



# SHORT-TERM OUTLOOK

FOR EU AGRICULTURAL MARKETS  
IN 2020

AUTUMN 2020

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and Rural  
Development

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

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# HIGHLIGHTS

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

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

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

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

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

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

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

# Highlights

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

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

## *Arable crops*

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

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

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

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

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

## *Sugar*

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

## *Specialised crops*

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

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

# Highlights

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

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

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

## *Dairy*

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

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

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

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

## *Meat*

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

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

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

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

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


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

# Market developments in the EU

## SPECIALISED CROPS



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




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

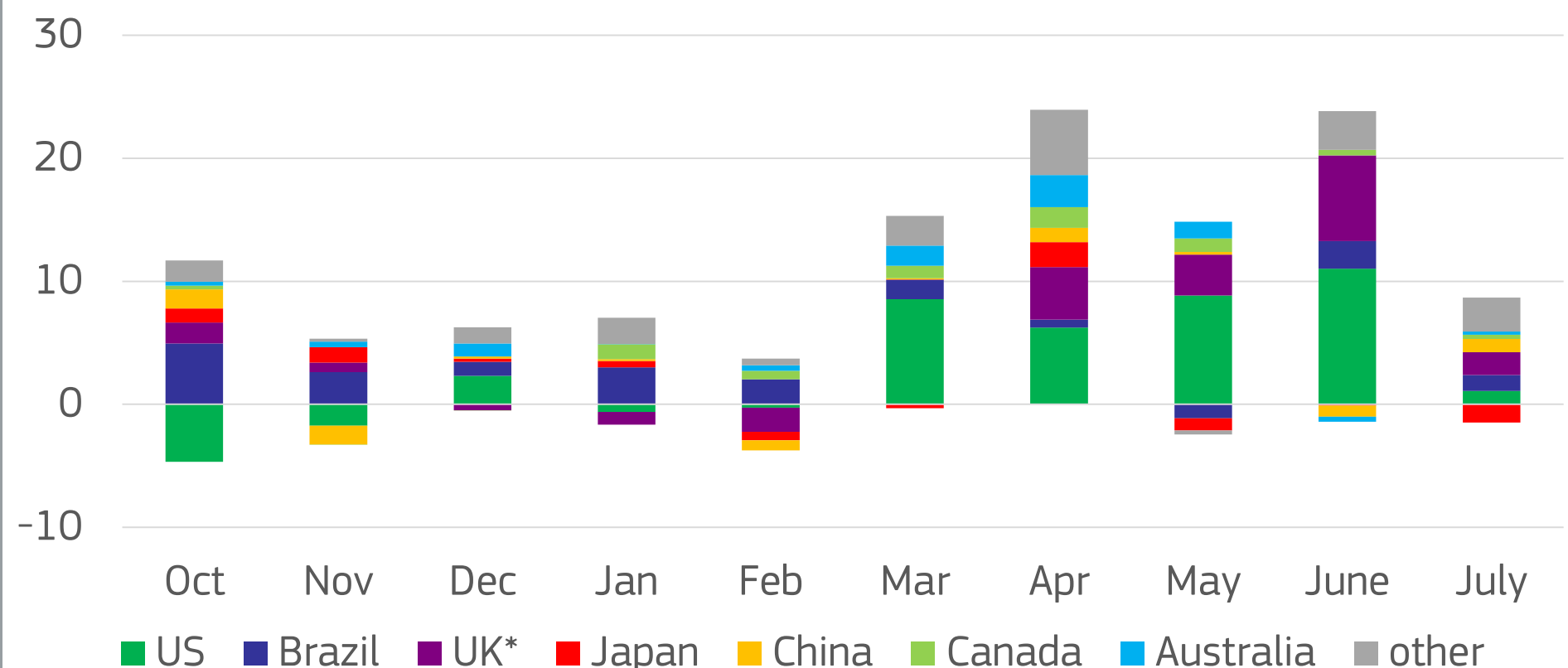


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ORANGES 	2019/2020		2020/2021	
	<i>fresh</i>	<i>processed</i>	<i>fresh</i>	<i>processed</i>
Production	↔ +0.1%	↓ -22%	↔ +2.1%	↑ +20%
Exports	↓ -15%	↔ -1.2%	↑ +9.6%	↔ -0.6%
Imports	↑ +13%	↔ -2.1%	↓ -6.6%	↔ -1.2%
Consumption	↔ +3.5%	↓ -9.3%	↔ +0.1%	↔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

