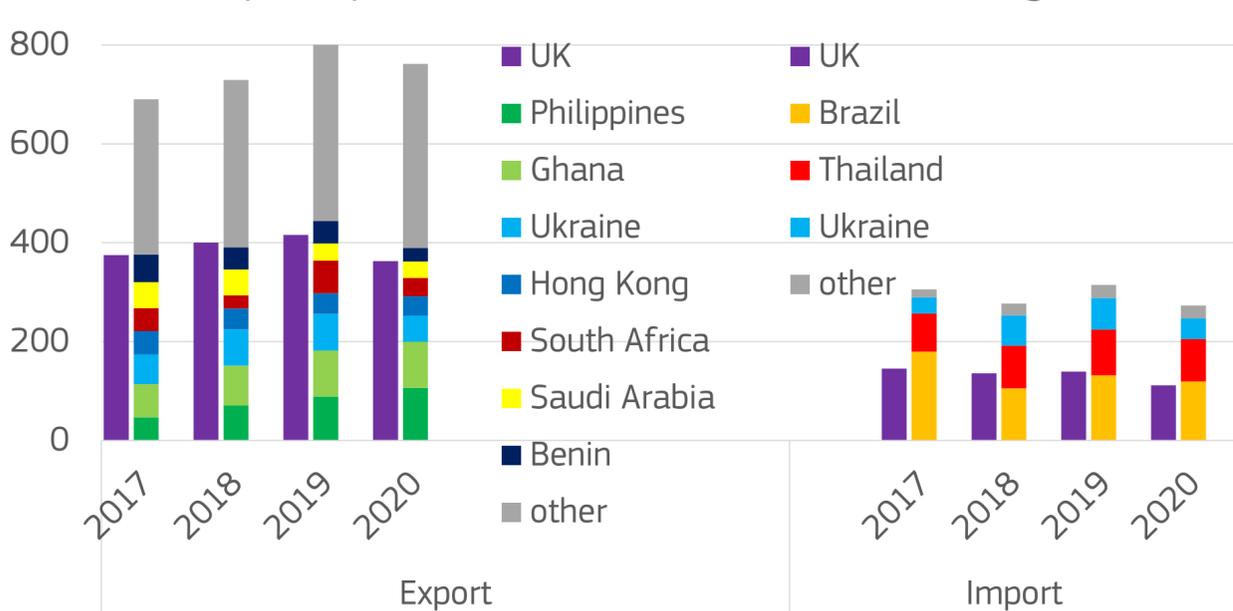
- Exports of meat (without offal) were up by more than 15% in the first half of the year, doubling to China and increasing to Vietnam. The ASF cases in wild boars in DE resulted in immediate trade restrictions of exports from DE to key partners: China, South Korea and Japan. As a consequence, **the projection for 2020 is revised downwards to +2% year-on-year.**
- Export growth** (set to -10% in 2021) would not have continued even without an ASF outbreak in DE. While the EU could still manage to reinforce exports to key destinations (the Philippines, the US), the unprecedented exports to China in 2020 would not have increased further, as China may start to recover its own production and continue to diversify consumption of (imported) meat.
- The evolution of EU exports will depend on the capacity of DE to contain the disease and the willingness of trade partners to implement the regionalisation principle, allowing imports from areas free from ASF. DK, ES and NL may fill gaps partially in supply to China and Asian markets.

Year-on-year change in poultry production
(Jan-June 2020/2019)



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

EU poultry trade (Jan-June, 1 000 t carcass weight)



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

EU poultry production to increase moderately over 2020 and 2021



EU poultry production grew in the first half of the year (+1.5% year-on-year), with production still expanding in many important producing countries (IT, PL, ES, DE) **even in Q2**. Higher production was supported by prior investments in PL and the shift in demand from other meats to poultry during lockdown. Supported by gradual reopening of foodservices and strong demand at retail, EU **prices rapidly closed the gap** with the historic average but remain under pressure.



The expected **increase in poultry production in 2020** (+1%) assumes only a small growth in the second half of the year, as production accumulated during the foodservice closure period is due to find its way back to the market in Q4. Similarly, a modest growth is forecast for 2021 (+1%). The drop in production of the other poultry meats than chicken (ducks, guinea fowls, pigeons or quails), will continue until the end of 2020.

