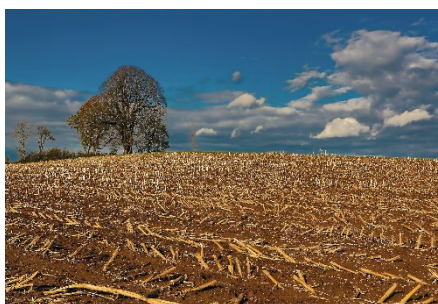
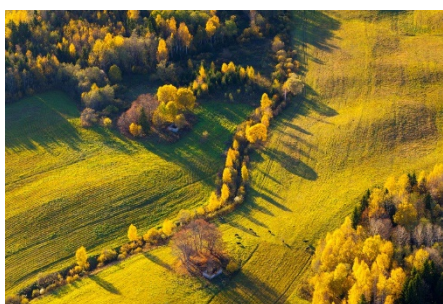


SHORT-TERM OUTLOOK

for EU agricultural markets
in 2021



AUTUMN 2021

Edition N°31

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

The contents of this publication do not necessarily reflect the position or opinion of the European Commission.

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FOREWORD

By Tassos Haniotis

Director for Strategy, simplification and policy analysis
DG AGRI, European Commission

With the present edition, the Short Term Outlook (STO) marks the 10th anniversary of its public release. An opportunity for both celebration and reflection, this anniversary coincides with world commodity developments that resemble in a certain way the commodity crisis we faced some 12 years ago. This crisis was the driver that led then Commissioner Ciolos to suggest the transformation of what was a previously obscure internal DG AGRI document into a regularly published public document.

It is interesting to note that the internal market information system we had at the time was called the Agricultural Market Information System (AMIS) – the term used in the G20 AMIS group (we made the Group aware of it in its inception, but we waived any copyright 😊). But the publication of this document was also linked to the fact that the G20, as a result of that crisis, put agriculture as part of its activities.

In the years that passed, the idea behind making public this short-term outlook exercise proved its merit, and the STO continues to provide transparency in the information that we process within DG AGRI when looking at the multiple factors affecting market developments. This allows the European and the wider public to get a sense of our assessments of market developments as well as the reasons for such thinking.

As we enter another phase of market turbulence, including from factors linked to increased weather volatility to climate change, the transparent provision of relevant market information continues to be an essential element in addressing uncertainties and informing the wider public – this the STO continues to be committed for the years to come.

TESTIMONIES

"DG AGRI's Short-term Outlook – from the 1st edition of the STO in the EU27 of 2011 (with UK, but Croatia had not joined yet) to the autumn edition 2021 – a reliable compass during the last ten dairy years across the changes of unprecedented magnitude for the dairy sector and with quite some turbulences. There are at least two constants over the last ten STO years: the quality of the work carried out by the DG AGRI team and the fact that 'the dairy outlook is subject to a number of uncertainties' as the STO likes to put it ... Toutes nos félicitations, gratulujem and congratulations! Ďakujem mnohokrát, thank you et un grand merci!

Alexander ANTON
Secretary General, EDA



I have been a loyal consumer of the Short-term Outlook since the first edition. The publication has become increasingly user-friendly over the last years and is an important part of our market analysis toolkit. We also value the regular exchanges with the Commission about the projections.

Jukka LIKITALO
Secretary General, Eurolait



Congratulation for the 10th anniversary of the publication of the Short-term Outlook. Having participated in many preparatory sessions since its inception, I value the insight on the market prospect, including the political framework. It is a key document that we integrate in our daily work and enables our membership to better prepare for the market developments and understand the uncertainties ahead. Looking forward to the future editions.

Daniel Azevedo
Director Trade, COPA COGECA



Hard to imagine it's already been 10 years since the Short-term Outlook became easily available online for all. Having such a wealth of information, from weather and crop yields to international market conditions, in one place (in easily digestible form) has been a boon for everyone. Here's to the next 10 years!

Iliana AXIOTIADES
Secretary General, COCERAL



Short-term Outlook reports are a unique source of information for FEFAC as it helps to complete "in house" market analysis that is regularly shared with its members, ie. the whole European Compound feed industry. We really appreciate the hard work and resources invested in STO reports drafted by DG AGRI who combine the best of research by not only looking at the analytical data but also regularly holding expert meetings with stakeholders to seek and analyse the "from the field" market information. Lastly, thanks to a high level of transparency of data, FEFAC is able to regularly update its Feed & Food statistical yearbooks ([link](#)) which provide an overview on the European feed sector's economic development.

Alexander DÖRING
Secretary General, FEFAC



Based on 10 years of experience, the Short-term Outlook is a reference event in the calendar for the Agri-food trade. Over the years, Freshfel Europe contributed with its experts to event and its publication with business perspective for apples, and tomatoes. The Short-term Outlook report released by DG AGRI as a result is now an important publication to take stocks of the latest societal and international trends for the European agro-food trade.

