



SHORT-TERM OUTLOOK

for EU agricultural markets
in 2023 and 2024



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

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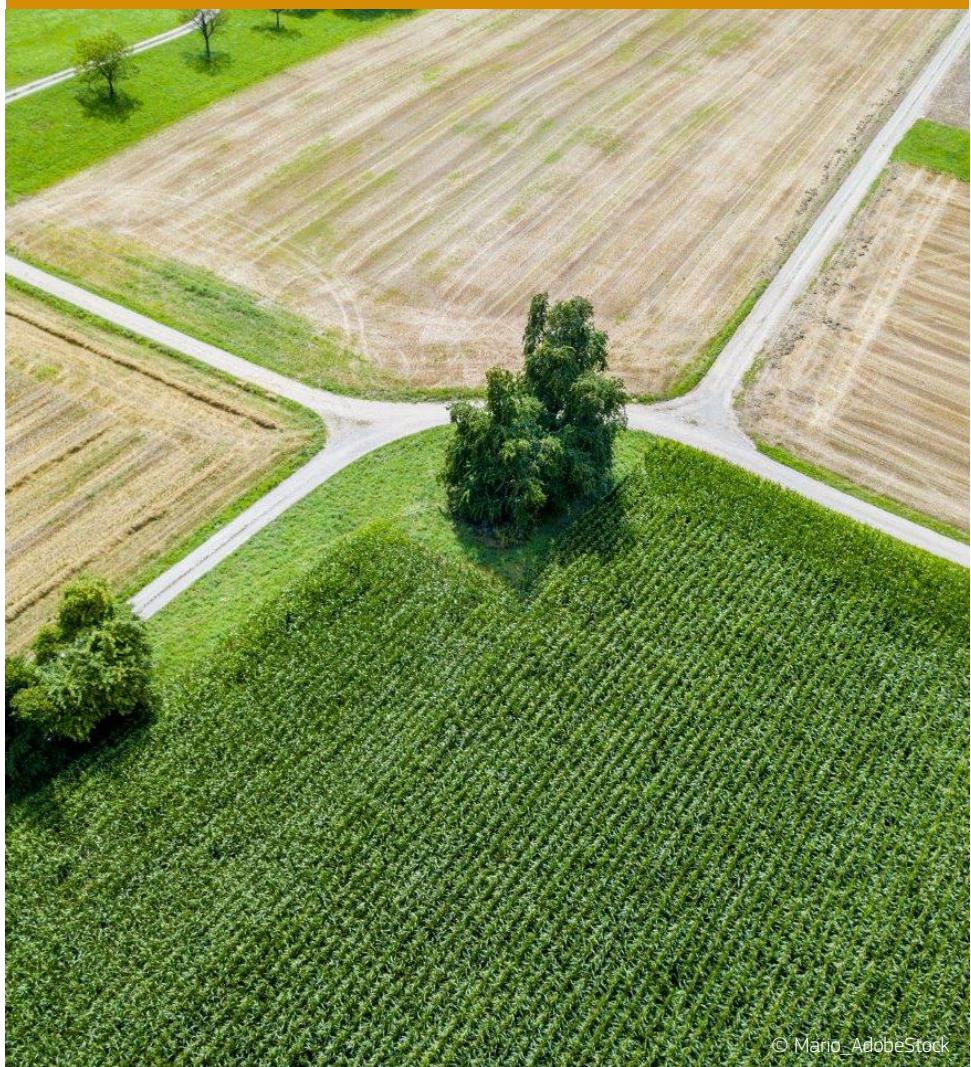
HIGHLIGHTS

This short-term market outlook is impacted by adverse summer weather conditions. These have mixed impacts across the EU as yields of different arable and specialised crops were affected by hot and dry conditions and floods while, on the other hand, rainfall surplus helped grassland to recover. However, not all rainfall proved to be beneficial as it also caused delays to harvest, development of pests and diseases, and had a negative impact on the quality of some products.

At the same time, there have been signs of positive market prospects, as input costs continued declining (e.g. energy, fertilisers and feed). Lower EU agricultural prices led to a further reduction in the EU farmer price index from its record level reached in October 2022. While processor and consumer price indices resisted this downward move for some time, they stopped increasing in the last months, which could potentially bring some relief to the domestic food demand in the coming months. Impacts of adverse weather conditions and uncertainty of developments in Ukraine could, however, still present upward risks for commodity and agricultural prices.

The recovery of EU exports in certain agricultural commodities was supported by more competitive EU commodity prices. This is likely to continue in 2024 as EUR to USD exchange rate is expected to remain relatively low. On the other hand, the EU market remains attractive for imports.

The EU macroeconomic situation has been slightly revised downwards compared to the Summer 2023 outlook, with the EU economy subdued in the first half of 2023 and with a tighter monetary policy to fight inflation. The weaker growth is expected to extend to 2024.



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KEY MESSAGES

+0.7%

Euro area real GDP growth in 2023 in the ECB baseline

+5.6%

Euro area inflation in 2023 in the ECB baseline

-0.4%

Monthly change of EU food consumer prices in August 2023

MARKET FUNDAMENTALS

HIGHLIGHTS

Compared to the summer 2023 macroeconomic forecast, the combination of tightened monetary policy and sluggish economic growth has led to a downward revision in economic growth that would affect 2024 as well. Energy inflation continues its decline, but the reduction of supply by OPEC+ countries is bringing an upward price effect on crude oil prices from 2024.

Natural gas prices are increasing towards winter months despite the 90% storage capacity reached in September. Nevertheless, the development of natural gas prices so far improved the affordability of nitrogen fertilisers. Encouraging signs for fertiliser affordability but also availability, and some reduction of other input costs continue strengthening farmer margins while EU commodity prices continue declining.

EU processor and consumer price indices started to decline. While the EU food inflation stopped increasing, it remained above general inflation level and at a historically high level. However, monthly food inflation in the EU started to decline since July but prices still remain a big concern for consumers, as the cost of living remain elevated and prices might further evolve in light of the new harvest and uncertain developments in Ukraine.

Lower EU prices of certain commodities observed in past months supported some recovery of EU exports, for example milk powders. In some other cases, they continue suffering from high global food inflation and lower EU availability, which further pushes prices up for some products (e.g. olive oil, fruit).

MACROECONOMIC OUTLOOK

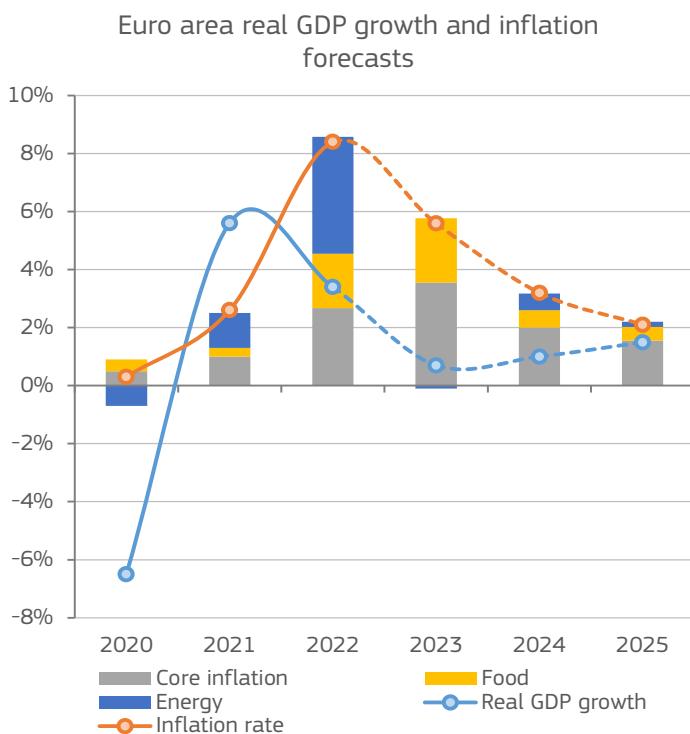
WEAKER GROWTH ALSO EXPECTED FOR 2024

More than 570 days after Russia's unprovoked invasion of Ukraine, the EU macroeconomic situation has been slightly revised downwards compared to the Summer 2023 outlook, with the EU economy subdued in the first half of 2023 and a tighter monetary policy to fight inflation.

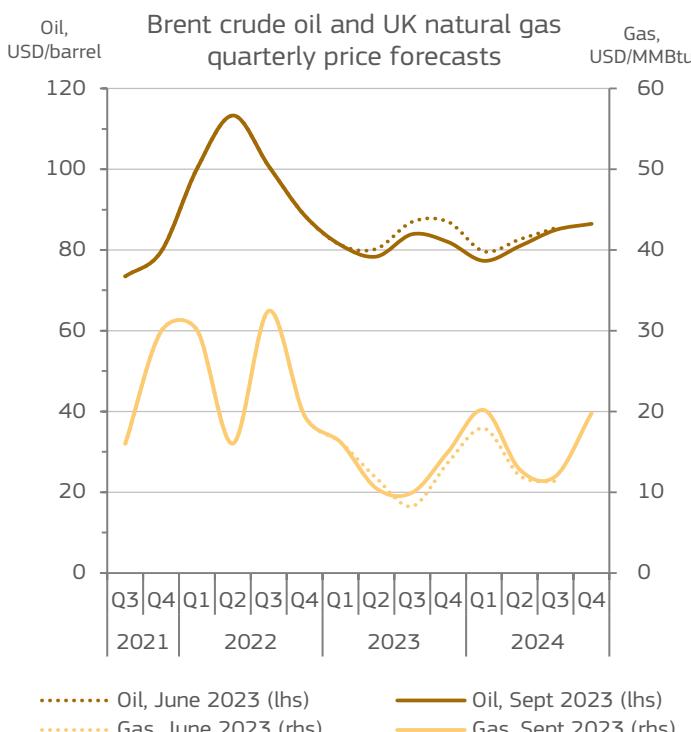
The weaker growth is expected to extend to 2024. According to the latest ECB forecast, annual real GDP growth is expected at 0.7% in 2023 (-0.2pp) and 1% in 2024 (-0.5pp), dampened by the ECB's monetary policy tightening, adverse credit supply conditions and gradual withdrawal of fiscal support.

Inflation in the Euro area is expected to reach 5.6% in 2023, with food inflation accounting for almost 40% of price increases at consumer level. The ECB expectations for food prices point towards a declining trend in 2024 and 2025, although dynamic labour cost developments and upward pressures from adverse weather effects could still fuel food inflation.

¹ ECB projections based on information up to 22 August 2023.



Note: Baseline includes tighter financing conditions than in June 2023, higher oil and natural gas prices, lower wholesale electricity prices and an appreciation of the euro. "Core inflation" refers to HICP inflation except food and energy. Source: European Central Bank.



Note: 1 MMBtu is 1 million British thermal units, approximately 293.1 kilowatt hours. Source: S&P Global.

GAS STORAGE TARGET LEVELS REACHED BUT UNCERTAINTIES FOR OIL SUPPLY

S&P Global slightly revised its projections for Brent crude oil prices, reducing them from a peak of USD 113/bbl in Q2 2022 to around USD 80/bbl and projecting them to reach USD 86/bbl in Q4 2024. While concerns about oil demand due to sluggish global economic growth are a downward driver, the recent OPEC+ supply cuts seem to prevail, raising uncertainties about oil supply and prices for the near future, as Brent crude oil price have been already above USD 90/bbl since September 2023.

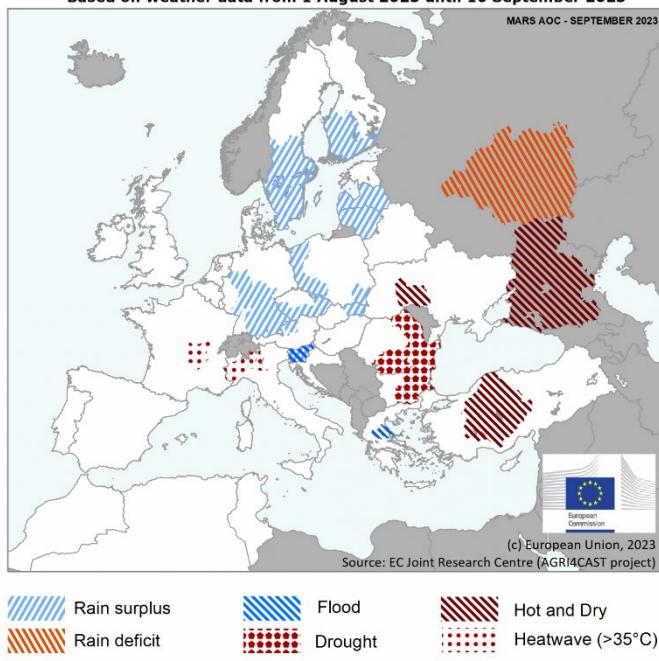
Regarding natural gas, S&P Global September projections depict an increase in prices with the winter season approaching to USD 15/MMBtu in Q4 2023 (around 50 EUR/mWh) and to USD 20.18/MMBtu (around 65 EUR/mWh) in Q1 2024, despite EU storage capacity reaching 94% in September and achieving the target of 90% way ahead the deadline of 1 November.



SUPPLY

AREAS OF CONCERN - EXTREME WEATHER EVENTS

Based on weather data from 1 August 2023 until 10 September 2023



Source : JRC MARS Bulletin Vol. 31 No 9.

SUMMER WEATHER BROUGHT FURTHER CHALLENGES

Following overall negative spring weather developments, the summer was characterised by warmer-than-usual conditions in most of the EU, with heatwaves occurring in many places, which had negative impacts on summer crops. Particularly, more distinct positive temperature anomalies (up to 4 degrees above average) were observed in parts of the Iberian Peninsula, Southern FR, the Alps and locally in the Balkan Peninsula. As a result, dry conditions worsened, and compromised yield formation potential in particular in RO and BG.

On the other hand, wetter-than-usual conditions were observed in some other regions. In Northern IT, Southern AT, SI and HR, these occurred as torrential rains, followed by heatwaves. Further flooding occurred in SI while unprecedented floods were also reported in EL.

Rainfall surplus has continuously been reported in last weeks of the observation period in Central Europe (and caused delays in harvest and rapeseed sowing), and Scandinavia, resulting there in wet soil conditions.

While crops were negatively impacted, it helped grassland to recover from earlier rainfall deficits. On the other hand, regions with hot and dry conditions have decreased their grassland productivity.

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WEATHER DEVELOPMENTS CONTINUE COMPROMISING QUALITY OF SEVERAL PRODUCTS

Besides reduced yields expectations across different sectors as a result of adverse weather conditions (e.g. cereals, grapes, olives for oil, fruit), there are also reports of lower quality of harvested products. Especially humid conditions (persistent, or because of heatwaves which followed strong rains) increased occurrence of pests and diseases.

For example, wet conditions triggered fungal diseases due to delayed harvest of grains. As a result, some crops might have lost their quality to be used for food. In addition, they might have a lower protein content. Therefore, if not used for food, and if certain quality requirements are confirmed, they could still be partially used for feed instead in 2023/24.

The expected lower quality of oranges is likely to result in more products to be channelled again into processing (around 5% above last marketing year).

On the other hand, sugar beet yields are expected to be higher (1.4% above last marketing year), as well as sugar content is likely to improve.

*Marketing years are used.

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



SUPPLY

EU FEED COSTS AND WORLD COMMODITY PRICES ON A DOWNWARD PATH

Improved grassland conditions provided some relief to livestock producers. At the same time, EU feed costs continued declining until August 2023. Compared to the same month last year, the EU prices of feed wheat showed the highest decline (-37%), followed by barley (-34%) and maize (-30%). As a result, EU milk deliveries continued growing, and are expected to remain positive in 2023 (+0.3%). In the case of meats, lower feed costs, and relatively high meat prices could help EU meats production to improve in the second half of 2023, as carcass weights could grow. However, this will still not prevent drops in EU pigmeat, beef and sheep and goat meat production while the EU poultry production could grow. In 2024, this trend is expected to persist except for pigmeat, where a recovery of production is foreseen.

