

Die landwirtschaftlichen Märkte an der Jahreswende 2000/2001

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Agricultural Markets at the Turn of 2000/2001

The eight articles contained in this issue of the "Agrarwirtschaft" review the – in the author's perspective – most important developments affecting agricultural policy or markets over the last year. While the first contribution discusses aspects of general agricultural policy the following ones refer to world, EU and German commodity markets together with more specific policy items.

(1) EU **agricultural policy** discussion focussed on two issues in 2000: EU enlargement and WTO negotiations. The approaching – yet unknown – date of Eastern enlargement is alerting EU farmers who fear growing competition to endanger their protected markets. Those fears are, however, countered by hinting to both, the impediments on the path of East European producers struggling for higher efficiency and the chances offering themselves to West European entrepreneurs on enlarged markets. Ongoing preparations for another round of agricultural trade negotiations give rise to highlight the weaknesses of the UR Agreement on Agriculture. Thereafter the positions of WTO member groupings are contrasted for better understanding the difficulties which the negotiations are likely to run into later this year.

(2) World **cereals production** in 2000 fell short of the 1999 harvest and most exporting countries ran down stocks. Nevertheless, key world grain prices kept on falling. More and more, genetically modified organisms become an issue to international trade in cereals and oilseeds since importing countries are getting concerned about potential health or environmental risks.

In spite of periodically or regionally adverse weather conditions the cereals harvest of EU member countries finally turned out to be the biggest ever – almost 24 mt above domestic use. Due to the price reduction through CAP reform (Agenda 2000), the weak Euro, and less ample supplies in several exporting or importing countries EU producers expected improved export conditions. At the same time, however, EU imports started to increase for matching particular quality requirements of the domestic processing industry.

(3) The world **sugar** market remained well supplied in 2000 although there was a short lived speculation for higher prices released by exaggerated reports about eventual crop shortfalls. Low world prices required the EU Commission to make fine-tuned cuts into national sugar quotas for exactly complying with WTO export restrictions. The Council of Farm Ministers agreed to roll on the Common Market Organization without making decisive changes while medium term prospects signal world supplies to further outpace demand.

(4) Driven by demand expansion and favourable prices world **dairy production** continued to rise and international trade in milk products slowly recovered from the consequences of the various economic crises in 1998-99. Assuming continued economic growth, demand and prices are likely to increase.

Extremely low stocks and scarce market supplies of skimmed milk powder in the EU caused the Commission to reduce the level of subsidies spent on milk powder for calf raising. Butter stocks, however, remained high and EU exports failed to improve due to sluggish demand. Export subsidies on cheese were repeatedly

reduced reflecting both firm demand and the weak Euro. With regard to milk production quotas, several EU member countries made special arrangements for allotting parts of the additional ("Agenda") quotas to their producers while others introduced some kind of regulated quota exchange. The latter is expected not only to better bring together quota demand and supply but also to avoid transactions at extremely high prices.

(5) Based on estimated head numbers world bovine meat production is expected to show a slight dent in 2001 but any prognosis of developments in the world beef market crucially depends on the outcome of regional difficulties as e.g. animal diseases or economic crises. Following the detection of growing numbers of BSE-infected animals in several continental member states the EU beef and cattle markets are at present badly affected by a new scare. Prices reflect a steep fall of consumer confidence and governments hastened to demonstrate activities in trying to eradicate the dangerous disease. Meat and bone meals were totally banned from animal feeding rations and destruction of some two million untested carcasses is envisaged.

World **pig meat production** is on the whole rising while EU production may show a 1 % reduction. However, EU prices, demand and net trade will strongly depend on developments in the beef market.

(6) Animal welfare and environmental considerations are slowly gaining ground with regard to **egg and poultry** production. They are no longer a matter of tiny consumer groups in the more affluent societies but rather begin to affect big industries, international trade and world trade policy (WTO). Nevertheless, the vast majority of producing countries are concerned primarily about increasing production in order to improve human welfare.

(7) World **fruit** production continued to expand, driven by a steep increase in China which on the whole over-compensated losses in Europe and CIS. The apple market suffers from ample supplies and in Europe requires a general restructuring in support of modern breeds. Within the European **vegetable** market mushrooms continue to attract growing consumer interest and together with fancy vegetables profit from present-day nutritional trends. Open field production was partly restrained by adverse weather while under-glass plantings were further setting on artificial substrata. A minor change in the Common Market Organization of fruit and vegetable which was supposed to give organized producers more planning security without increasing the level of support was finally taken by interested member countries to strengthen EU protection.

(8) Wine growers from the New World are often seen setting pace in the international **wine** market. While by their shares in world exports the USA, Australia and Chile still range far behind Italy, France and Spain it is the high quality of their produce and the non-conventional marketing methods which rightly frighten the European traditionalists in this sector. Since many producers are found unable to properly react by their own on the changes in market conditions the EU Commission initiated a new programme offering support for structural adjustment.