Philippe BINARD
Secretary General, Freshfel Europe



The Short-term Outlook provides an invaluable source of data on agricultural markets and a great opportunity for dialogue between all supply chain stakeholders, including farmers, processors, wholesalers and retailers. We have appreciated it highly over the last 10 years and look forward to working with the STO for at least the next decade!

Christel Delberghe
Executive Director, EuroCommerce





OVERVIEW

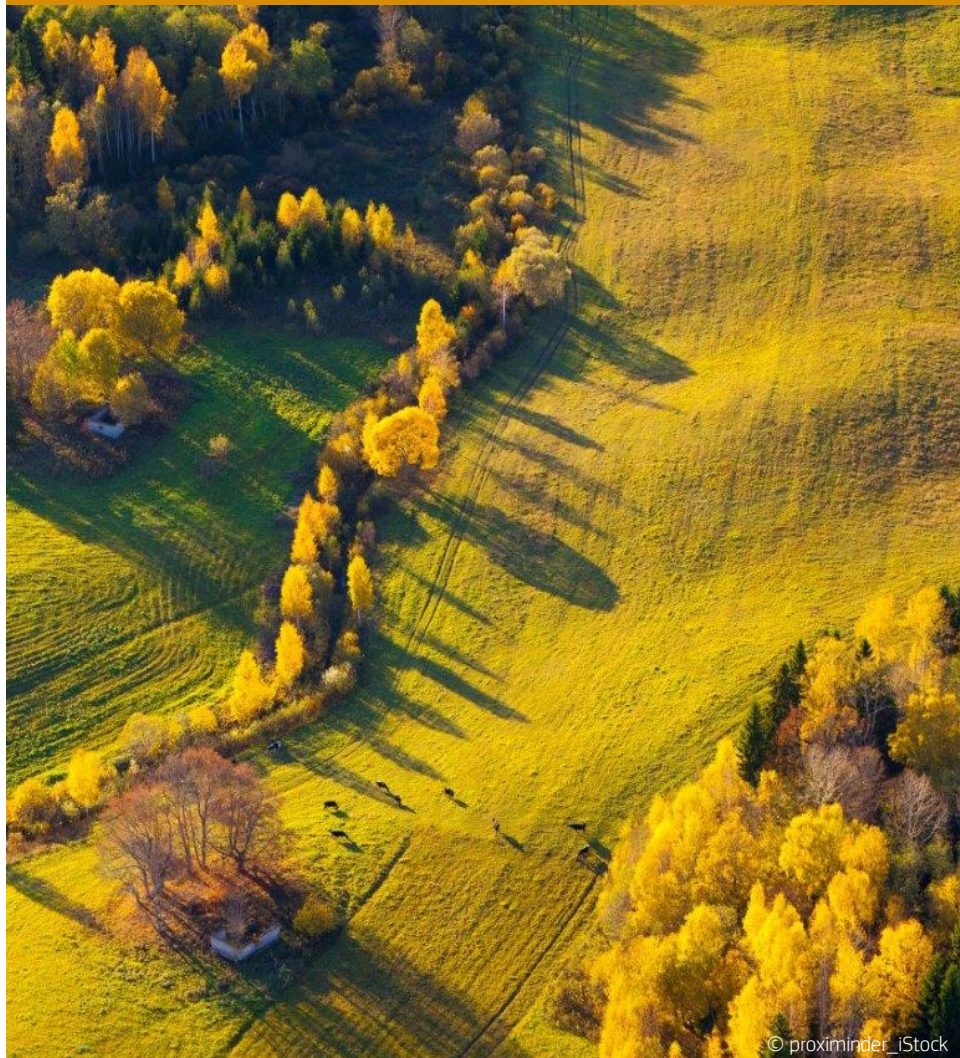
A conjunction of factors, among them the recovery of the EU, US and Chinese economies contributed to the current commodity prices surge. Energy prices, and in particular natural gas ones in Europe, are hitting new highs, and have a strong impact on fertilisers' prices that almost doubled in a year (the World Bank fertilisers' index of September 2021 is 77% above the 2020 index). The disruption of supply chains caused by the spread of the COVID-19 Delta variant initially in Asia, adds to the tensions on commodity markets.

The EU cereals and oilseeds harvest was good, with wheat and oilseeds recovering from last year's low. Prospects are positive for maize and sugar beet. This, combined with high cereals and oilseeds prices, should help arable crops farmers to absorb the increase in input prices.

The situation of the animal products' markets is mixed: while beef, poultry and dairy prices are relatively good, margins risk being squeezed by rising feed (cereals, oilseeds and oilcakes) costs and input prices. Extensive dairy and beef farms should benefit from the ample availability of grass this year. The pigmeat sector is in a more challenging situation, confronted with falling prices (resulting from an increasing production, limited domestic demand and reduced export opportunities in China) and higher costs.