Globally, prices for most commodities declined until August according to the latest World Bank Commodity Markets data, although there are some increasing price signals for energy and fertilisers over summer (see below). The downward trend is also observed for freight transport rates, both container and dry bulk, however tensions in the Black Sea, impacts of sanctions and rising fuel prices could lead to uncertainties about transport supply for the future.

ENCOURAGING SIGNS FOR FERTILISERS AVAILABILITY AND AFFORDABILITY

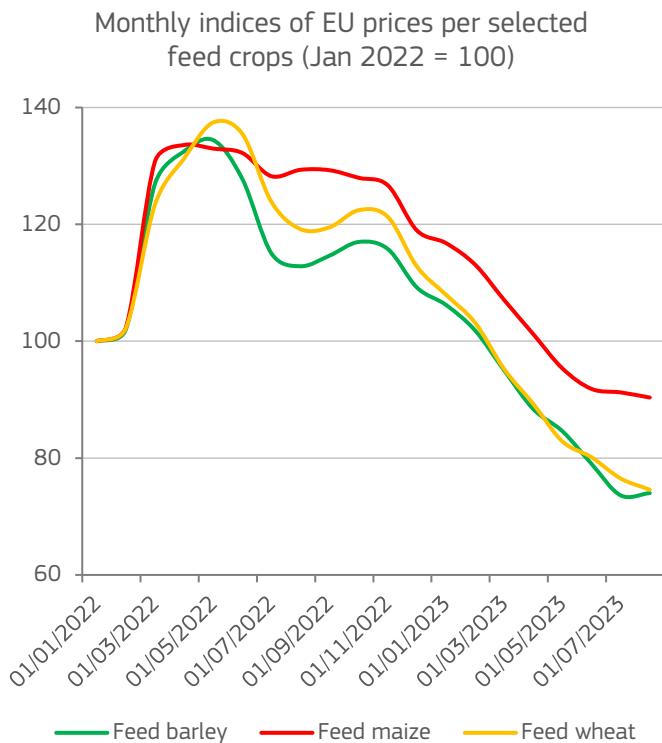
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The 2021 energy crisis, aggravated by Russia's aggression against Ukraine, resulted in a major reduction of production and soaring EU prices of nitrogen fertilisers. The EU imports of nitrogenous fertilisers increased steeply, followed by a progressive price decrease since autumn 2022. Signs of recovering of EU production were observed in the first half of 2023, encouraged by declining natural gas prices.

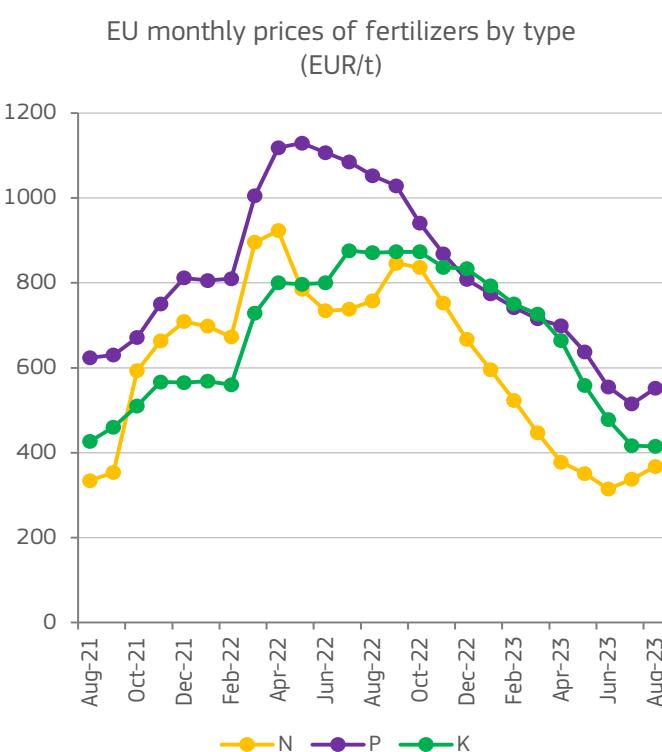
Even though some fertilisers purchases of farmers for the 2023 harvest were made at a high price, on balance, this resulted in large availability of nitrogen products on the EU markets. Although with different pace among EU countries, the improved affordability lowered the risk of generalised nitrogen under-fertilisation rates in 2022 and provides encouraging developments for farmers' fertilisers' purchases in the next season.

The EU market of P and K fertilisers was far less impacted by the energy prices, but product prices increased considerably because of EU dependencies on indispensable intermediates. EU imports decreased in 2022 and in the first half of 2023, reflecting a strong decrease in the use of P and K fertilisers in the EU in 2022 and 2023. On average, affordability of phosphatic, potassic and mixed fertilisers now clearly improved. This could encourage farmers to resume purchases to restore at least partially application rates for the next harvest.

Source: DG Agriculture and Rural Development, based on S&P Global.



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



Source: DG Agriculture and Rural Development, based on S&P Global.



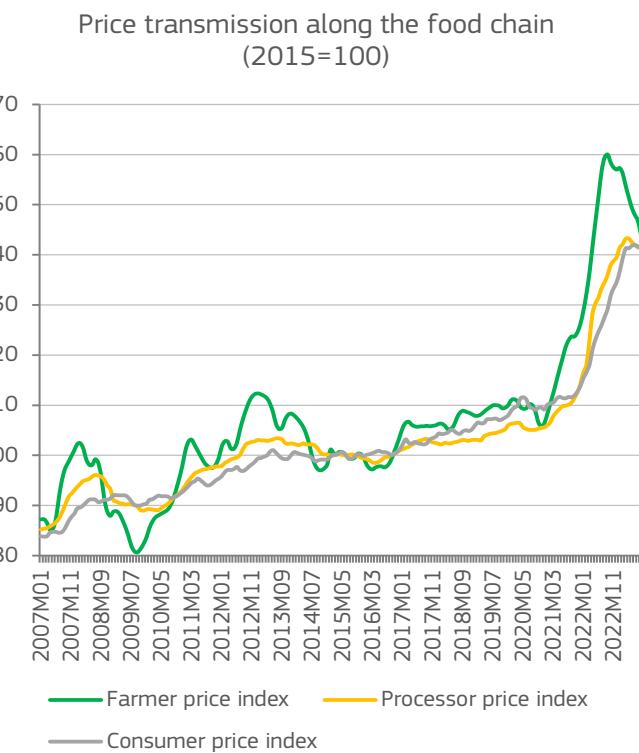
DEMAND

EU PROCESSOR AND CONSUMER PRICE INDICES STOPPED INCREASING

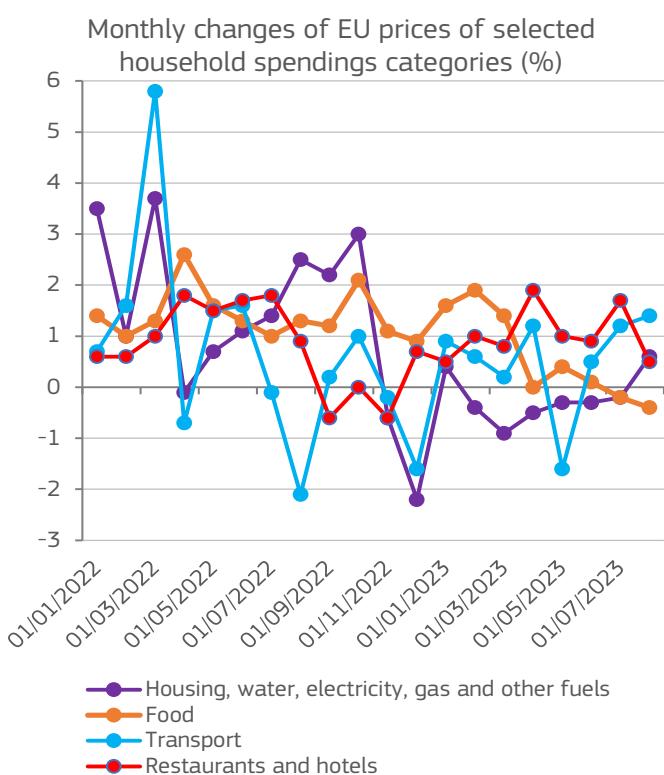
The decline in global commodity prices and EU prices of some arable crops (e.g. wheat, barley and maize), raw milk and beef observed for several months, contributed to a downward trend of the EU farmer's price index observed since October 2022. In the case of some other EU agricultural prices (e.g. pigmeat and poultry meat,) their upward trends were also reversed over the summer. In the case of animal products, these moves seem to reflect anticipated drops linked to reduced feed costs.

On the other hand, some other prices continued increasing (e.g. fresh apples, sugar). Despite some downward trends, some EU prices were in August 2023 still above 5-year average for the same month last year. These ranged from 5- 8% in case of soft wheat and maize, around 15-30% for raw milk, beef, poultry and apples to more than 112% for sugar.

While processor and consumer price indices showed some resistance to declining agricultural prices for some time, it seems that both have reached their peak. In the case of processor's price index, it stopped increasing in May, while consumer's price index resisted until July (see below). However, the pace of their reduction is slower than in the case of agricultural prices.



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



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

FOOD PRICES START TO SHOW SOME DECLINE

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While EU food price index stopped increasing, it stabilised at a relatively high level (around 141 compared to 2015 index, 15 points below the same month last year). However, monthly changes in consumer prices of food are now negative since July, showing a start of food deflation in the EU. In several EU countries, this deflation has been continuous since spring: DE and HU, SI to a great extent. In other cases, the decline only started as from June (PL, CZ, RO, LT, LV).

Nevertheless, price considerations are still important for consumers when making shopping decisions. While monthly prices of food have showed a small decline for the EU in July and August (-0.2% and -0.4% respectively), other household expenditures still recorded an increase. Among different components, food retail purchases represented only around 14% in 2021 of the overall household expenditure. The highest share (around 25%) was taken by housing, water, electricity, gas and other fuels. These costs also showed some decline since February but increased again in August. Other expenses like transport (around 12%), recreation and culture (8%), restaurants and hotels (7%) and health (5%) have not shown almost any decline since the beginning of the year. Therefore, while the food prices might start to decline, the extent to which this will influence the total consumption would depend on the overall spending capacity of consumers.



DEMAND

EU CONSUMPTION IS NOT RECOVERING YET

While the overall EU food inflation showed some stability, the evolution differed for individual products. For example, vegetables declined the most (but from a higher peak), followed by milk, cheese and eggs. On the other hand, consumer prices of oils and fats, which had been declining since the beginning of the year, started to increase again in July. In other food categories, the indices have been growing, the most steeply in the case of sugar, followed by fruit.

Regarding animal products, EU meat consumption is expected to be around 66 kg per capita in 2023, with some slight recovery to be linked to pigmeat in 2024. In the case of dairy products, and despite initial expectations, consumption of fresh dairy products (driven by increasing production) could grow, as well as some recovery could be expected in the use of butter in processing.

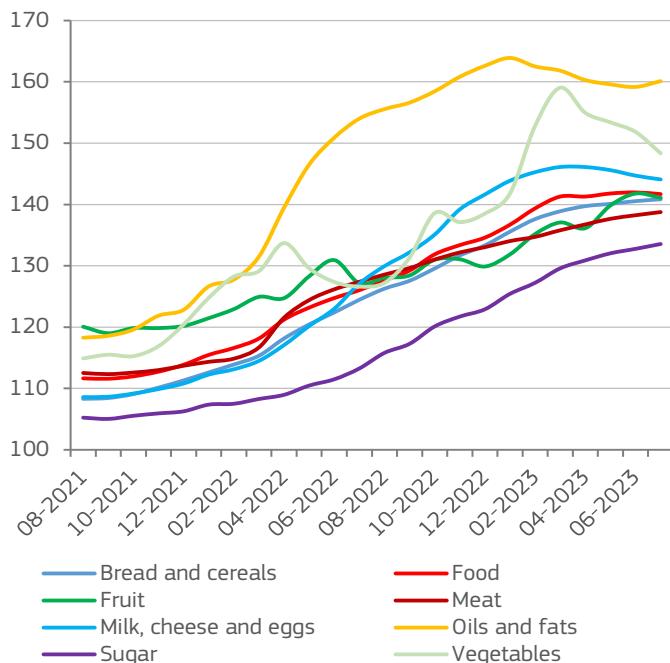
On the other hand, lower EU availability of fresh apples and oranges, and higher prices, could lead to lower fresh per capita consumption in 2023/24. Similarly, some further decline in EU olive oil consumption is likely (-6% in 2023/24), which could add to drops recorded last marketing year. Besides higher prices, an ongoing downward trend is likely to remain for EU wine consumption, except for an increase in domestic use mainly driven by the crisis distillation.

HIGH EU PRICES AND LOWER AVAILABILITY HAMPER EU EXPORTS FOR SEVERAL PRODUCTS

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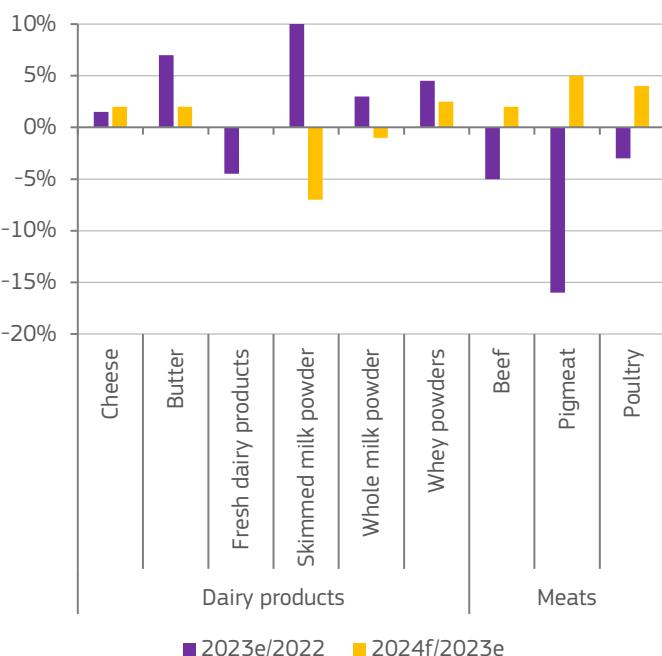
According to data gathered by the World Bank, global food price inflation continues impacting global demand. This continues negatively affecting some EU exports. For example, this is the case of meats. In addition, EU exports of animal products are suffering from reduced import demand from China, as China is improving its production capacity for pigmeat, and dairy products, and is facing slower than expected economic recovery. Besides lower demand due to high inflation, export growth is also dampened by persisting high EU prices for instance in the case of sugar and olive oil. Some recovery is expected for sugar in 2023/24 while the lower availability is expected to keep EU prices high for olive oil leading to lower exports in the next marketing year as well. Concerning EU cereal exports, these could remain stable in 2023/24 while EU exports of milk powders are expected to grow in 2023 and beyond. EU exports are and will remain an important source to ensure global food security. On the other hand, the EU market remains attractive for imports. However, some categories of products (e.g. premium cheese) are imported less as the domestic demand is lower due to the less strong purchasing power.