Note: % compared to previous season

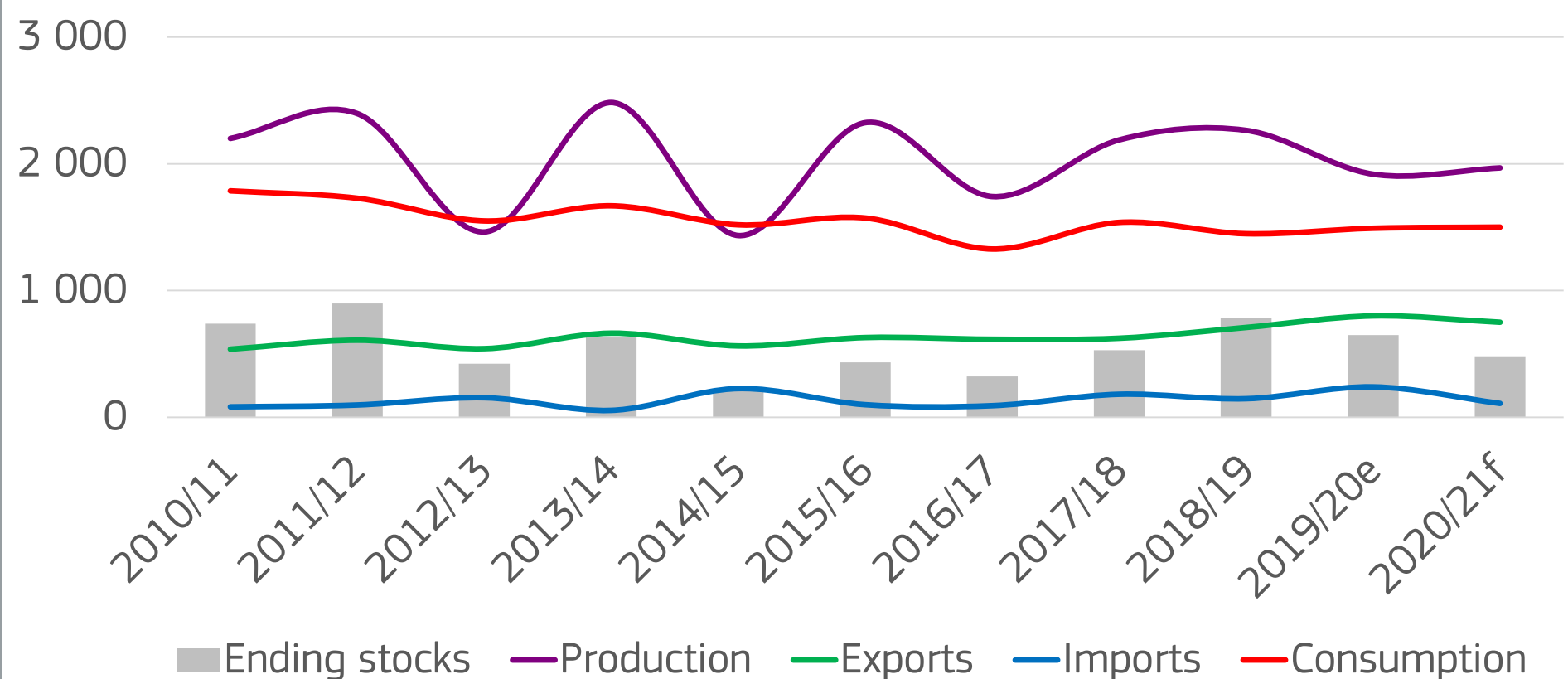
2019/20 EU olive oil exports volume change, by month and destination (1 000 t)



Note: \*UK July figures are not yet complete

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

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



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

## New record volumes of EU exports in 2019/20 campaign

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

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

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

## Stable EU stocks in 2020/21

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

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

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

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