The apple harvest is assumed to be very good, putting pressure on prices but keeping consumption strong. The EU orange production is expected to decline slightly, with fresh orange continuing replacing the consumption of processed orange juice.

On the trade side, as expected demand from the US and China, second and third destinations of EU agri-food products, steered EU exports, especially in dairy, pigmeat and olive oil. The recovery of the bilateral trade with the UK, the first EU export destination, is also confirmed, despite some remaining frictions and uncertainties as regards future border controls.



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KEY MESSAGES

×7.5

global container freight rate index between Dec 2019 and Sept 2021¹

+5%

expected euro area real GDP growth in 2021, down to 2.1% in 2023²

+2.2%

expected euro area inflation in 2021, down to 1.5% in 2023²

+77%

fertilisers price index between 2020 and Sept 2021³

MACROECONOMIC OUTLOOK

HIGHLIGHTS

The COVID-19 vaccination campaign in the EU has reached a plateau, with 73.4% of adults being fully vaccinated.⁴ Containment measures are easing and savings allow for a rebound in demand. As illustrated by the first half of 2021, recovery prospects are good with the real GDP of the euro area expected to reach in 2023 a level 4.8% above its 2019 level.

However, inflationary pressures become stronger: energy, raw materials, fertilisers and, most strikingly, freight have seen sharp price increases during the first half of 2021. While the ECB remains optimistic on that front, market developments in these sectors should be monitored closely.

¹ Freightos, cited by Statista, 1 October 2021: <https://www.statista.com/statistics/1250636/global-container-freight-index/>

² European Central Bank, 9 September 2021: https://www.ecb.europa.eu/pub/projections/html/ecb.projections202109_ecbstaff~1f59a501e2.en.html

³ World Bank, 4 October 2021: <https://www.worldbank.org/en/research/commodity-markets>

⁴ COVID-19 Vaccine Tracker of the European Centre for Disease Prevention and Control, 4 October 2021: <https://vaccinetracker.ecdc.europa.eu/public/extensions/COVID-19/vaccine-tracker.html>

MACROECONOMIC OUTLOOK

THE RECOVERY IS ON ITS WAY, SO FAR

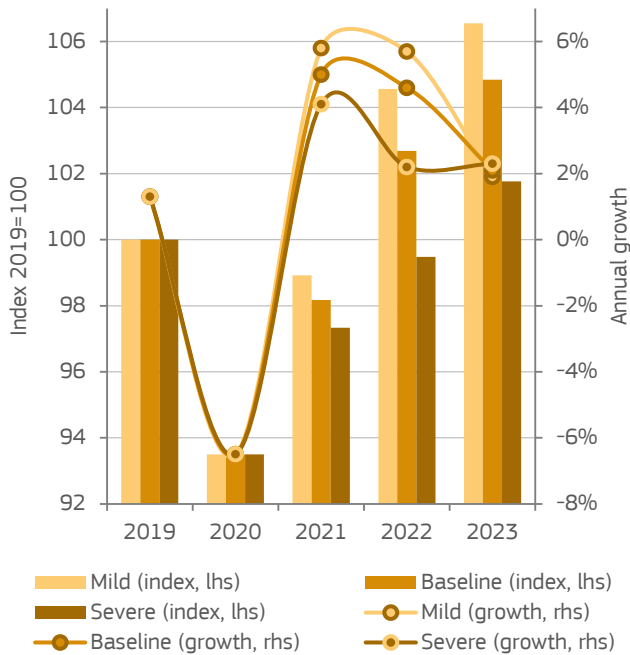
ECB's and IHS Markit's forecasts for euro area's real GDP growth remain in line after they were revised in September 2021. ECB's baseline⁵ projects real GDP to increase by 5% in 2021, +0.4 pp compared to the June forecast.

Despite persistent supply bottlenecks and the rise of the COVID-19 Delta variant, euro area's real GDP growth during the first half of 2021 has been higher than anticipated due to improved private consumption and significantly lower savings rate. According to the ECB, that suggests that the economic activity becomes less sensitive to COVID-19 restrictions.

Domestic demand –the biggest factor of recovery– should benefit from reduced uncertainties and the large stocks in savings. Consequently, euro area's real GDP growth is expected to remain strong and decrease only gradually in 2022 and 2023.

⁵ ECB's baseline assumes a swift slackening of containment measures during the second half of 2021, a progressive disappearance of supply bottlenecks as of early 2022, substantial ongoing policy support (including favourable financing conditions) and a continued global recovery.

Euro area real GDP scenarios



Note: Mild scenario – a resolution of the health crisis by Q4 2021 and a strong rebound in economic activity. Severe scenario – a protracted health crisis until Q2 2023 and permanent losses in output.

Source: European Central Bank.