EU consumer price inflation of selected food products (2015=100)



Source: DG Agriculture and Rural Development, based on Eurostat

Annual EU export change of selected dairy products and meat types



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





KEY MESSAGES

268.5 million t

Usable cereals production in 2023/24

Stable

Use of cereals in 2023/24

+11%

Oilseeds production in 2023/24 (compared to 5-year average)

+7%

Sugar production in 2023/24

ARABLE CROPS

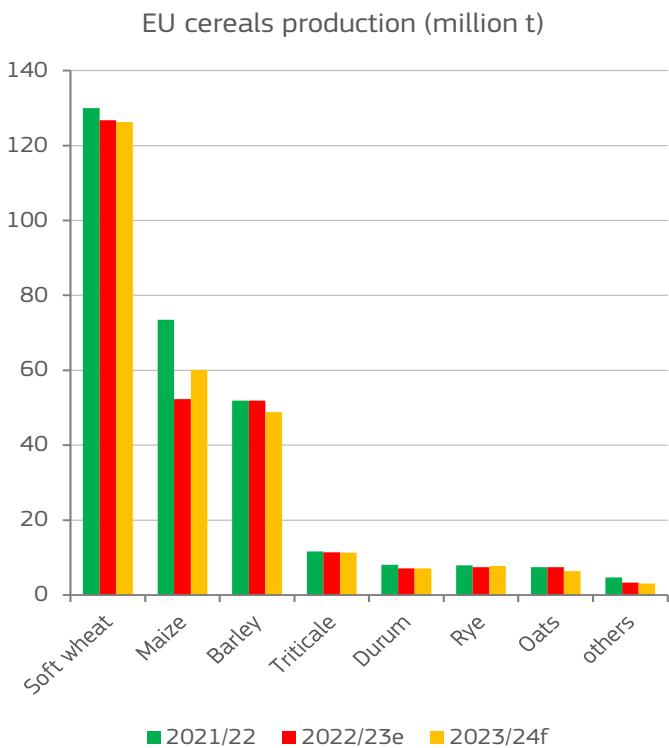
HIGHLIGHTS

2023/24 EU cereal production is projected at 268.5 million t (4.3% below 5-year average), mostly due to the adverse weather conditions over spring and summer that affected negatively especially maize and barley production (13% and 7% below the 5-year average). The EU use of cereals is stable compared to the last marketing year, but 1.4% below the 5-year average. Because the overall EU animal production remains relatively stable (but differentiates among species), the increase in use of cereals for feed is expected to be rather marginal (+0.3%), while the use of cereals for biofuel production continues growing (12% above 2022/23). After a historically high level of EU cereal imports in 2022/23, they are likely to be lower in 2023/24, although still above the 5-year average.

The EU oilseed production in 2023/24 is expected to be at 33 million t (11% above 5-year average), mainly due to an excellent rapeseed harvest (13.3% above 5-year average). With a production of 4.6 million t, also protein crops availability will be higher (7.7% above the 5-year average).

2023/24 EU sugar production is forecast at 15.6 million t (close to 5-year average) as sugar beet planting area, beet yields, and sugar content are expected to increase. EU production of isoglucose, which was estimated to fall by 24% in 2022/23 due to the consequences of 2022 summer drought, high feedstock and input costs in main EU producing countries, is expected to partially recover in 2023/24.

CEREALS

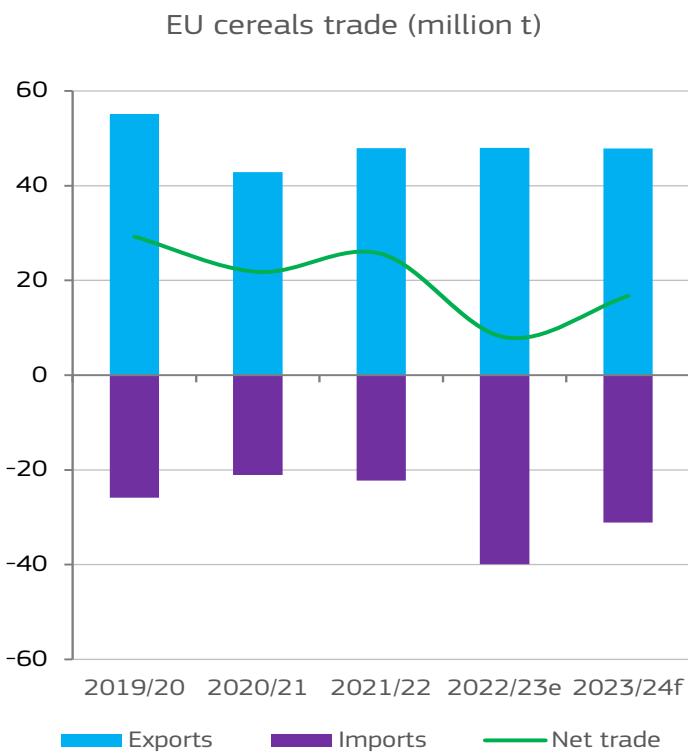


SMALLER THAN INITIALLY EXPECTED RECOVERY OF 2023/24 EU CEREAL PRODUCTION

The 2023/24 EU cereal production is estimated to reach 268.5 million t, only 1% above the previous marketing year, despite a slight reduction in the area cultivated (-1% below 2022/23). It is lower than expected at the beginning of summer, due to adverse weather conditions in some EU regions over spring and summer that negatively affected crops. Prolonged wet conditions during the harvest period negatively affected cereals quality, and it is expected that a higher share of cereals is only suitable for feed consumption.

Cereal yield growth is foreseen higher than anticipated (2% above 2022/23), but still 1.3% below the 5-year average. In 2023/24, EU soft wheat production is expected to be stable (125.3 million t), while maize production is forecast to recover from the very low level harvested last year (+15% to 59.8 million t). Growth in sorghum and rye production is forecast (+41.6% and +4.2% year-on-year respectively), driven by an increased area, while the most significant production reductions are expected for oats (-14%) and barley (-6%) as the major producing regions in ES and Northern EU were affected by adverse weather conditions (drought in ES and drought followed by heavy rains in the North).

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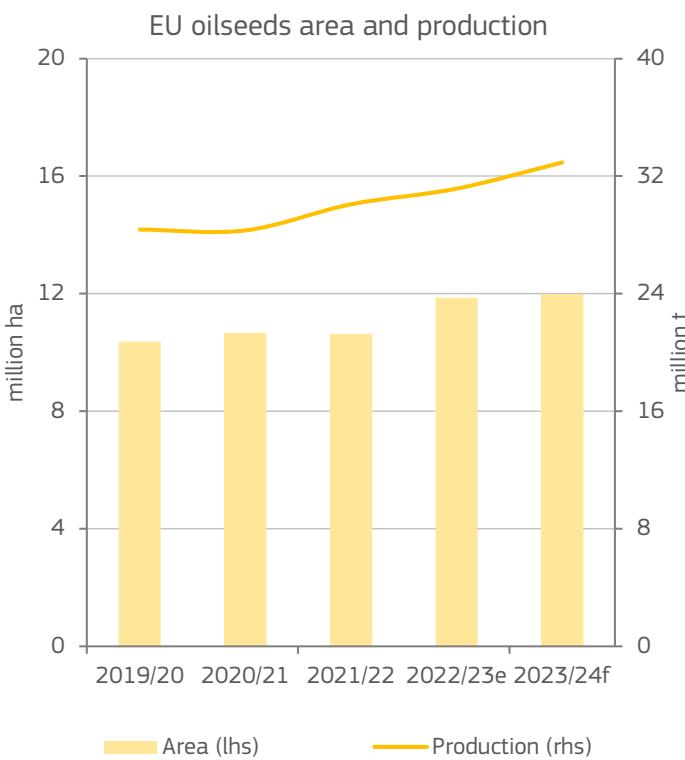
STABLE CEREALS CONSUMPTION IN 2023/24

Stable domestic production and relatively high beginning stocks could result in lower imports. The improved logistical solutions developed to facilitate the Ukrainian grains reaching its traditional markets in Africa and Asia should result in lower export to the EU than last season. Lower imports are expected for soft wheat (-31%), barley (-26%) and maize (-23%), while imports could increase for durum wheat (+30%) because of lower beginning stocks. EU cereal exports are expected to remain stable, slightly above the 5-year average (+3.5%), supporting the EU net export position.

EU use of cereals is not expected to change substantially (+1% compared to 2022/23), remaining below the 5-year average (-1.4%). The stable EU use levels could be driven by an almost constant use for animal feed (+0.3%), reflecting a rather stagnating EU animal production expected in 2023/24. The high quality of EU cereal feed provides good opportunities for livestock producers to use EU feed and to rely less on imports. The use of cereals for industrial purposes is expected to slightly grow compared to 2022/23 (+3.8%). 12 million t of cereals (one third of the total industrial uses, +12% compared to 2022/23) could be used to produce biofuels. This represents a return to pre-war levels as cereal price dropped significantly from its peak in 2022 helping the recovery of margins for ethanol producers, and bioeconomy in general.



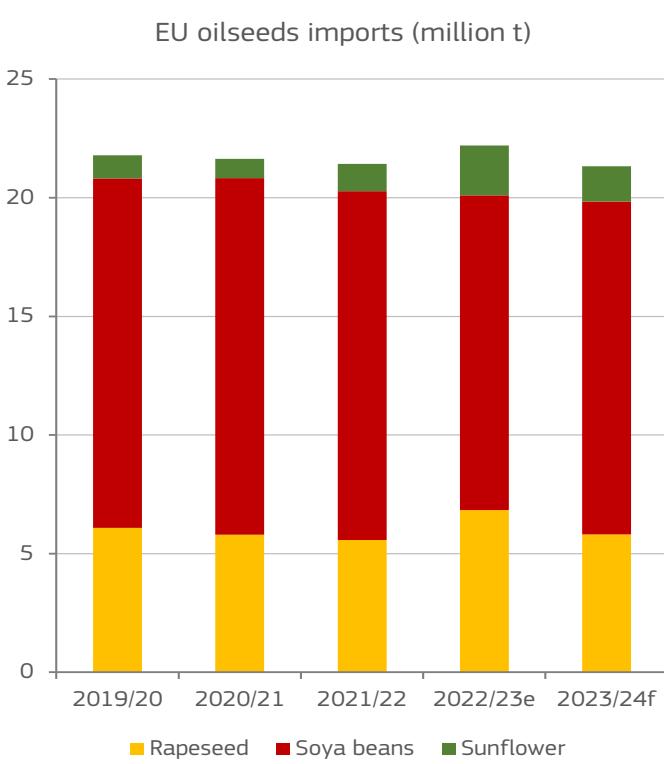
OILSEEDS



SMALL RECOVERY OF EU SUNFLOWER AND SOYA BEAN PRODUCTION IN 2023/24

In 2023/24, EU oilseed production is expected to be 6% above the last marketing year, and could reach 33 million t. This is driven in particular by higher soya bean (+20%) and sunflower (+14%) production which are recovering from a very low levels recorded last season. Rapeseed production, that has been growing in 2022/23, is expected to be rather stable at 19.6 million t in 2023/24, despite a small increase in the cultivated area (+1% compared to 2022/23). Regarding sunflower seed, there are still challenges for some of the main EU producing countries (RO, BG) due to the adverse weather conditions.

Compared to historically high levels of EU imports in 2022/23, attributed to challenges in trade flows from Ukraine and the difficulties in using Ukrainian crushing capacity, rapeseed and sunflower imports are expected to decrease (15% and -29.5% respectively), while soya bean imports are forecast to increase by 6% to 14 million t, back to average levels of the last 5 years. At the same time, EU exports are likely to remain relatively stable.



LOWER IMPORTS OF OILSEED MEALS IN 2023/24

The annual EU production of oilseed meals is expected to increase only marginally in 2023/24, by 1.3% to about 31 million t. Overall, the increased production of soya and sunflower meals (+7% and +6% respectively) offsets the decrease in rapeseed meals (-5%).

EU exports of oilseed meals are also expected to increase only marginally (+1.5%) to 2.4 million t, driven mainly by exports of soya meals (+25%) while exports of rapeseed meals could decline (-13%). EU imports of oilseed meals are forecast to fall by about 5% except for soya meals which imports could remain stable.

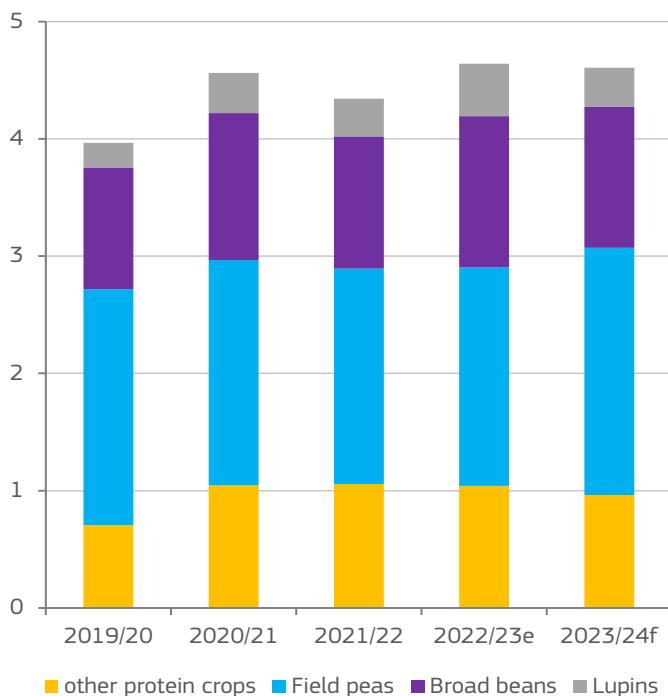
The EU production of vegetable oils is expected to stay unchanged in 2023/24 at about 17 million t, as well as consumption (at about 21 million t). Palm oil use is expected to continue its structural fall (-12.5% this year), in line with the last 5 years.

Both EU exports and imports of oils are expected to decline in 2023/24 going back to more traditional levels. Exports could amount to 2.6 million t (-12% compared to 2022/23), owing to lower exports of rapeseed (-32%) and sunflower (-20%) oils.



PROTEIN CROPS

EU production of protein crops (million t)



STABLE EU PROTEIN CROP PRODUCTION

2023/24 EU protein crop production is estimated to remain relatively stable at around 4.6 million t (+0.4% compared to 2022/23), despite a small increase in the area cultivated (+1.2%).

Production is expected to drop in marketing year 2023/24 for lentils (-25%) and broad beans (-2.9%) due to unfavourable weather conditions in some EU producing countries (e.g. DE, DK, SE, PL). However, this decrease is partially offset by expanded field pea production, which is projected to reach 2.1 million t (+13% compared to the last marketing year) thanks to significant progress in DE, FR and RO.

Source: DG AGRI, based on Eurostat, MS notifications and JRC MARS data.

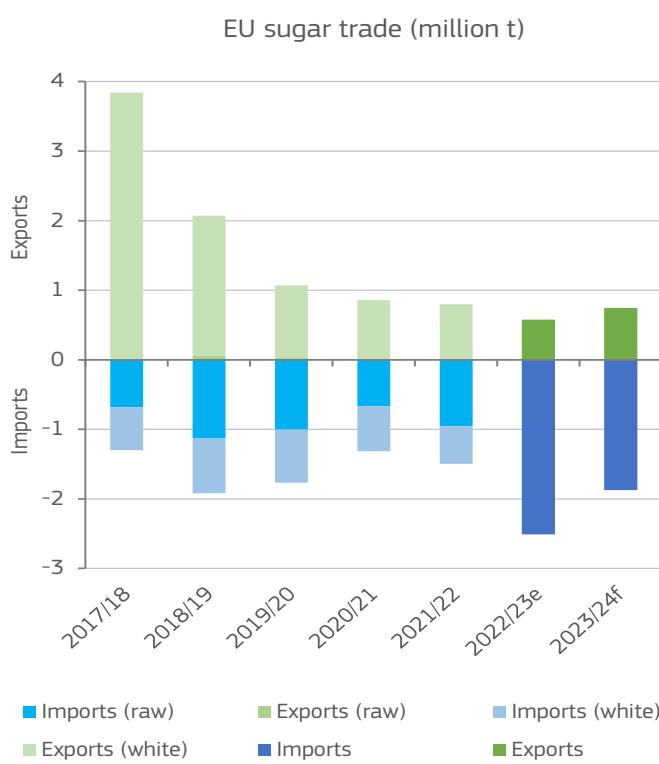
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SUGAR



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

EU PRODUCTION TO RECOVER IN 2023/24

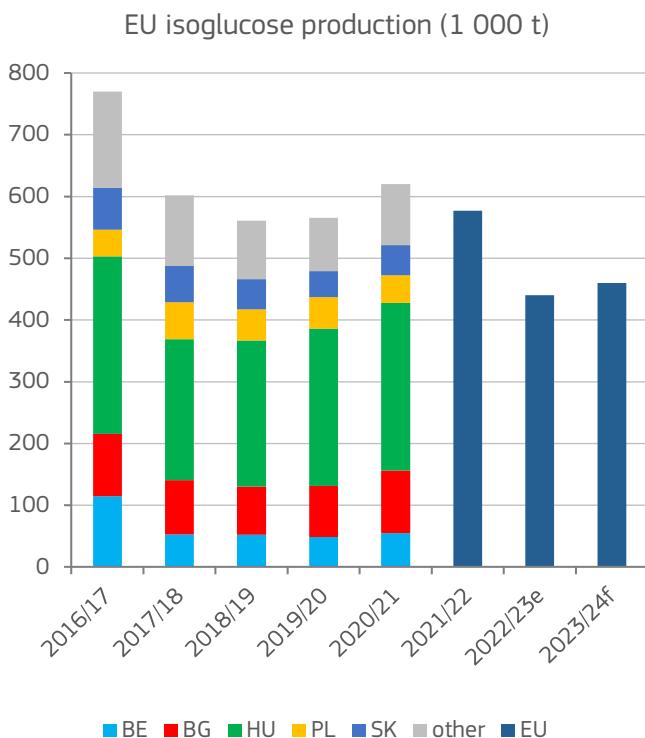
Despite delayed plantings due to wet spring, 2023/24 EU white sugar production is estimated at 15.6 million t, 7.0% above 2022/23 and close to the 5-year average of 15.7 million t. This is a combined result of an increase in beet planting areas, higher beet yields and a potential increase in sugar content.