Lower imports and exports



Poultry exports declined sharply in the first half of the year (-8.5% year-on-year), including a drop of 12% to the UK, and of 5% to other destinations, except for the Philippines (+20%). With prospects of Avian Influenza-related bans on PL exports progressively lifted, EU **exports will recover only gradually, declining still by 6% in 2020**, and turning moderately positive in 2021 (+1%).

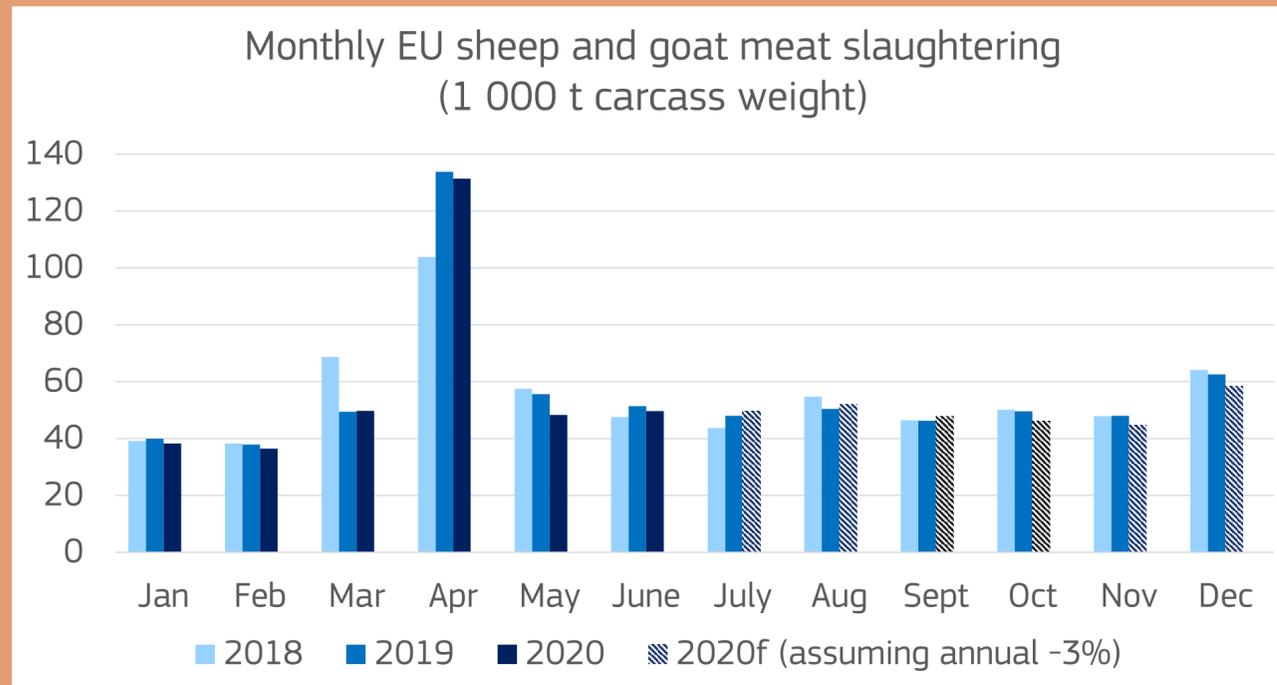


Imports were down in the first half of the year (-15% year-on-year), due to lower demand for poultry meat from foodservice, the main client for imported poultry, while the key suppliers including Brazil, continue to redirect shipments to China. **Imports are expected to fall by 12% in 2020** and recover in 2021 (+6%).