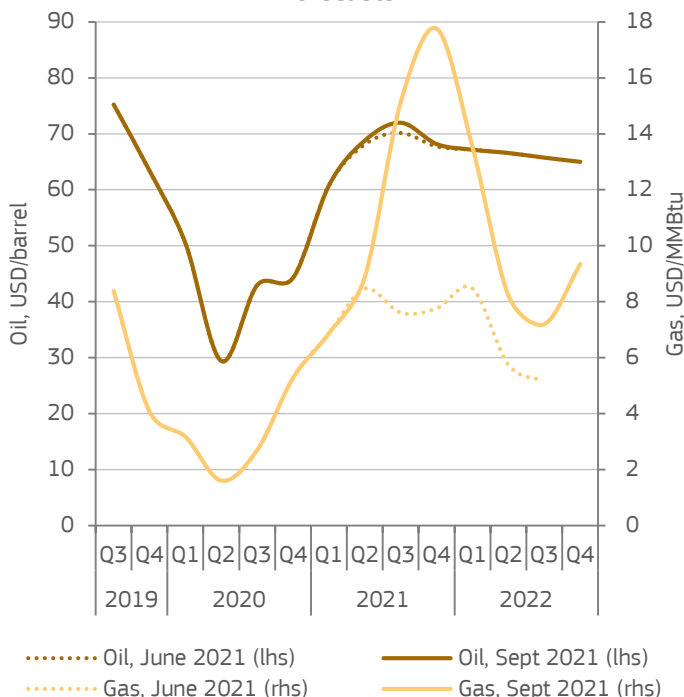
INFLATIONARY PRESSURES FROM ENERGY CONTINUE GROWING

The oil price is expected to remain below USD 70/bbl at least until 2023, reflecting that a balance seems to have been found between slowly increasing supply and fragile demand recovery.

The gas price has lately become a prominent driver of inflation. IHS Markit expects it to peak at almost USD 18/MMBtu in Q4 2021, up by 240% compared to Q4 2020 and by 48% compared to the first half of 2021. A combination of cold winter, hot summer, reduced production of nuclear power, limited production from renewable resources could lead to such a development. That should have cascading effects, since gas is used for ammonia production, which is the basis for example for fertilisers and for carbon dioxide, used by the meat and beverage industries.

The ECB revised its inflation forecast for 2021 to 2.2% (+0.3 pp compared to Mar 2021), due to upward factors deemed to be temporary: energy prices, supply disruptions, improved demand, services prices –as containment measures are eased– and reversal of the VAT rate cut in DE. Those factors are expected to decline as of Q1 2022.

Brent crude oil and UK natural gas price forecasts



Note: 1 MMBtu is 1 million British thermal units, approximately 293.1 kilowatt hours. Source: IHS Markit.



MACROECONOMIC OUTLOOK

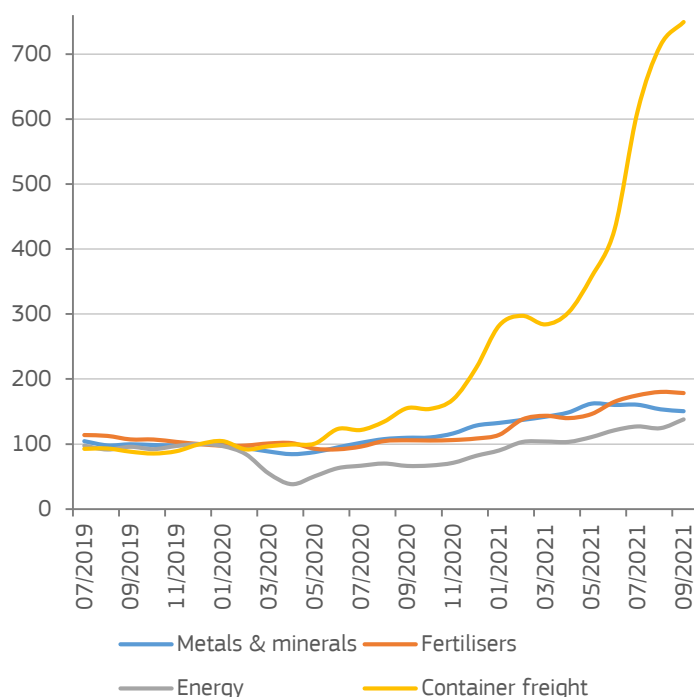
HIGH SHIPPING COSTS REVEAL A GLOBAL CRISIS IN LOGISTICS

The surge in gas price already has implications for the EU fertiliser industry, which has seen production cuts and even factories shut in September 2021.

However, growing at a much faster pace than energy prices (+38% between December 2019 and September 2021), fertiliser prices (+78%) and metals and minerals prices (+51%), Freightos' "global container freight rate index" has reached unprecedented levels (+650%). Following a steep trend, it increased by +8% per month on average between December 2019 (USD 1 446) and April 2021 (USD 4 375) and by +24% per month on average between April and August (USD 10 323). Its increase in September marks a deceleration (+5%, up to USD 10 839).