Thanks to the production increase, EU availability is higher. Therefore, EU sugar imports are forecast to decline to 1.9 million t in 2023/24 (25% below the estimated post-quota record of 2.5 million t imported in 2022/23). Imports should nevertheless stay above the 5-year average thanks to high EU sugar prices and increased availability of Ukrainian sugar, while EU exports compared to 2022/23 should increase 29% to 0.75 million t.

Total EU consumption of sugar in 2023/24 is expected to remain resilient to high prices and relatively stable compared to 2022/23. It should continue to be supported by strong EU exports of sugar in processed products, while industrial use of sugar is due to partly recover. Ending stocks of sugar, which are estimated at 1.4 million t in 2022/23 (-9.6% year-on-year), are expected to be at a similar level also at the end of 2023/24 season.

ISOGLUCOSE

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HIGH FEEDSTOCK AND INPUT COSTS CONSTRAINING EU PRODUCTION

2022/23 EU isoglucose production is estimated to decrease to around 440 000 t (24% below 2021/22, and 29% below to post sugar quota record of 620 000 t in 2020/21).

The production was strongly affected by the consequences of the 2022 summer drought, high feedstock and input costs in key isoglucose production countries, especially in HU. Due to limited domestic availability, isoglucose exports are also estimated to have fallen sharply to 50 000 t, or 32% below 2021/22 season level of 73 000 t. Imports are estimated to have increased, but remain marginal at 3 600 t.

Because of the lower production in 2022/23, the use of isoglucose in the EU is also expected to decrease by 21% compared to 2021/22.

With lower input costs and better feedstock availability in the 2023/24 season, EU isoglucose production, are forecast to increase by around 5 %.

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





KEY MESSAGES

Olive oil: -12%

Initial availability (production +stocks) in 2023/24

Wine: -5%

Ending stocks in 2023/24

Apples: -2.4%

Usable production of apples in 2023/24

Oranges: +5%

Production of oranges for processing in 2023/24

SPECIALISED CROPS

HIGHLIGHTS

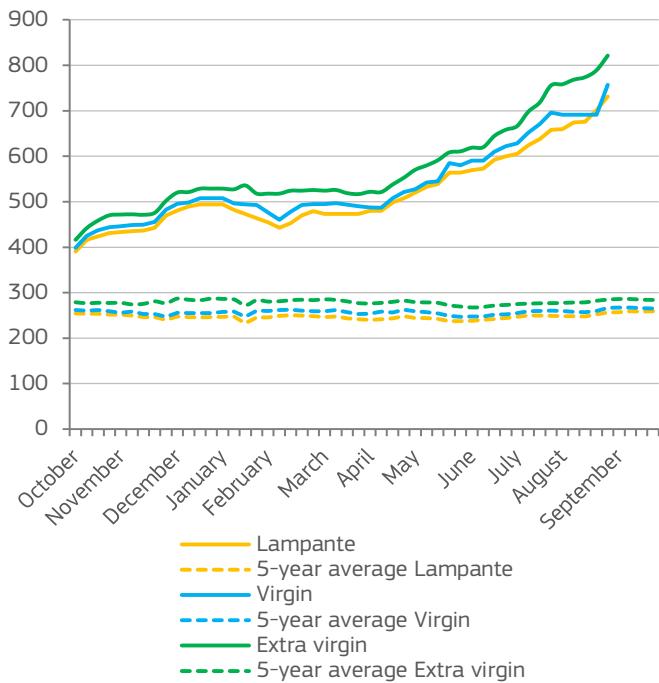
Following the record low EU olive oil production in 2022/23, no full recovery of the production potential due to adverse weather conditions is expected in 2023/24, as it could likely reach only around 1.5 million t. Combined with lower beginning stocks, prices stay at a record high which could continue having negative impacts in 2023/24 on EU exports (-10%) and further reduce EU consumption (-6%).

The EU wine production in 2023/24 could decline as well (around 6%), mainly due to a drop in Italian production which is likely to lose its first position as the largest EU producer to FR. EU consumption of wine could follow its decreasing trend while other uses could grow, supported by crisis distillation. Given this, EU imports will continue declining while EU exports could remain stable, following relatively high volumes traded last year.

Adverse weather conditions could negatively impact EU apple production in 2023/24 (-2.4% year-on-year) and orange production (-2%). In both cases, the reported quality is low, and consequently more fruit is anticipated to be channelled to processing. In addition, this is driven by still high storage costs. Lower availability of fresh apples and oranges, combined with high consumer prices are likely to push their consumption further down. EU exports of fresh fruit are expected to decline while imports could grow, more in the case of apples which could recover from low levels.

OLIVE OIL

Producer prices of olive oil by categories in Jaen in 2022/23 (EUR/100 kg)



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

RECORD HIGH EU OLIVE OIL PRICES

Due to a lower EU olive oil production in 2022/23 (almost -40% year-on-year), and expectations of a below-average harvest in 2023/24, producer prices are reaching historical highs across the categories and EU countries. For example, in Jaen, the largest EU producing region, they reached around EUR 820/100 kg at the end of August for extra virgin olive oil, EUR 760/100 kg for the virgin category and EUR 730/100 kg for lampante. In all cases, these prices are almost 3-times higher than the 5-year average, and the highest ever.

Given a delayed transmission of these increases along the olive oil chain (e.g. linked to a length of contractual agreements), these developments are likely to impact EU consumption and exports negatively in the upcoming months. Some drops have been observed already. Between Apr-Jun 2023, monthly EU exports declined by around 40% compared to the same months in 2022, supporting an overall decline in Oct-Jun of around 23%. This trend leads to a decline in 2022/23 EU exports which could fall close to 600 000 t (220 000 less than in 2021/22). At the same time, EU imports could be slightly lower than estimated before summer (160 000 t). Further downward revision (around 15 000 t) is expected to the previous EU consumption estimate, mainly driven by a stronger reduction of consumption than expected in countries other than ES, IT, PT and EL (-15% year-on-year).

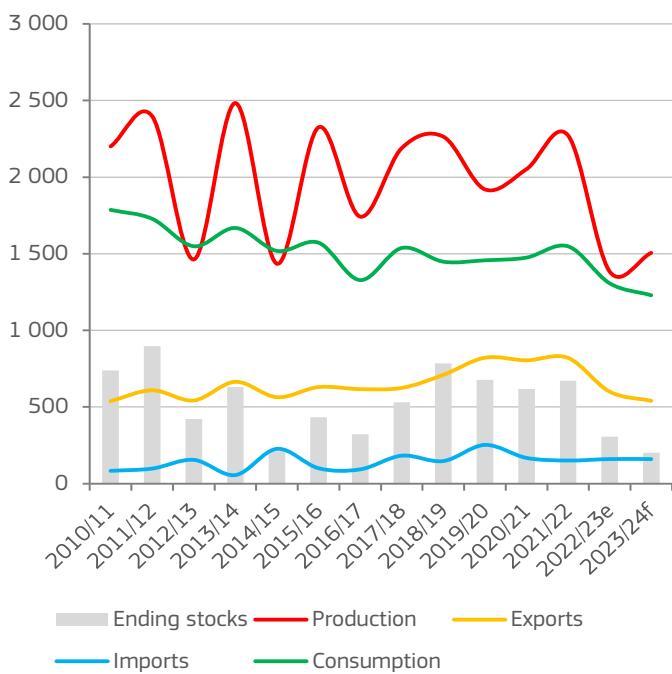
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LIMITED OLIVE OIL PRODUCTION RECOVERY IN 2023/24

EU olive oil production in 2023/24 is likely to suffer from negative weather events which took place over the whole growing cycle. Notably, ES, PT and EL suffered from an extremely dry and hot spring, while IT benefitted from rainfall. Episodes of rain shortly before and during summer did not likely improve the situation in ES and PT, as they were followed by new heatwaves. Instead, such weather pattern is likely to help olive fly and pest development. As a result, ES and PT are expected not to reach their full production potential even if their recovery is likely to be only around 20% compared to last year. EL is to be in off-year of the alternate bearing cycle, with an expected production drop of around 20%. Only IT production could grow as it, contrarily to EL, should be in on-year. Overall, EU olive oil production is likely to only reach around 1.5 million t (+9% year-on-year). As the beginning stocks are low, the EU availability could be the lowest in recent years (-33% below 5-year average). In this context, olive oil prices are expected to remain at high levels in the upcoming marketing year 2023/24.

To some extent, expected stable imports could support the EU supply, mainly thanks to a slightly better harvest in Tunisia. On the other hand, prices and lower availability will remain the main factors to push both international and EU demand down. This could lead to further drop of EU exports (to 540 000 t, -10%), and EU consumption (-6%) which already declined significantly in 2022/23.

EU olive oil production, consumption, trade and ending stocks (1000 t)



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



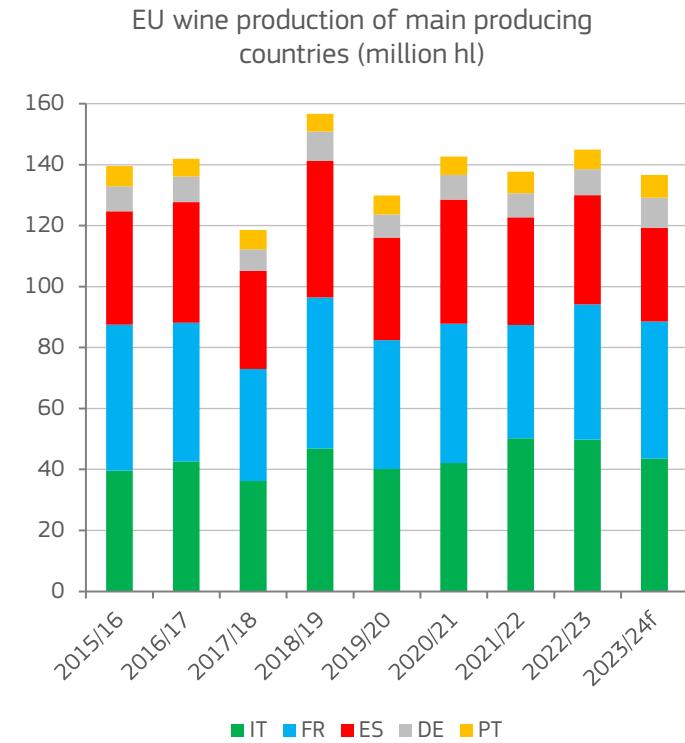
WINE

EU WINE PRODUCTION DOWN IN 2023/24

The first estimates of 2023/24 EU wine production suggest an annual reduction of around 6% to a volume of around 150 million hl (-4.5% below 5-year average). The drop in Italian and Spanish production (-12% and 14% respectively year-on-year) is expected to be the main explanation of this decrease. In IT, the main reduction is in Central and Southern Italian regions (Abruzzo, Puglia, and Sicily 30-40% down).

In ES, despite contrasting developments between regions, excessive rainfall (e.g. Galicia, Castilla y Leon), heat and drought conditions (e.g. Castilla la Mancha and the east regions) are likely to result in a substantial drop of the harvest. There are reports in some regions also of a lower quality due to smaller-sized grapes, irregular maturation and diseases.

On the other hand, an average harvest is expected in FR (around 45 million hl, +1% year-on-year). Given the decline in IT, FR is expected to become the largest EU wine producer in 2023/24. A production recovery is also expected in DE (+16% year-on-year), thanks to the sufficient water supply over the growing cycle, as well as in PT (+15% year-on-year) who is also reporting a good quality of grapes.

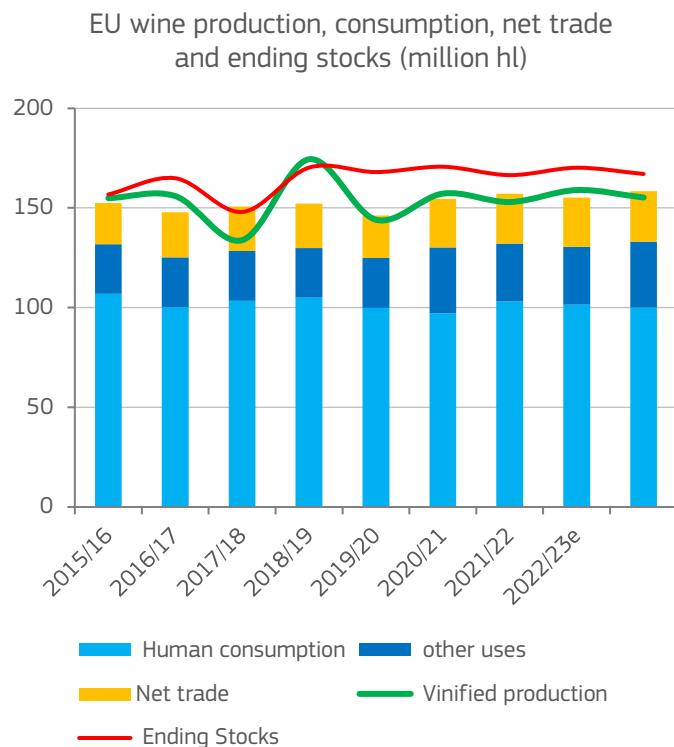


Source: DG Agriculture and Rural Development, based on MS notifications.

STOCKS TO GO SLIGHTLY BELOW AVERAGE

EU wine consumption especially for red wine, is expected to continue its declining trend (-1.5% year-on-year), supported by a shift of consumer preferences towards different types of beverages (e.g. beer) and due to a lower purchasing power. On the other hand, other uses are likely to grow and could reach close to 33 million hl, mainly due to crisis distillation.

The international demand also continues weakening, presumably due to worsening purchasing power in some EU export markets. In addition, given record EU exports in the last two years and a limited decline in 2022/23, stocks are likely to be available in some export markets. In 2023/24, the potential decline in prices may help EU wine exports but at the same time, more competition in lower-price segments could arise from wines of non-EU origins. This could be the case for the UK market. Therefore, at this stage, stable EU exports are expected in 2023/24, supported by sparkling wines. EU imports are expected to go further down to 6 million hl (-4.3% year-on-year and -18% below 5-year average), along the 10-year declining trend. As a result of above-mentioned developments, EU ending stocks in 2023/24 could be down to 161 million hl (5% below the high level of last 5-year average). This decline results also from the removal of 3.75 million hl of stocks excess in some regions through crisis distillation.