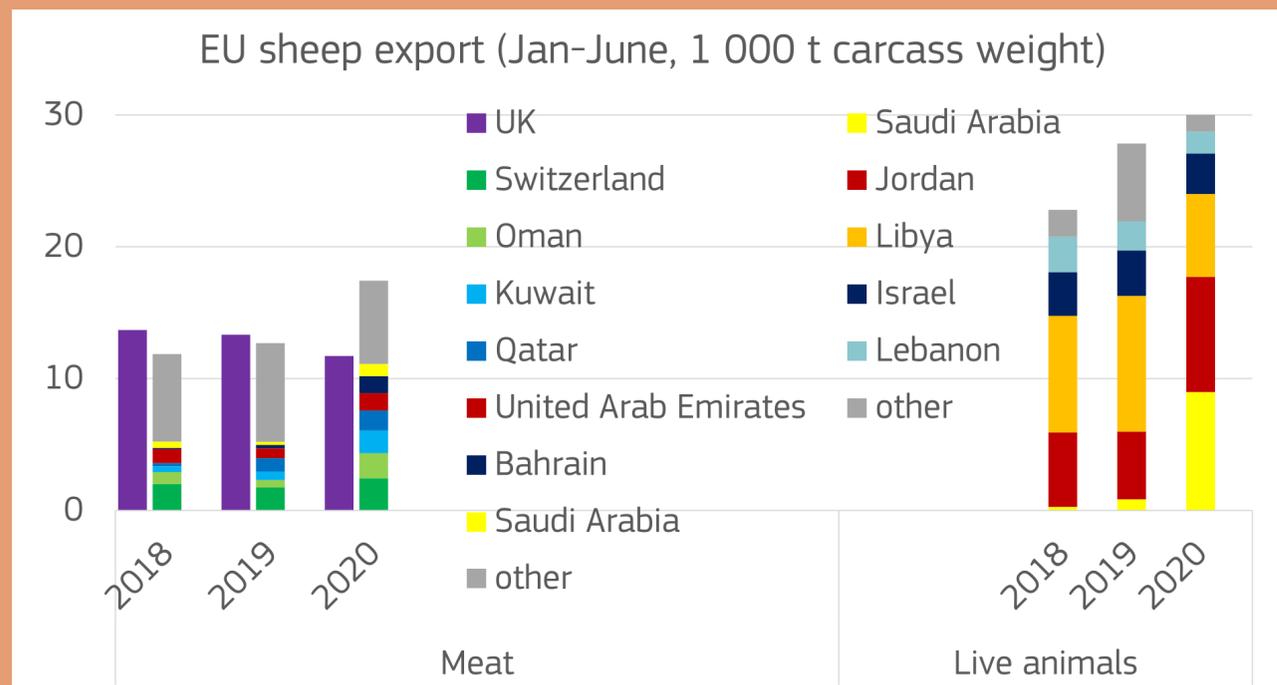


The apparent **consumption should increase** in 2020 up to 23.7 kg per capita (+1.5%).

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 significantly in the first half of 2020 (-4% year-on-year). Slaughtering of goats and sheep dropped in all key producers (EL, IE, FR, IT, RO, ES), reflecting lower demand from foodservice and home consumption during festive periods, and supply shortages. Only IE slaughtered more sheep thanks to expanding herds in 2019, to fulfil the demand from EU and non-EU partners (other than the UK).



The expected decline in sheep and goat meat production in 2020 (-3%) and in 2021 (-1%) assumes smaller herds and fewer ewes put to the ram, stagnated domestic demand, uncertainty linked to trade and bad weather conditions. These contribute to the increase in prices, which have returned to the level seen at the beginning of 2020.

Lower availability due to shortages in domestic and global supply



Sheep meat exports increased in the first half of 2020 (+13% year-on-year). Higher volumes to key destinations compensated for a decline of exports to the UK (-10%). ES, IT and EL increased their exports in Q2, while NL, RO and the IE reported reductions. The export growth is estimated to soften to +6% in 2020, which means stagnation at EU level in the second half of the year, as there may not be enough supply to satisfy trade demand.



Exports of live animals increased in the first half of 2020 (+10% year-on-year), supported by higher demand from Saudi Arabia and Jordan, and despite fewer animals being shipped to traditional partners Libya and Lebanon. Overall, exports of live animals are set to decline in 2020 (-5%) and by in 2021 (-1.5%), as this recent high level of shipments may not be sustained.



Imports of sheep meat are expected to fall in 2020 (-4%). Imports from the UK declined by around 25% in the first half of the year, and those from New Zealand and Australia by nearly 20% over the same period, due to tight availability incurred by unfavourable weather conditions. High prices should translate into more imports in the second half of 2020.



The apparent consumption should decline in 2020 (-4%), down to 1.3 kg per capita.

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