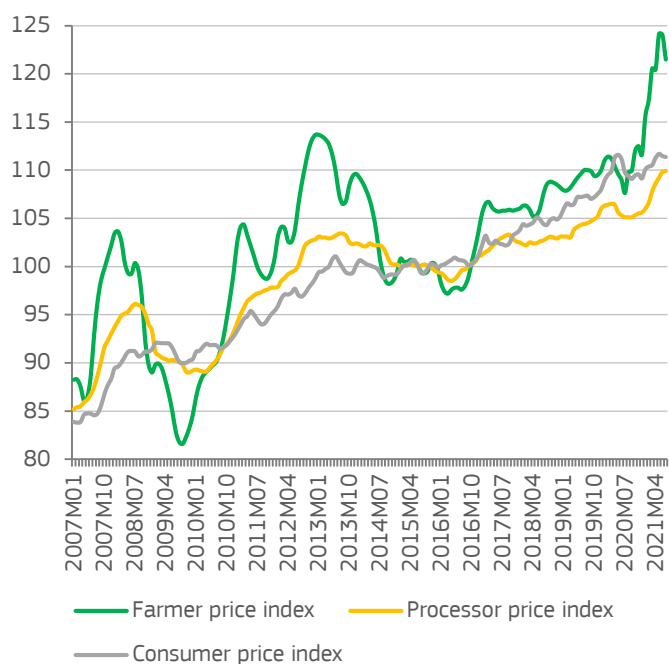
As Asia is leading the path to global economic recovery, so is its export capacity. As Asia experiences a shortage of containers, its partners send them back empty and thus increasing their cost. That situation is aggravated by lower deliveries of new containers—as orders were cancelled during the lockdown—and by lower airfreight capacity—as the airline industry has not yet completely recovered.

Price indices (Dec 2019 = 100)



Sources: World Bank (metals & minerals, fertilisers, energy), Freightos (global container freight).

Price transmission along the food chain (2015=100)



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

EU FARMERS' PRICES INDEX SLOWED DOWN

Since January, EU farmer's price index continued increasing, and in June reached a peak when it was more than 15% above the level of the same month last year. In particular, this development was driven by increasing producers' prices for feed (maize +64% compared to June 2020, feed barley +30%), which influenced also more than 10% higher prices of beef, poultry and raw milk.

In July some slowdown was observed, due to initially some favourable expectations of new feed commodities' harvest which were not fully confirmed afterwards due to some quality concerns.

Both consumers' and processors' price indices grew as well, (stronger for the latter) but not proportional to the one observed in farmers' prices. However, high farmers' prices might still make a pressure on their development later this year.





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KEY MESSAGES

292.2 million t

of EU cereal domestic production in 2021/22 (+4.9%/5-year average)

162.2 million t

Stable consumption of cereals used for feed in 2021/22

+10%

EU oilseeds production increase, year-on-year

+13.6%

EU sugar production increase in 2021/22

ARABLE CROPS

HIGHLIGHTS

The total 2021/22 EU cereals production is projected at 292.2 million t, a 5.1% increase year-on-year (+4.9%/5-year average), due in particular to the recovery of the wheat production estimated at 132 million t (+7.9%/5-year average).

The good harvest, although there are some concerns regarding quality, could provide enough supply of wheat for feed use. However, high cereals prices together with favourable conditions for pasture in the EU (with the exception of the Iberian peninsula) are expected to keep the use of cereals for feed stable at 162.2 million t.

The EU oilseed production is estimated at 30.4 million t in 2021/22. This 10% annual increase, after the drop in 2020/21, should ease the EU market by providing larger availabilities although rapeseed supply would remain tight due to low beginning stocks.

EU 2021/22 sugar beet yield forecast is much favourable than last season and also 3% above the 5-year average, at 75.1 t/ha. With the EU sugar beet area estimated at 1.5 million ha, EU sugar beet production could reach 113 million t, 13.6% more than in the outgoing season.

CEREALS

VERY GOOD EU CEREAL PRODUCTION DRIVEN BY RECOVERY IN WHEAT HARVEST

The total 2021/22 EU cereals production is expected at 292.2 million t, a 5.1% increase year-on-year (+4.9%/5-year average). This is despite the frequent rains in the summer, that hampered the harvest of winter and spring crops, and the dry conditions in southern and south-eastern EU regions that negatively impacted the yield potentials of summer crops.

The EU 2021/22 soft wheat production is estimated at 131 million t (+7.9%/5-year average). Area increased by 4.7% year-on-year while yields were 7.0% higher than in 2020/21. Production in FR (+6.9 million t, +23.7%), RO (+5 million t, +78%) and BG (+2.5 million t, +52.5%) bounced back from last year's low, largely contributing to the EU performance.

The EU 2021/22 barley production was revised downwards at 52.4 million t (-2.2 million t, -4.0% year-on-year), driven by a decline in areas in most MS. The production decline was particularly strong in ES (-2.0 million t, -18.2%), DK (-1.0 million t, -23.5%) and PL (-0.8 million t, -19.6%) but partially compensated by an increase of the production in FR and RO (+1.3 million t each).