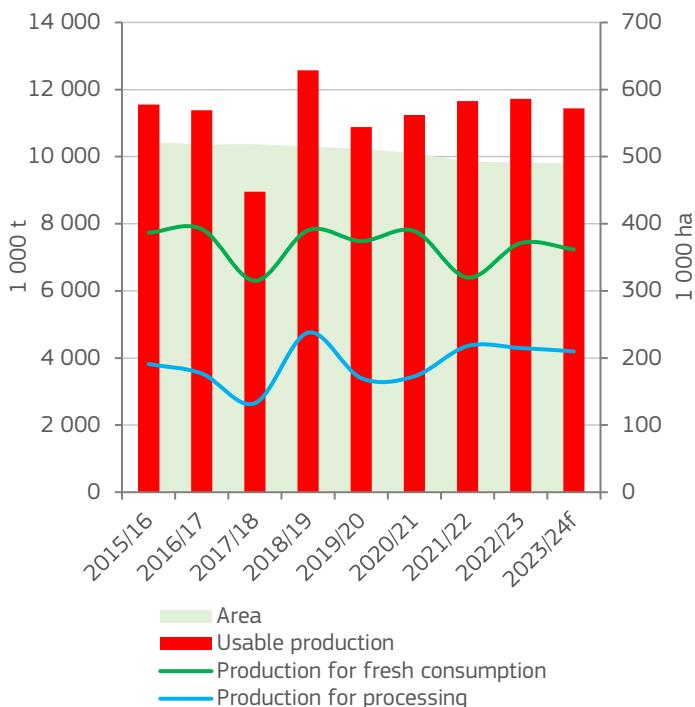


Source: DG Agriculture and Rural Development, based on Eurostat and MS notifications.



APPLES

EU apples area and production



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

LESS APPLES IN STOCK

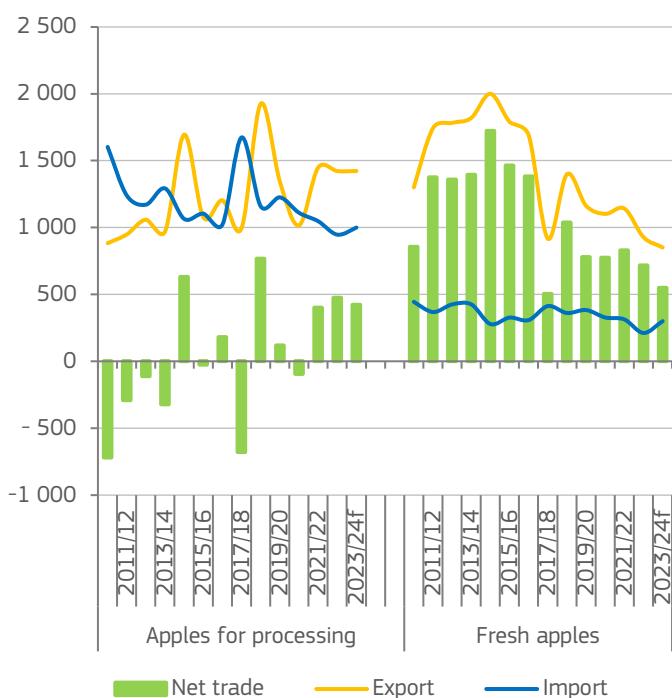
Unfavourable weather conditions are contributing to a lower EU apple production in 2023/24. Usable production is expected to be around 12 million t (-2.4% year-on-year). This is mainly due to limited pollination in spring, rainfall deficit over several months, increasing pest pressure, and high production costs.

Following the record high production in 2022/23, PL, the largest EU producing country, is likely to reduce its production and reach less than 4 million t. In addition, lower than average harvest is also expected in IT, and DE while some increases could be recorded in FR. The reduced production, still high storage costs, and heatwaves in Southern EU, which caused skin damages that shorten storage periods, are expected to contribute to lower stocks of fresh apples. On the other hand, this, together with currently low stocks of concentrated apple juice, could keep the availability of apples for processing stable which follows two years when this availability grew. However, this could further change with the evolution of the international demand.

Due to lower availability of fresh apples in 2023/24, purchases of fresh apples for consumption are likely to decline and could be around 15 kg per capita (-3.6% year-on-year).

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EU trade of apples (1000 t)



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

LOWER EU AVAILABILITY REDUCES EXPORTS OF FRESH AND PROCESSED APPLES

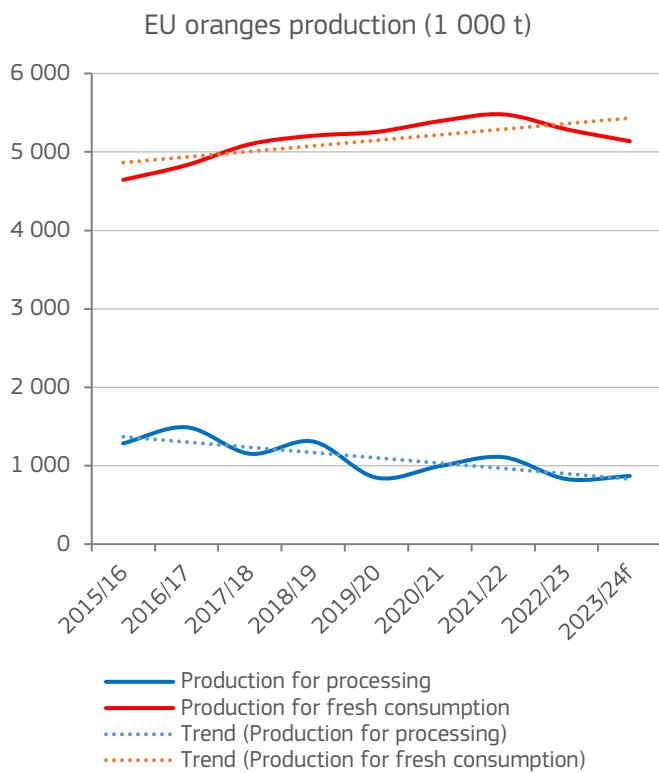
While the consumption of fresh apples could decline, EU use of apples for processing (including both real consumption and stocks) could drop less in 2023/24 (by around 1% to the 5-year-average).

At the same time, high world-wide demand for concentrated apple juice, and higher availability in the EU (considering volumes possibly available in stocks as well), could support EU exports to keep the same levels as in the last marketing year (1.4 million t, slightly above 5-year average). The main EU export markets remain the UK and the US (2/3 of the total EU export of processed apples).

EU exports of fresh apples could continue declining in 2023/24 (-8% year-on-year), driven by a lower production and significantly lower exports to Egypt due to import restrictions. While EU imports of fresh apples are generally on a declining trend, the lower availability in 2023/24 could to some extent be compensated by increasing imports compared to the last year when they were historically low.



ORANGES



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

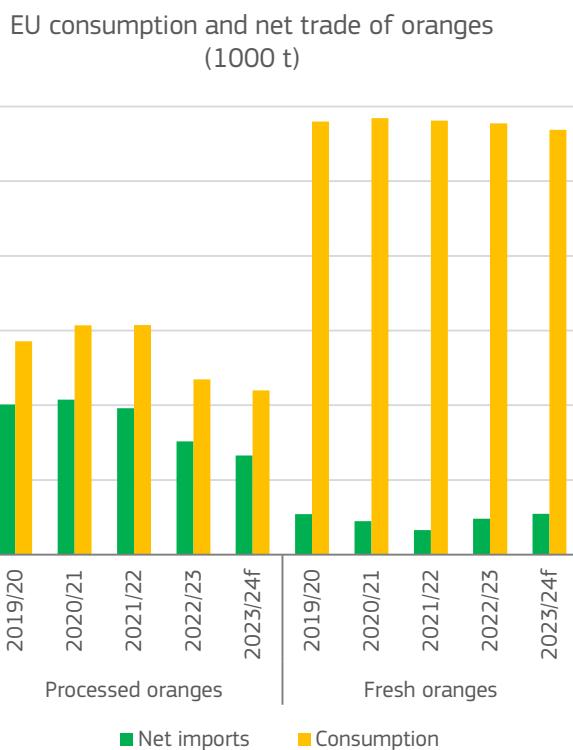
LOWER EU PRODUCTION OF ORANGES IN 2023/24

2023/24 EU orange production is expected to slightly decline (-2% year-on-year) and could reach 6 million t. This expected decline is due to drop in ES, the largest EU producing country, which is suffering from adverse weather conditions, pest pressures, and land abandonment due to lower profitability. To some extent, the drop could be compensated by an increase of production in IT.

Driven by a lower quality of fruit, and similarly to the last marketing year, more fruit could be channelled to processing relative to an overall production increase (+5% year-on-year, but 12% below 5-year average). Complementary to this, the persistently high energy prices favour the processing of oranges over their storage as fresh fruit. As a result, the EU production of oranges directed to fresh consumption could decline in 2023/24 (-1.5% year-on-year).

While the total EU area is likely to remain relatively stable, the yields in some countries could grow. For example, in IT they are expected to be 13% above its level in the last year. This increase will not compensate an overall annual decline of around -1% in orange yields across the EU. However, this is still 7% lower compared to 5-year average.

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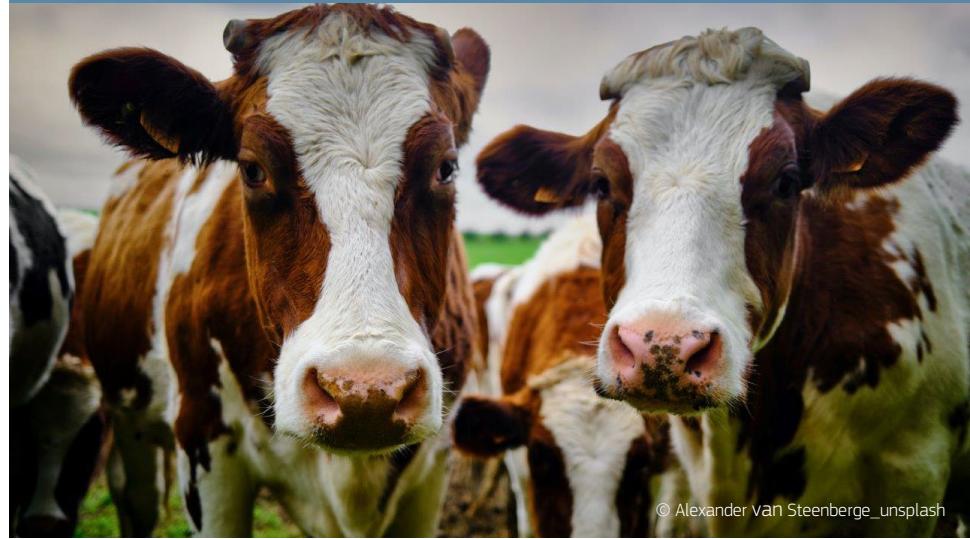
Source: DG Agriculture and Rural Development, based on Eurostat.

FRESH PER CAPITA CONSUMPTION DOWN IN 2023/24

The EU per capita consumption of fresh oranges is expected to drop to 12.6 kg in 2023/24, 2% lower compared to the last marketing year. This aligns with the lower availability in the EU, and this will likely lead to higher EU imports. These experienced already a double-digit growth in the last marketing year (+15%), and they are expected to increase rather modestly in 2023/24 (+7%). Following a decline of EU exports in 2022/23, driven by a drop in production and high prices, these could further decline and reach 0.35 million t (3% year-on-year). Nevertheless, exports could remain 15% below 5-year average, potentially being restricted by higher prices compared to other competitors.

Regarding processed oranges, EU per capita consumption is due to decline by 7%, prolonging the downward trend observed in last years. EU exports of processed oranges could increase by 21% year-on-year, rebounding from a record-low level in 2022/23. Nevertheless, they could remain very low compared to 5-year average (-32%), driven by a lower availability. As for EU imports, these are not expected to grow despite on-average lower EU production for processing, as the demand is following a declining trend.





KEY MESSAGES

+0.3%

Milk collection in 2023

Stable

Dairy consumption in 2023

+1.5%

Cheese exports in 2023

+15%

SMP exports in 2023

MILK AND DAIRY PRODUCTS

HIGHLIGHTS

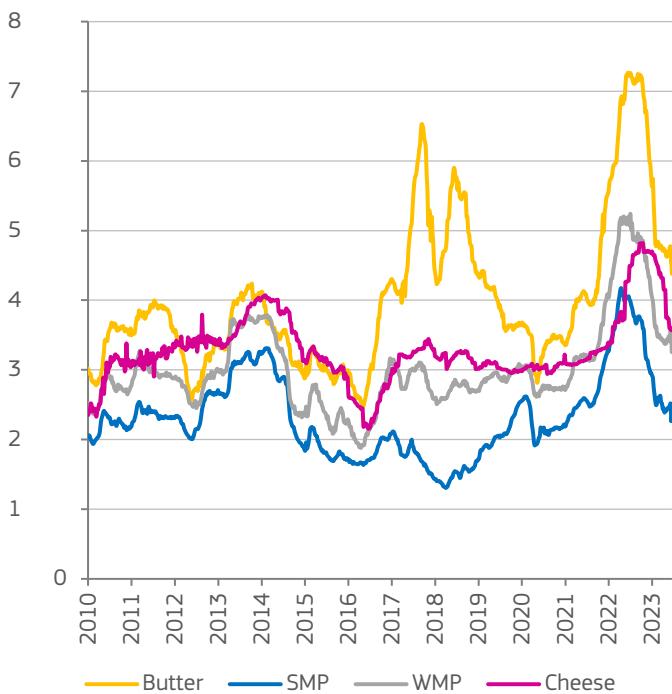
Despite EU raw milk prices continuously declining since the beginning of the year, EU milk deliveries remain rather stable and are estimated to increase by 0.3% in 2023. Weather conditions have been more favourable than in the challenging 2022, which helps to reduce feed costs and contribute to better feed quality, thereby also increasing the milk solid content of milk (+0.2%) and supporting a 1% increase in milk yield.

While global demand for dairy products is still relatively tight, lower EU dairy prices are expected to support a recovery of some exports, especially of milk powders. EU cheese and whey production are likely to benefit from higher milk availability and competitive prices. In both cases, this could support an increase in EU exports of +1.5% and +4.5%, respectively.

Despite the decreasing dairy cow herd, and assuming normal weather conditions, EU milk supply is forecast to remain relatively stable also in 2024 (+0.2% year-on-year). Although energy and fertilizer prices are over the peak of 2022 and on a decreasing trend, they are still high compared to last years. This, combined with decreasing raw milk prices, still high inflation in the EU and globally, and increasing interest rates, create uncertainty over margins for dairy farmers in 2024.

MILK

EU weekly dairy prices (EUR/t)



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

EU RAW MILK PRICES CONTINUE DECLINING

EU raw milk prices have been declining since the beginning of the year, although at a slower pace since summer. The EU raw milk average price in August was -25% below the peak in December 2022, at around EUR 43.6/100 kg. The highest price drop in 2023 (around -43% compared to December 2022), based on September estimates, was recorded in IE, while the price decrease in FR, IT and ES was only of around -10%.

Due to more favourable weather conditions, feed costs started to decrease over the spring months. Although energy and fertilizer prices have decreased compared to 2022, they remained high and well above the average levels observed in the past, leading to tight margins for dairy farmers.

Food inflation started to decrease, but high food prices still constrain demand both in the EU and globally. Weaker purchasing power combined with a continuous price decrease of EU dairy commodities underpin lower EU raw milk prices. While some commodities showed signs of price stabilisation (in particular SMP and cheese), the overall price trends are still declining for most dairy commodities in Q1-Q3 2023. EU dairy prices became more competitive, which led to some recovery of EU exports. This increase is more pronounced for WMP, butter, SMP, and whey, and less for premium and high-value-added products.

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MILK DELIVERIES TO REMAIN STABLE IN 2024

Despite a decline in EU raw milk prices, EU milk deliveries were 0.7% higher in Jan-July compared to the same period in 2022. But the evolution of raw milk supply remains very heterogeneous across EU countries. In some countries, lower prices are already accompanied with lower production (e.g. IE, FR, IT). In others, increasing milk deliveries have potentially contributed to the drop in raw milk prices as demand remained less price-elastic (e.g. BE, DE, PL).

Cow slaughterings remained below the level of last year until June. Due to lower raw milk prices and high costs for important inputs, slaughterings could accelerate in the upcoming months. This could lead to a decline in the EU dairy cow herd similar to 2022 (-0.6%). On the other hand, better feed availability and quality contributes to increased milk yields in 2023 (+1% year-on-year) with increasing milk solids content. This development counterbalances the decline in the herd size and could lead to an increase in the overall EU milk deliveries (+0.3%).