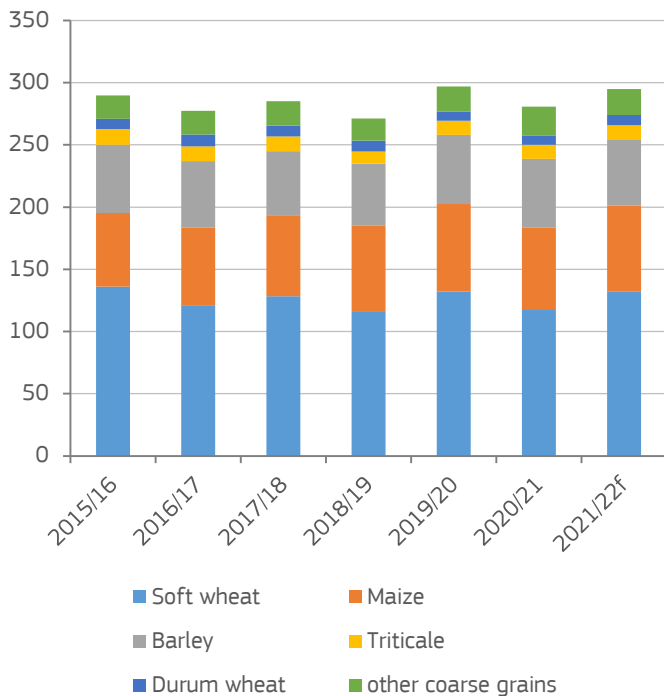
The outlook remains positive for maize, particularly in FR, RO and PL, with the total EU production forecasted at 68.8 million t (+5.4% year-on-year), accounting for a slight downward revision in yield following the continuous hot and dry conditions in southern-eastern EU, HU in particular, that affected particularly non-irrigated crops.

HIGH PRICES TO WEIGH ON FEED DEMAND

Lower global availability, notably due to weather conditions in Russia, US and Canada, keep prices high: milling wheat delivered in Rouen fluctuated around 240 and 250 EUR/t in September. This should support EU wheat exports, despite concerns over wheat quality: EU wheat exports are forecast at 30 million t in 2021/22 (+9.5% year-on-year). At the same time, this puts pressure on the EU food industry relying on imports, such as the pasta industry with durum wheat.

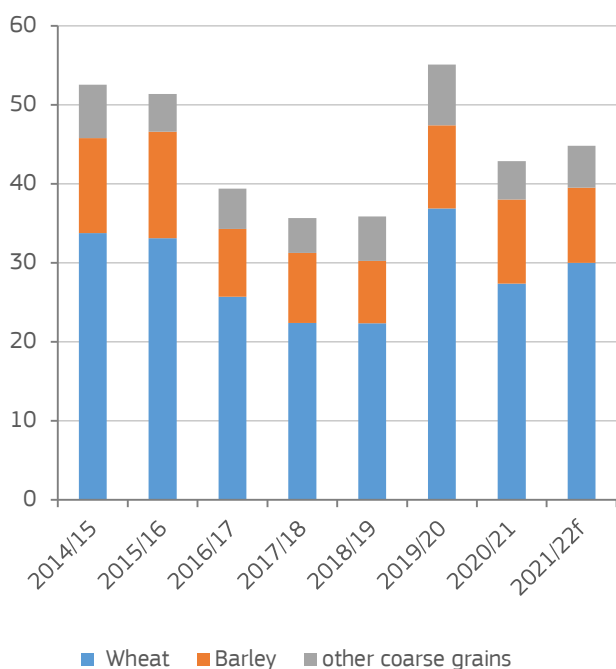
The good harvest, despite some concerns regarding quality, should provide enough supply of wheat for feed use. However, the high cereals prices together with favourable conditions for pasture in the EU (with the exception of the Iberian peninsula) are expected to keep the use of cereals for feed stable at 162.2 million t.

EU cereals production (million t)



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

EU cereals exports (million t)



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



OILSEEDS

2021/22 EU OILSEEDS PRODUCTION TO INCREASE, MAINLY DUE TO SUNFLOWER

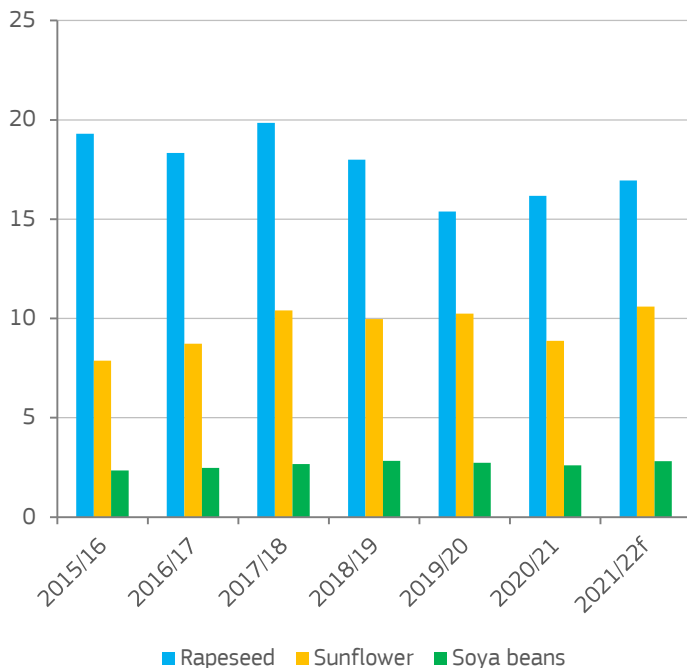
The EU oilseed production is estimated at 30.4 million t in 2021/22. This 10% annual increase after the drop in 2020/21 marketing year would help with oilseeds availability in the EU domestic. The rapeseed supply would nevertheless remain tight due to low beginning stocks.

The EU rapeseed production could reach 17.0 million t (+4.8% year-on-year) thanks to positive developments, although lower than usually (+3.1%).

Sunflower seed production could reach a record 10.6 million t (+20% year-on-year) mainly due to a rebound in yields after the decline in 2020/21. Soya beans production is also forecast to reach near-record level of 2.8 million t (+7.7% year-on-year) due to improved yields.

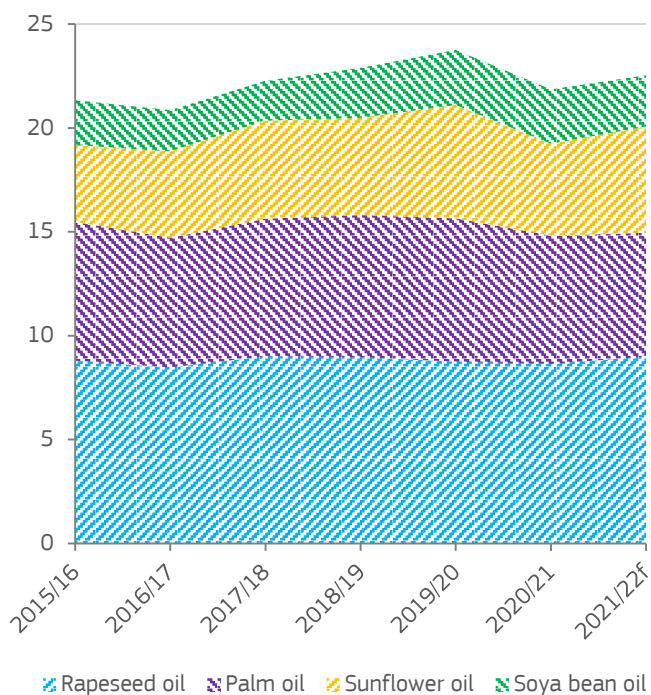
The tightness in the EU rapeseed market is expected to weigh on crushing volumes (-1.3% year-on-year). On the contrary, a sunflower production increase could allow a 14% increase year-on-year of crushing volumes. Overall, with limited soya bean and rapeseed crushing, the EU meals production is expected to be relatively stable at 29.5 million t.

EU oilseeds production (million t)



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

EU vegetable oil consumption (million t)



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

EU OILSEED USE TO PARTIALLY RECOVER

The 2021/22 EU total oilseed use could increase by 0.8% year-on-year supported by an increase in sunflower seeds' use and despite a decrease in the use of rapeseed and soya beans influenced by the limited recovery of the EU rapeseed production and limited availabilities from the main soya bean exporters.

With a stable meals production and an expected decrease in both imports and exports, the overall meals consumption is expected to also remain stable compared to the 2020/21 marketing year at 47.1 million t.

Vegetable oil production is expected to increase on the back of higher sunflower oil production. Both sunflower and rapeseed oil consumptions are forecast to increase, helping vegetable oil consumption grow by over 3% and partially recover from an 8% decline in 2020/21.