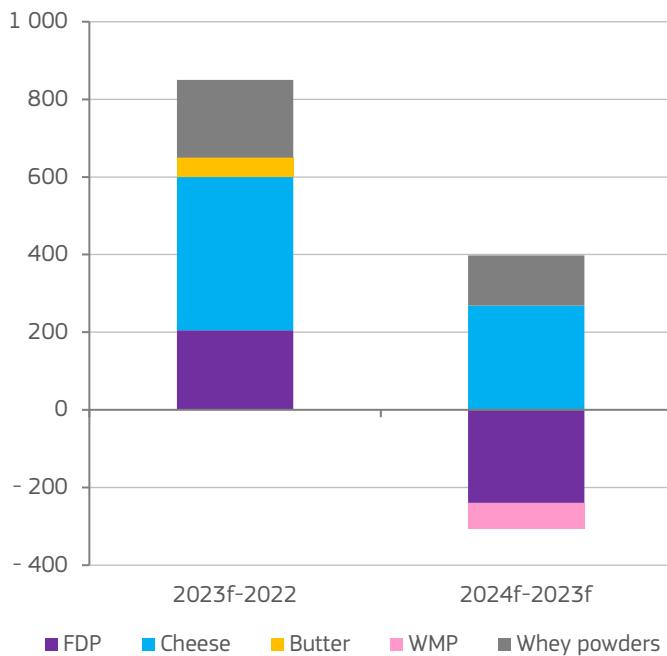
In 2024, under the assumption of normal weather conditions, the increasing trend in EU milk yields is assumed to continue at a comparable rate, providing a stable raw milk supply for the dairy industry (+0.2%).

Source: DG Agriculture and Rural Development based on Eurostat.



DAIRY PRODUCTS

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



Note: SMP and butter production could remain stable in 2024 so they don't appear in the second bar.

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

CHEESE AND WHEY BENEFIT FROM HIGHER EU MILK AVAILABILITY IN 2023 AND 2024

With an expected increase in EU milk deliveries in 2023, and even higher availability of milk fat and milk protein relative to last year, EU cheese production is likely to remain the preferred option in milk processing also in 2023. As a result, its production could be 1% higher. This, supported by competitive EU export prices, could help EU exports to grow (+1.5%) while domestic use (-6%) will likely remain constraint by inflation pressures, impacting also imports, in particularly for premium cheeses. In 2024, despite a foreseen smaller increase in EU milk deliveries, EU cheese production could further increase (+0.7%), enabling further export growth (+2%) due to a likely demand recovery in some key markets. Easing EU food inflation is likely to have a positive impact also on domestic use (+0.5%).

EU whey production is expected to grow stronger in 2023 as well (+1.2%). This is driven by higher EU exports thanks to a recovery of demand in China while domestic use could decline. In 2024, production growth could continue, although at a slower pace (+0.8%). Nevertheless, this could lead to higher EU exports (+2.5%) while domestic use could remain stable.

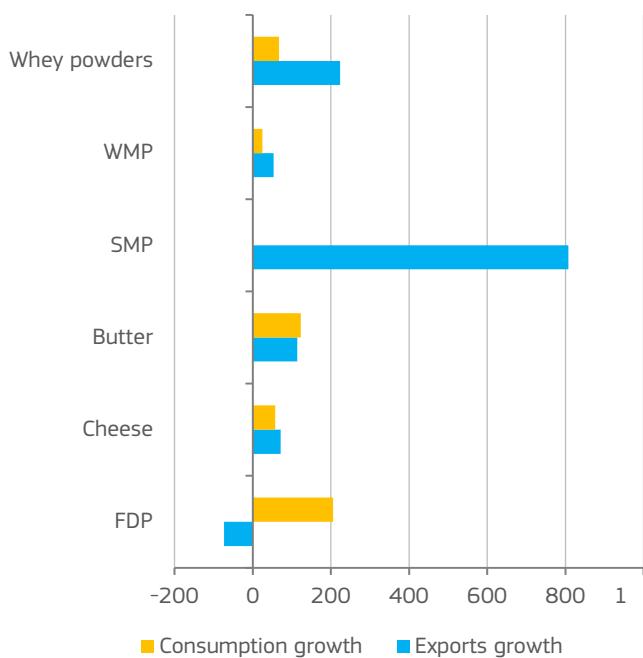


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DAIRY PRODUCTS

Annual changes of EU export and consumption in 2023f (1000 t of milk eq.)



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

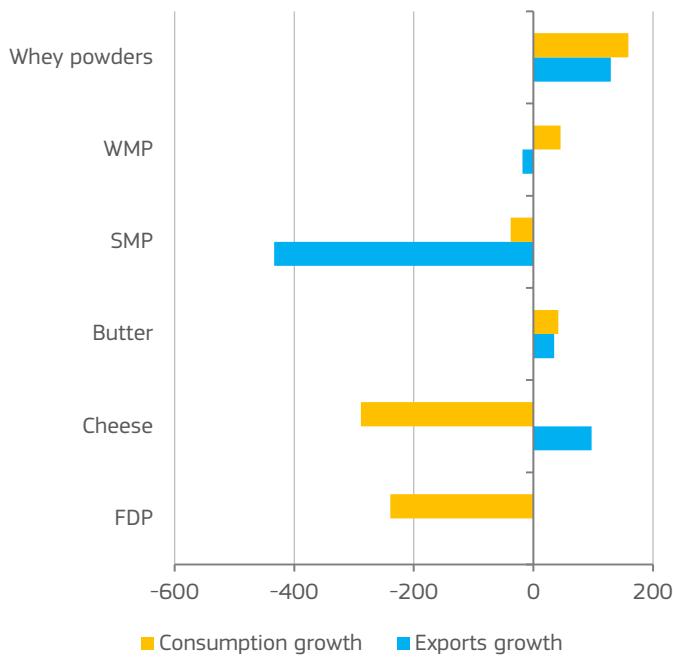
EU SMP EXPORTS TO GROW STRONGLY IN 2023

While EU SMP production somewhat decreased in Jan-July (year-on-year), exports recorded a strong recovery, mainly supported by tenders for Algerian milk powder imports and strong demand from Saudi Arabia and Morocco. To meet demand, EU production could slightly grow in the remaining part of the year, and overall remain stable. At the same time, EU exports could be 15% higher, while domestic use could decrease (around -2%). This is a result of less SMP being used in processing (e.g. for fat-filled powders). The increase in EU milk powder exports could prevent WMP production from declining, even if exported volumes are expected to decrease due to increasing competition on export markets from New Zealand in the remaining months of 2023. WMP exports could be 3% higher in 2023 year-on-year, while at the same time, the reduction in domestic use could also be lower than anticipated (around -2%). This is due to lower prices, which could benefit the use of WMP as ingredient.

In 2024, the production of SMP could remain stable, with lower exports compared to a strong recovery expected in 2023. WMP exports could also go down (-1%), reverting to a declining trend. At the same time, the pace of decline in domestic use of WMP could be sustained while SMP use in processing could increase thanks to some demand recovery (+4%).

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Annual change of EU export and consumption in 2024f (1000 t of milk eq.)



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

FRESH DAIRY PRODUCTS RESISTING INFLATION

With more milk channelled to WMP until now (presumably leaving some milk fat available after its processing), and an expected production increase of SMP in the coming months, EU butter production could grow in 2023 by around 0.3%. The increasing availability and more competitive EU prices (also relative to other fats) could also help EU exports grow (+7%) as well as contribute to some increase in domestic use (+0.4%), notably in processing. In 2024, it is not expected that the export recovery path will be fully sustained; the growth of EU exports could be lower (+2%), with EU domestic use likely to grow more modestly (+0.2%).

Beyond expectations, production of fresh dairy products is increasing (cream and drinking milk). As EU exports are unlikely to expand due to decreasing demand in China, extra volumes are likely to be consumed domestically, showing a higher resistance to increasing prices than other products of animal origin. This could lead to an increase in total EU consumption in 2023 (+0.7%), but this change would be hardly visible on a per capita basis due to slightly increasing population trends (+0.1%). In 2024, EU consumption will likely return to a declining trend (supported also by a slowdown in population growth), which could lead to lower EU production (-0.9%) while EU exports could remain stable.





KEY MESSAGES

-1.5%

Per capita meat consumption in 2023

-6.6%

Pigmeat production in 2023

+3.3%

Poultry production in 2023

+15%

Sheep imports on the rise in 2023

MEAT PRODUCTS

HIGHLIGHTS

Per capita meat consumption in the EU is expected to go down by 1.5% in 2023 due to price inflation and lower supply on the market.

EU beef production is expected to decrease further in 2023 by -3.1%, mainly due to a structural adjustment in the beef and dairy sector and low margins. EU imports could go down due to low production in the UK, while South America does not fully compensate for losses of imports from the UK. EU exports continue struggling with high domestic prices.

A smaller breeding herd as well as African Swine Fever (ASF) push EU pigmeat production further down by 6.6% in 2023, despite lower feed prices. Sustained domestic demand and lower demand from China slow down EU exports by 16% in 2023.

EU poultry production could benefit from a recovery of 3.3% in 2023 thanks to being one of the cheaper animal proteins available. On the other hand, EU poultry prices make exports less competitive. Brazil, Ukraine, and Thailand are sending substantial volumes to the EU (+12%), while UK records a massive decline.

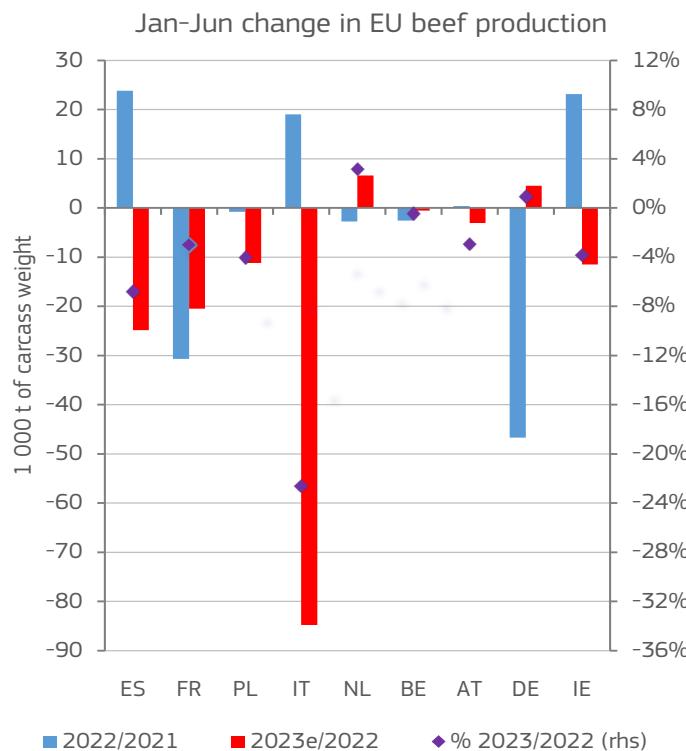
The historically low EU sheep flock push slaughterings down by -1.8% in 2023. Sustained demand and high domestic prices favour more imports from New Zealand and UK (+15% in 2023).

BEEF AND VEAL

EU BEEF PRODUCTION DECLINING

EU beef production recorded a -4.5% decline in the first half of 2023, mainly due to a significant decrease of slaughterings in IT (-23%). Grazing conditions were mediocre in some parts of the EU due to dry weather and feed prices were still relatively high although on a declining path. This lower beef supply continues supporting EU beef producer prices. By the end of the year, beef production is expected to recover slightly thanks to lower feed prices, and higher carcass weights. Some additional slaughterings linked to forage shortage at farm level in some EU countries is expected. Overall, a reduction in production of -3.1% in 2023 is foreseen on a yearly basis. If feed prices continue to decrease and make the fattening process more profitable, a smaller reduction of -1% might be expected in 2024, closer to the structural declining trend seen in previous years.

Despite high EU prices, imports are not covering the loss in EU production. Therefore, per capita EU beef consumption in 2023 drops to slightly less than 10kg (-3.5%). In addition, the current high inflation reduces consumer purchases or pushes the consumer to cheaper animal proteins. In 2024, a smaller drop of -1% is expected.



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

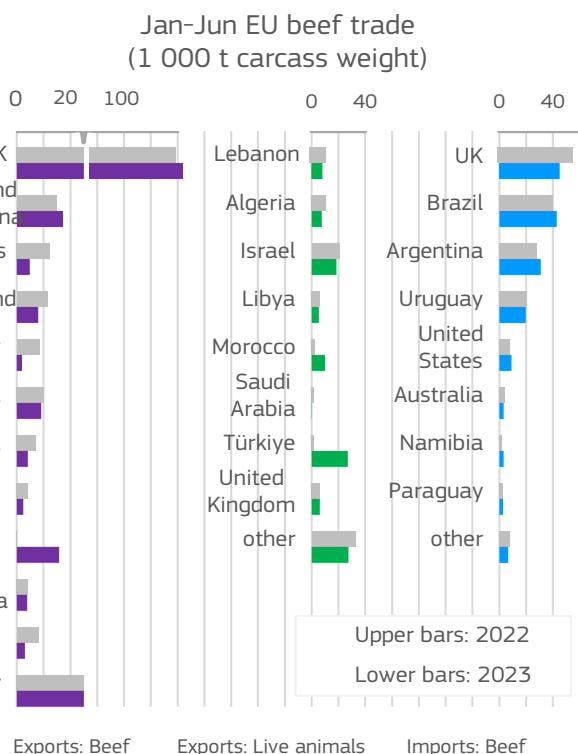
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LOWER EU COMPETITIVENESS IN EXPORTS

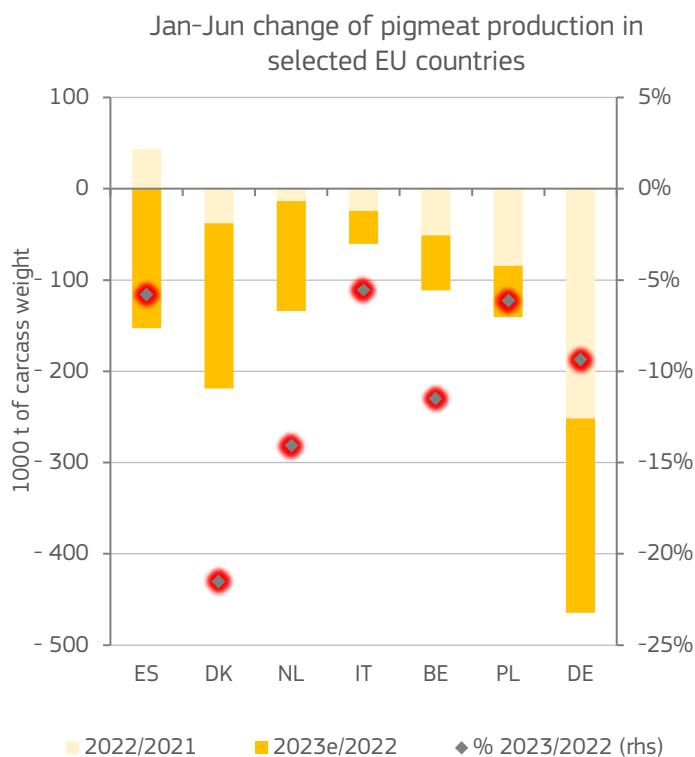
As the beef supply in the EU is lower, domestic prices may stay relatively high, having a negative impact on the competitiveness of EU exports. The Turkish market reopened for beef imports, leading to additional shipments of live animals and meat starting from January this year and reaching around 10 000 tonnes per month in May. Also, the Moroccan market seems to reopen for live trade. Meat demand from the UK noted an increase as well of almost 2%. However, these changes do not cover the losses of meat exports in high-value markets such as Norway, Japan, and US.

On the other hand, the EU market could remain attractive for imports. Contrary to this expectation, EU beef imports showed a decline of 2.5% in Jan-June. The main reason is that imports from the UK are decreasing substantially (-20% in Jan-June) due to lower slaughterings in the UK. This drop from the EU's main trade partner is not compensated by increased imports from Brazil and Argentina. These find also rewarding markets in other parts of the world, thanks to a relatively tight beef market at global level. If this situation becomes more relaxed, EU imports could grow in 2024, currently expected by a modest +5%.

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

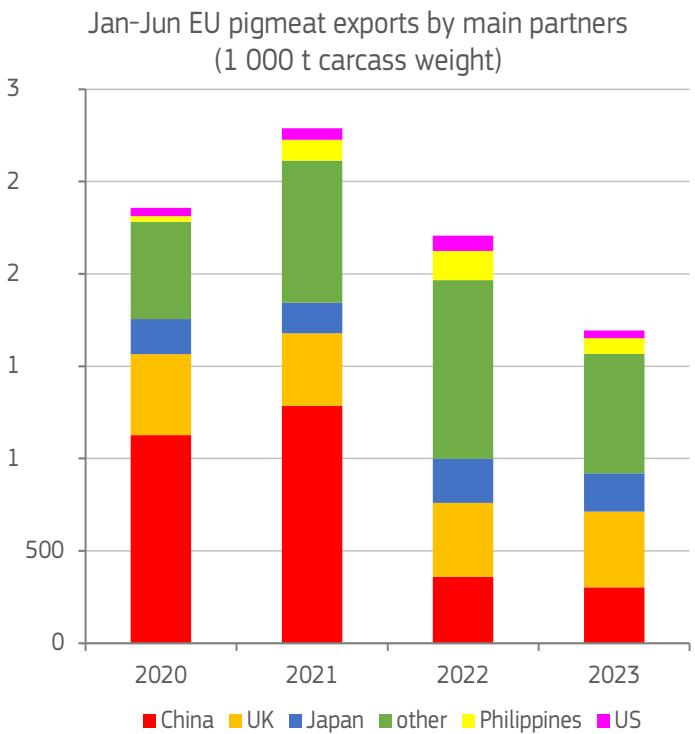


PIGMEAT



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

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Source: DG Agriculture and Rural Development, based on Eurostat

PRODUCTION ON DECLINE IN ALL EU COUNTRIES

In the first half of 2023, EU pigmeat production went down by -8.6%. The biggest reductions were recorded in DE (-210 000 t or -9.4%), DK (-180 000 t or -21.5%) and ES (-150 000 t or -5.8%). This low EU supply leads to record high domestic prices. However, since July, EU producer prices started to show signs of a decline. As feed prices are decreasing and margins remain positive, carcass weights are expected to increase in the second half of the year. Overall, a production decline of -6.6% is expected in 2023.

At the same time, EU demand stays firm but given reduced supply, a drop in EU per capita consumption is expected (-5%, to 30.4 kg). Besides reduced supply, the consumer considerations about price increases play an important role, which leads to a reduction of pigmeat consumption or a switch to other types of meat. In particular, pigmeat consumption is often reduced to the benefit of poultry meat. If supply rebounds slightly, and so this increased availability could relax even more producer prices, a small increase in per capita consumption might appear in 2024 as a reaction to this.

LESS COMPETITIVE EU PRICES HAMPER EXPORTS

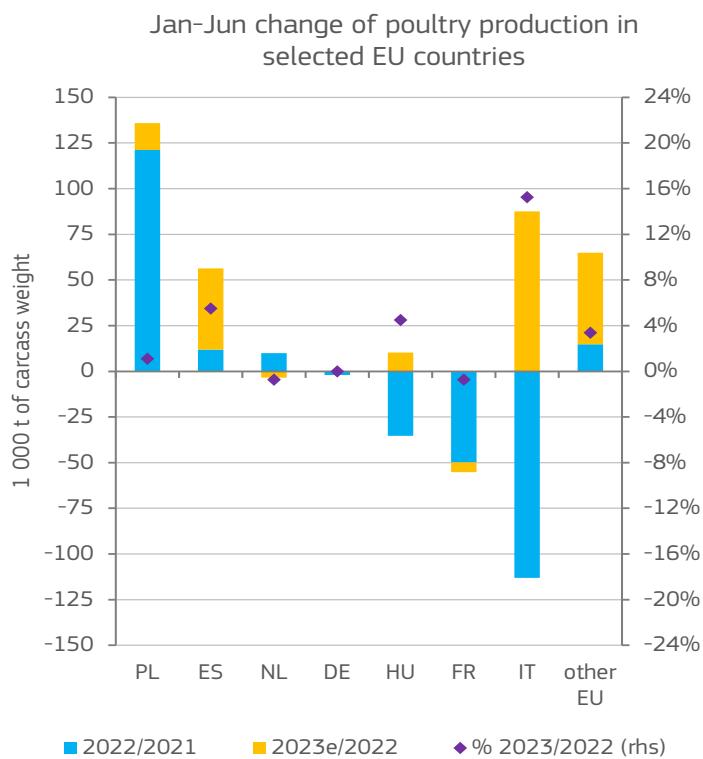
Less competitive EU pigmeat prices make exports to the global market a real challenge. In the first half of 2023, EU exports recorded a decline of -20%. Pigmeat production in China is recovering and so less imports are needed.

At the same time, the EU loses market shares both in high-value markets (US, Japan, Australia) and low-value ones (e.g. Philippines) due to stronger price competition. Only the UK market shows a slight positive development (+2.4% in Jan-June). Overall, EU exports in 2023 could be down by -16%. If prices continue declining, some market shares might be regained, resulting in a 5% increase in 2024.

EU pigmeat imports from the UK decreased by almost 19% in the first half of 2023, following an increase of almost 28% in 2022. The reason behind is the current decline in UK production. As the UK represents more than ¾ of EU imports and no replacement of other origins is expected in the short term, EU pigmeat imports may decrease by 20% in 2023.

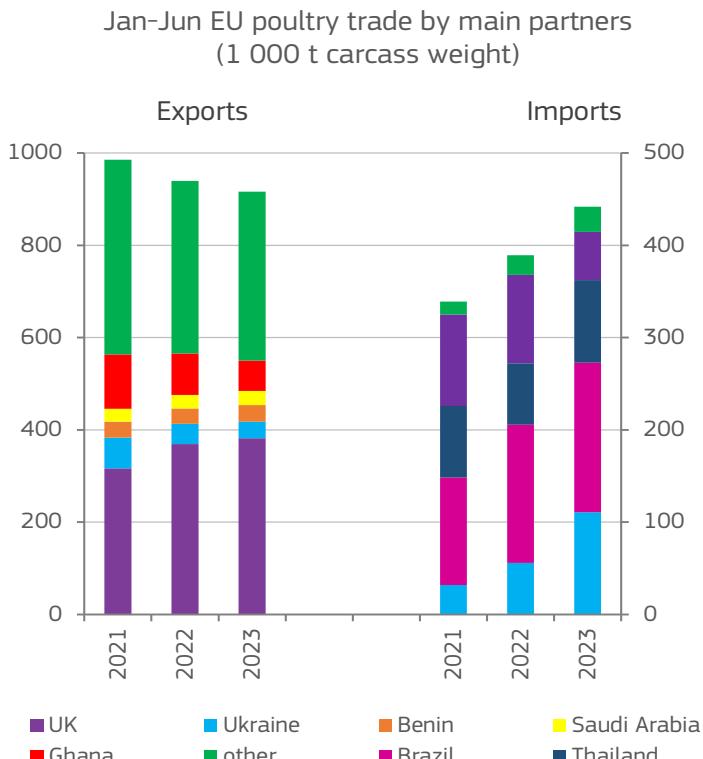


POULTRY



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

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

RECOVERY OF EU POULTRY PRODUCTION

Despite outbreaks of HPAI (but lower in intensity compared to 2022), EU poultry production continues its quick recovery. In the first half of 2023, EU slaughterings increased by 3.1%. This is mainly due to increases in IT (+15% or 87 000 t) and ES (+5.5% or 45 000 t). Placings of chicks were 1.2% up in the first half of 2023 year-on-year. By the end of 2023, production is revised upwards to 3.3%, taking into consideration a (further) reduction in feed and energy costs, and improving margins.

A smaller increase of 1.2% is foreseen in 2024 if price competition from other meats is higher. A similar incidence of HPAI as this year is assumed.

EU producer prices are now already more than a year above EUR 2 500/t. Since June-July 2023, a small downward move is visible, but prices are still at record levels. Nevertheless, poultry stays one of the cheapest animal protein sources for consumers.

LOWER COMPETITIVENESS OF EU EXPORTS CONTINUES

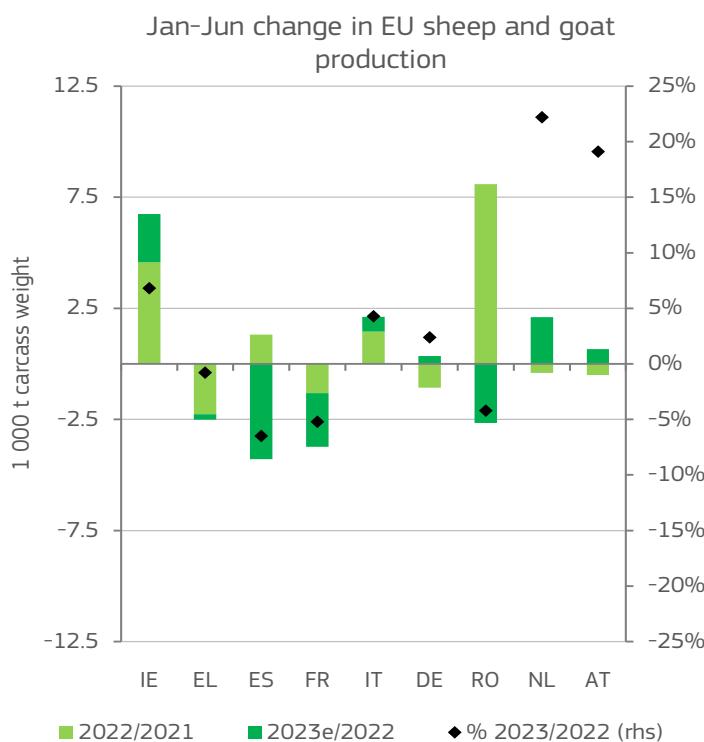
In Jan-June 2023, EU imports grew by 13.5% (+52 000 t). On the one hand, there was almost a doubling in imports from Ukraine and substantial increases from Brazil (+8%) and Thailand (+35%). On the other hand, imports from the UK were down a staggering 46% (or almost 44 000 t). Overall, EU imports are expected to increase by 12% in 2023. This picture could change completely in case outbreaks of HPAI in commercial farms in Brazil are detected.

Despite a lower EU competitiveness, HPAI outbreaks which led either to country-wide bans or regionalisation, and the invasion of Ukraine, EU exports declined by a modest 2.5% in Jan-June, hiding large positive and negative changes depending on the destination. Among the losers were Ghana (-24 000 t), Liberia (-11 000 t) and Ukraine (-8 000 t), while UK (+12 600 t), Viet Nam (+8 400 t) and Angola (+ 5 000 t) reported clear gains. This decline should be reversed in 2024 if the EU prices regain some competitiveness.

Higher domestic availability, both through EU production and imports, and lower prices compared to other animal protein sources are expected to support EU per capita consumption growth in 2023 of close to 1 kg (+4.3% year-on-year).



SHEEP/GOAT MEAT



EU SHEEP MEAT IMPORTS GROW AT A STRONGER RATE

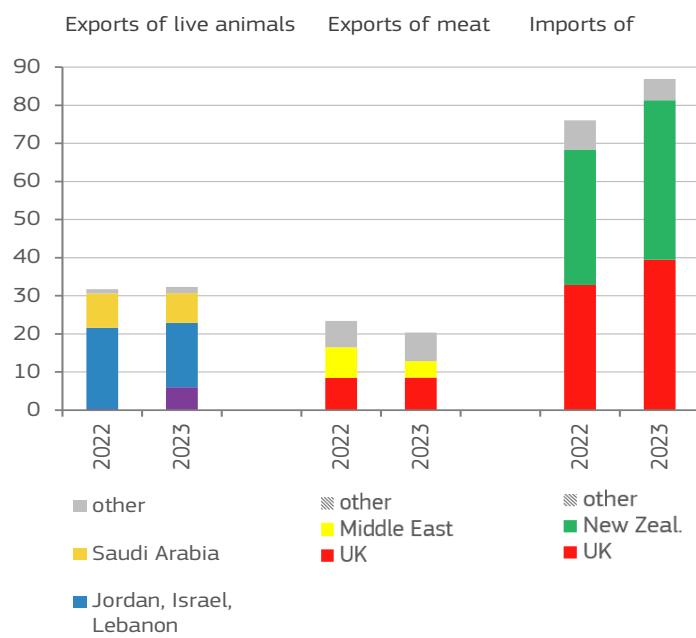
EU sheep and goat production growth in spring, driven by an earlier timing of traditional religious celebrations, was overtaken by a subsequent negative development, leading to a decline of slaughterings in most Member States during the first half of 2023. EU sheep meat production is expected to suffer from a structural declining sheep flock, lower grass availability, especially in Mediterranean countries, higher costs for feed and the outbreaks of sheep pox in ES and recently in BG. Due to high goat milk prices, the sector is going through a retention phase of animals. Overall, a reduction of -1.8% in sheep and goat production may be expected in 2023, followed by a lower reduction in 2024 (-1%).

Being the most expensive type of meat, EU consumption of sheep meat is likely to suffer from inflationary pressures same as other red meat types, but in comparison it can be best favoured by its specific positioning within consumer baskets (religious festivities, cultural). Therefore, the EU per capita consumption could stay rather stable (+0.8%).

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

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Jan-June EU sheep&goat trade by main partners (1 000 t)



ATTRACTIVE EU MARKET FOR IMPORTS

While EU sheep meat exports to the UK stayed stable, other major destinations like Oman, Qatar, and UAE, showed a significant decline, pushing exports down by -13.2% in the first half of the year. This is mainly due to relative high prices in the EU which makes the EU less competitive and keeps the produce on the domestic market. As this situation is not going to change in the short term, meat exports are revised downwards to -10% and recovering by 4% in 2024 if prices are easing, following three years of significant setbacks.

EU exports of live animals increased by 1.7% in Jan-June, despite high domestic prices. A leap forward in exports to Libya and Morocco in June 2023 compensated decreases to Jordan, Saudi Arabia, and Israel. Overall, exports of live animals are set to slightly grow by 1.5% for the whole 2023. The difficult transport situation through the Black Sea is a break. In 2024, a further decline of 3% is foreseen due to a gradually declining export potential. The future EU legislation on live animal transport is not yet taken into account. EU imports of sheep meat increased by almost 15% in Jan-June, coming from New Zealand and the UK. Overall, EU imports could reach a 10% increase this year and an additional 4.5% in 2024 due to high EU prices and sluggish Asian demand.

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



METHODOLOGY

This outlook takes into account the most recent macroeconomic information and the domestic and international market developments and expectations. Data is subject to retrospective review.

The balance sheets refer to six calendar years for meat and dairy and seven marketing years for crops and fruit and vegetables.

SOURCES

- European Central Bank staff macroeconomic projections for the euro area¹
- S&P Global
 - DataInsight database
 - Commodity Price Watch
- World Bank, Commodity Markets²
- Drewry³ world container index, cited by Statista⁴
- Baltic dry index,⁵ cited by Statista⁶
- Eurostat
 - Agricultural production yearly for historical data and monthly data for previous and current year for meat and dairy production
 - Farm livestock survey
 - Gross Indigenous Production (GIP) forecast for meat
 - Early estimates for crop products
- Comext database (extra and intra-EU trade statistics)

Due to some inconsistencies in intra-EU trade reporting, intra-trade is based on export figures only, i.e. imports of France are calculated as extra-EU imports plus exports of EU partners to France. This with the exception of the UK that still remains in the intra-EU trade reporting, even though it is not part anymore of the EU since February 2020 and therefore included in extra-EU trade figures. For trade with the UK, only the declaration of the Member States is considered, both imports and exports.

¹ https://www.ecb.europa.eu/pub/projections/html/ecb.projections202306_eurosystemstaff-6625228e9f.en.html#toc6

² <https://www.worldbank.org/en/research/commodity-markets>

³ Drewry World Container Index reports actual spot container freight rates for major East West trade routes. The Index consists of 8 route-specific indices representing individual shipping routes and a composite index. All indices are reported in USD per 40ft Container.. <https://www.drewry.co.uk/>

⁴ <https://www.statista.com/statistics/1250636/global-container-freight-index/>

⁵ The Baltic Dry Index is reported daily by the Baltic Exchange in London. The index provides a benchmark for the price of moving the major raw materials by sea.

<https://balticexchange.com/en/data-services/market-information/dry-services.html>

⁶ <https://www.statista.com/statistics/1035941/baltic-dry-index/>

- Global Trade Atlas (GTA, global trade statistics, including UK trade).
- Weekly commodity prices communicated to DG Agriculture and Rural Development by the Member States.

Macroeconomic forecast is based on sources provided by the European Central Bank, with additional insights from S&P Global.

Production forecast for current and next year is based, depending on the sector, on Eurostat monthly data, official estimates of ministries, national statistical institutes, national or European organisations, MS notifications to DG Agriculture and Rural Development and on the Crop Monitoring and Yield Forecasting projections (JRC MARS AGRI4CAST⁷) in the case of cereals; on expert forecasts for Gross Indigenous Production (in heads) sent by Member States (MS) to Eurostat in the case of meat; on monthly milk deliveries for dairy. The estimated and forecast external trade figures are derived from the latest monthly data available by applying trends and annual profiles as well as from trade licences and import quotas, when applicable.

As Brexit took place on 31 January 2020, market outlooks reflect the current EU-27 composition for the whole reporting period. This is valid for all markets except sugar for which EU-27 balance sheets are produced only from 2019/2020 not to disclose confidential information on UK sugar stocks.

Trade forecast is based on latest data available until 15th of the month preceding the publication date.

Although the UK is considered a third country partner of the EU since January 2021, EU countries continue reporting trade flows to/from the Northern Ireland in INTRASTAT database while flows to/from Great Britain are reported in the database for extra-EU partners. However, the UK figures are consolidated with a delay to reflect reporting for Northern Ireland (70 days instead of 45).

Because of this delay in EU trade data completeness, the period covered by trade data might differ from the period for which monthly production data is available (usually 45 days after the end of month, depending on the source). However, some individual data for other extra-EU partners might already be available as described above.

Price transmission along the food chain: main data source for individual indices is Eurostat (Food price monitoring tool). However, EU farmer price indices are not available before January 2015. Before this date, the monthly change is estimated based on Member States data weighted by their share in the agricultural output. Latest Eurostat monthly

⁷ <http://mars.jrc.ec.europa.eu/mars/About-us/AGRI4CAST/Crop-Monitoring-and-Yield-Forecasting>

indices for EU farmer prices are available in March 2023. Since this date, the index is estimated based on cereals, sugar, milk, meat, tomatoes and apples monthly prices weighted by annual production (updated by the latest edition of short-term outlook: https://agriculture.ec.europa.eu/data-and-analysis/markets/outlook/short-term_en).

ARABLE CROPS

Figures for the marketing year 2023/24 are based on a forecast that considers the latest developments, and average trends observed in past. These average trends are removing strong year-on-year variations that could have happened due to extreme market and weather events.

Crop areas

For MS in which data is not yet available, a percentage variation is estimated on the basis of those MS which communicated data or area is estimated through the trimmed average of the last five marketing years or assuming no changes compared to the previous year.

Yields

MS estimates or AGRI4CAST projections are used if available. If these data are not available, preferably the yield trend over the 12 last years is retained, otherwise the trimmed average of the last five marketing years is used.

Trade

Cereal trade figures include cereals as such, plus flour and groats (in cereal equivalent). In the former editions of the Short-term Outlook, maize trade included additional processed products. This has been revised backward and the balance is closed via an adjustment of the processing demand.

Balance sheets

They are based on a marketing year starting with the harvest: July/June for cereals and Oct/Sept for sugar. Thus, area, yield and production figures of crops refer to the year of harvest.

Cereals

Human consumption, seed use and other industrial use is based on historic relations regarding population and planted area in the relevant marketing year. Feed use is based on calculations. Forecast is based on information about the ethanol production development. Stocks are closing the balance for cereals⁸. Intervention stocks equal official figures of the Directorate-General for Agriculture and Rural Development for the past and estimates based on past experience for the current marketing year, if applicable.

Oilseeds

The balance sheets include rape, soya beans and sunflower seed meal and oil, plus palm oil. Stock data represent own estimates based on expert judgement and market

information. Thus, the balances close on the domestic use. A coefficient is used to determine the share of oilseeds used in the crushing industry. These crushing coefficients range from 94% to 98% for rapeseed, 89-91% for soya beans and 85-89% for sunflower seed. The balance sheets are interlinked, as oilseeds are crushed into meals and oils on the basis of processing coefficients, used to determine the percentage of meals and oils obtained from oilseeds in the crushing process. These processing coefficients equal 57% for rape meal, 79% for soya bean meal and 55% for sunflower meal and 41% for rape oil, 20% for soya bean oil and 42% for sunflower oil.

Sugar

For sugar beet area, yield and production, the procedure is similar to the other arable crops. It includes sugar beets for sugar production and for ethanol production. The balance sheet includes only sugar beet production processed into sugar⁹ and white sugar. The link with white sugar production is made through the white sugar production as notified under the Common Market Organisation (CMO) for sugar. The presented balances do only consider sugar expressed in white sugar equivalent (e.g. no isoglucose) and take into account sugar beet production outside of the quota (up to 2016/17). Trade of products containing sugar is reported under net exports in processed products under domestic uses of white sugar. These are estimated by applying conversion coefficients to trade volumes of over 400 processed food products. Industrial and biofuel use is based on historical data and projections based on information about ethanol production development. Stocks are taken from Member States notifications when they become available and therefore the balance closes over human consumption. When Member State information on stocks is not yet available for the projections, they are closing the balance. The reported stocks include carry-forward sugar (up to 2016/17).

For confidentiality reasons with regard to Member States notifications on stocks, EU+UK sugar balances are presented in this report up to 2019/20. For the same reason, only change in EU stocks is presented for 2020/21.

Isoglucose

Production and stocks data originate from MS notifications under the Common Market Organisation (CMO) when they become available. The balance closes over consumption. 2019/20 estimates and 2020/21 forecast are based on trends and experts' judgment.

Biodiesel

The balance sheet is based on calendar year. Production data comes from Eurostat. Data covers production from various feedstocks, including vegetable oils, used cooking oils, animal fats and waste (e.g. used cooking oil). Consumption includes fuel use data from Eurostat and own estimates of biodiesel for other uses. Trade figures include trade of pure biodiesel

⁸ For all crops this refers to a situation as of end-June, which may differ from other balances, e.g. IGC for maize, USDA for corn.

⁹ Sugar beet production processed directly into ethanol is not accounted for in the white sugar production.

as well as biodiesel in blends. Biodiesel traded in blends is estimated using blending coefficients. Stock data is not available and therefore changes in stocks are presented as closing variable. Estimates and forecast are based on trends and experts' judgment.

Ethanol

The balance sheet is based on calendar year. Production and consumption data is taken from MS notifications. To these data, an estimate is added for ethanol produced from non-agricultural waste directed to fuel use. Production data covers production from various feedstocks, including cereals, sugar (beet) and molasses, other agricultural feedstocks (e.g. wine and potatoes) and (non-)agricultural residues and waste (e.g. straw). Consumption includes fuel use, use for food and beverages, and industrial and other use. Trade data covers undenatured and denatured ethyl alcohol, applying a conversion coefficient to pure alcohol of 92%, and excludes trade in blends. Stocks are the closing variable. Estimates and forecast are based on trends and experts' judgment.

SPECIALISED CROPS

Olive oil

The balance sheet is based on a campaign starting with the harvest: October/September.

Production estimates present MS notifications for an ongoing campaign. Exports and imports are based on seasonal trends and trends observed in previous years in main export destinations. Consumption estimates take into account different trends in main producing countries (Spain, Italy, Greece and Portugal) and the rest of the EU. In the former, the link between a variation of annual production and consumption change is taken into account. The balance closes on ending stocks.

Wine

The balance sheet is based on a campaign from August to July.

The forecast of vinified production is based on MS notifications for an ongoing campaign. An estimate of the vinified production used for 'other uses' is based on total vinified production as well as the consumer demand for products such as vermouth, cleaning products etc.

Exports and imports are based on trends and market expertise.

Consumption estimates take into account different trends in main consuming countries (Spain, Italy, France and Germany) and the rest of the EU. The balance closes on ending stocks.

Apples

The balance sheet is based on marketing year starting with the harvest: August/July. It includes apples both for fresh consumption and for processing.

The forecast of total apple production is based on forecasts of national or European sectoral organisations. These data, as

well as last years' production and consumption, are used to estimate use of apples for processing.

When MS information on stocks is available via World Apple and Pear Association (WAPA), the balance closes on consumption.

Exports and imports are based on seasonal trends and trends observed in previous years in main export destinations. Trade of processed apples is expressed in fresh apple equivalent. The conversion coefficients used to convert processed products into fresh apple weight rates vary between 1.3 and 6¹⁰.

Tomatoes

The balance sheet is based on a calendar year. It includes tomatoes both for fresh consumption and for processing.

The total production of tomatoes consists of the production of 'tomatoes for fresh consumption' and the production of 'tomatoes for processing'. Eurostat is used for the production of fresh tomatoes and World Tomato Processing Council figures for the production of tomatoes for processing.

The production forecast for fresh tomatoes is based on trends and market expertise. The forecast for tomatoes for processing is based on forecasts from the World Tomato Processing Council.

Trade of processed tomatoes is expressed in fresh tomato equivalent. Conversion coefficients used to convert processed products into fresh tomato weights vary between 1.13 and 19.5¹¹.

Trade projections are based on production, consumption estimates and trends observed in previous years in main export destinations.

Stocks of both fresh and processed tomatoes are assumed to be zero. Consumption is calculated as a residual. This implies that stock changes are included in consumption figures.

Peaches and Nectarines

The balance sheet is based on a calendar year. It includes peaches and nectarines both for fresh consumption and for processing.

Historical data are based on Eurostat. The total production of peaches and nectarines adds up the production of 'peaches' and the production of 'nectarines'. The production of peaches and nectarines for fresh consumption is calculated as the total production of peaches and nectarines minus peaches for processing.

The production forecast is based on estimated production changes by Europeche and applied to the Eurostat data.

Trade of processed peaches is expressed in fresh peach equivalent. The conversion coefficient is 1 for all processed

¹⁰ Conversion coefficients are based on a work conducted by Eurostat in 2009.

¹¹ Conversion coefficients are based on a work conducted by Eurostat in 2009.

products, but 6 for dried peaches and nectarines. Projections are based on information about production and trends in consumption as well as trends in main export destinations.

Stocks of fresh peaches are assumed zero. Consumption is calculated as a residual.

Oranges

The balance sheet is based on a campaign starting with the harvest: October/September. The balance sheet includes fresh oranges and processed oranges (mainly juice and jams) and is expressed in fresh equivalent.

Area, yield and production data comes from Eurostat. Own estimates are used for oranges produced for processing. Trade of processed oranges is estimated using conversion coefficients into fresh equivalent¹². Conversion coefficients used to convert processed products into fresh oranges weights vary between 0.3 and 12. No stock data is currently available. The balance closes over apparent consumption. Forecast is based on trends and experts' judgment.

MEAT

The meat balance sheets cover the beef, pig, poultry, sheep and goat meat categories. Trade data is divided into live animals and meat products ('fresh and chilled', 'frozen', 'salted' and 'prepared'). The offal and fat categories are excluded (except for pork lard). All data is expressed in carcass weight equivalent unless specified otherwise¹³.

Production forecast for the year 2023 is based on annual and monthly data on slaughtering, Member States expert forecast, on the trends in livestock numbers and meat consumption patterns. Net production refers to data on slaughterings taking place in the registered slaughterhouses as well as in other establishments. The other slaughterings are subject to constant reviews; therefore, data on the net production might be sensitive to these changes. GIP is calculated as net production plus live exports minus live imports. Consumption is calculated as a residual, i.e. sum of production plus imports less exports plus stock change.

MILK AND DAIRY PRODUCTS

The commodity balance sheets cover production of dairy products taking place in dairy processing plants and so far do not include on-farm production.

Total EU production of dairy products and in particular for SMP and WMP is estimated, where necessary since the concentration in the dairy processing industry has resulted in

an increasing number of Member States not publishing their (monthly) production statistics due to confidentiality.

Dairy products production for year 2022 is based on Eurostat annual statistics, estimates for 2023 are based on the available monthly statistics, taking into account the country coverage and sample characteristics (therefore not fully comparable to reported monthly figures by Eurostat, and based on the comparison of trends between annual and monthly databases in past). Forecast for 2024 is based on current market developments, price expectations, the trends stemming from the medium-term projections and on consumption patterns. Assumptions are made on the dairy herd and cow milk yield, milk demand for direct sales, feed and on-farm use, and milk fat and protein content developments.

Milk uses for dairy products are balanced with availabilities of total milk fat and proteins through a 'residual approach'.

2023 and 2024 market estimates and forecast are first made for milk deliveries and the production of dairy products. The forecast production figures are then converted into protein and fat equivalents and subtracted from the available dairy fat and protein of the milk delivered. In the dairy products balances, consumption is calculated as a residual, i.e. sum of production plus imports less exports plus stock change. Knowledge of private (commercial) stocks and consumption levels is incomplete or lacking for most dairy products. The developments in domestic use may hide considerable changes in private (industry/trade) stocks.

Trade is expressed in milk equivalent using the total solid methodology accounting for the non-fat and protein components of milk such as lactose. As a consequence, the milk coefficient of cheese (composed of fat and protein only) is lower with this methodology (3.58) than when accounting for fat and protein only (5.97). The other coefficients used are: 6.57 for butter, 7.57 for SMP, 7.56 for WMP, 7.48 for whey powder, 0.85 for drinking milk, 3.21 for cream and 0.98 for yogurts.

In the case of butter, trade flows under inward and outward processing are extracted from trade figures in the butter balance sheet. As those regimes are not reported for flows to/from UK, for imports under inward processing a coefficient of 30% is applied for EU imports from the UK and a coefficient of 20% for EU exports to the UK to account for outward processing. Those values are then extracted from the EU trade flows. This methodology might change when the respective regimes will start to be reported.

DATA

From this edition, all EU balance sheets are available in [Agri-Food data portal](#) only, in the form of both tables and graphs.

¹² Conversion coefficients are laid down in Working Document 'Handbook for compiling supply balance sheets – vegetables (ESTAT/ASA/PE/640rev3_WPM).

¹³ Carcasses of bovine animals, pigs, sheep, goats and poultry are defined at point 3 ('carcass weight' at point 4) of Annex I of Regulation (EC) No 1165/2008 concerning livestock and meat statistics. For more details as regards the conversion coefficients of product weight into carcass weight equivalent please refer to the Eurostat document ASA/TE/F/655.

ABBREVIATIONS

ASF	African Swine Fever	LT	Lithuania
AT	Austria	LU	Luxembourg
bbl	barrel (approximately 159 litres)	LV	Latvia
BE	Belgium	MMBtu	Metric million British thermal units (approximately 293.1 kilowatt hours)
BG	Bulgaria	MS	Member States
CY	Cyprus	MT	Malta
CZ	Czechia	N	nitrogen
DE	Germany	NL	Netherlands
DK	Denmark	P	phosphorus
ECB	European Central Bank	PL	Poland
EE	Estonia	pp	percentage point
EL	Greece	PT	Portugal
ES	Spain	RO	Romania
EU	European Union	SE	Sweden
EUR	Euro	SI	Slovenia
FDP	fresh dairy products	SK	Slovakia
FI	Finland	SMP	skimmed milk powder
FR	France	STO	Short Term Outlook
GDP	gross domestic product	UK	United Kingdom
HPAI	highly pathogenic avian influenza	US	United States
HR	Croatia	USD	US dollar
HU	Hungary	WMP	whole milk powder
IE	Ireland		
IT	Italy		
K	potassium		

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