PROTEIN CROPS

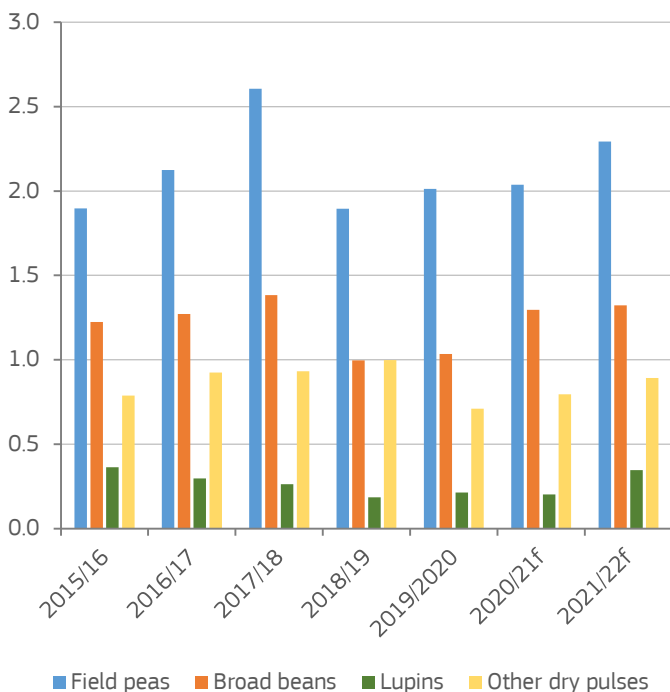
EU PROTEIN CROPS MARKET KEEPS ON RISING

The total EU production of protein crops is expected to reach 4.8 million t in 2021/22 (+11.3% year-on-year) thanks to an increase in area (+13.4%). The output of all protein crops would increase with the exception of broad beans (-9% year-on-year mainly due to reduced yields after an exceptional year). EU field peas production could increase to 2.26 million t (+10.9% year-on-year), bigger area and higher yields. Production of sweet lupins could increase sharply to 243 000 t (+71% year-on-year) thanks to significant increase of area in PL.

“EU 2021/22 protein crops production to reach 4.8 million t.”

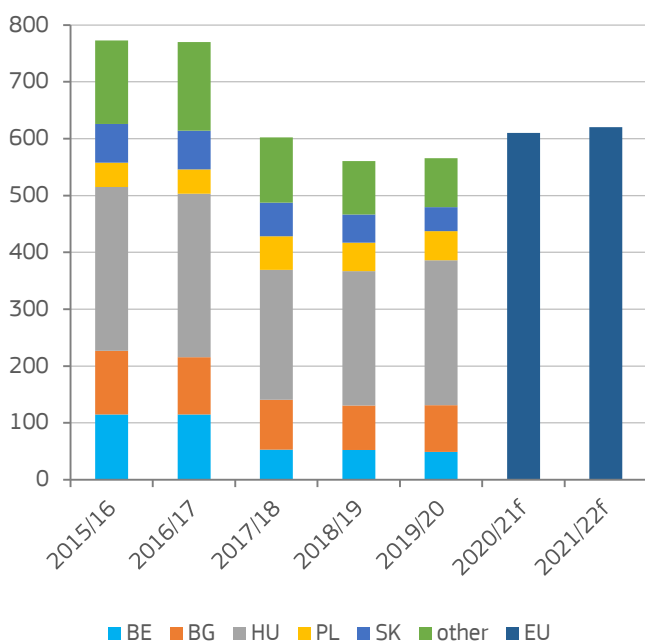
Contrary to the majority of field peas and broad beans, targeted towards feed use, lentils and chickpeas are mostly consumed as food. EU total food use of protein crops could increase to 2.2 million t, a 17% increase compared to 2020/21. Feed use would reach 3.4 million t (+4.4% year-on-year) thanks to the increased availability of field peas. Thanks to better domestic supply, imports are expected to decline by 3% to 1.6 million t in 2021/22, mostly due to decline of field peas imports.

EU protein crops production (million t)



Source: DG Agriculture and Rural Development, based on Eurostat

EU isoglucose production (1 000 t)



Source: DG Agriculture and Rural Development, based on Eurostat

ISOGLUCOSE

ISOGLUCOSE PRODUCTION TO REACH 610 000 t

2020/21 EU isoglucose production is forecast to increase by 8% year-on-year to 610 000 t.

The growth is driven by a strong foreign demand, with isoglucose exports expected to increase to a record level of around 81 000 t in 2020/21. Imports have become negligible since the end of the EU production quotas in October 2017.

EU isoglucose exports to reach record levels in 2020/21.

The use of isoglucose in the EU should slightly increase, helped by the post pandemic recovery of the soft drinks market, which is the main destination for isoglucose.

With a higher demand for isoglucose and strong exports in 2020/21, the 2021/22 EU production is forecast to increase further to 620 000 t, while exports are forecast to grow to a new record.



SUGAR

STABLE 2020/21 EU EXPORTS

The 2020/21 marketing year is nearing to a close. EU production, mainly due to increased cases of yellowing disease in sugar beet in France, is estimated at just 14.5 million t, or 1.8 million t below the 2019/20 crop level and 11% below the 5-year average.

World sugar prices are on the upward trend in 2021. The EU sugar price has also grown, albeit slower, and reached EUR 400/t in July for the first time since December 2017. As a consequence, the difference between EU and world sugar price has been reduced to EUR 25/t.

With lower EU production and availabilities, exports remained sluggish and are forecasted at a record low 0.8 million t. Imports were also slow due to the reduction of the EU price premium and are expected to reach 1.5 million t in 2020/21, also below the previous season (-13%).

2020/21 total domestic uses of sugar proved to be resilient to the COVID-19 pandemic shocks and are forecast to decline by 0.7% compared to the 2019/20.

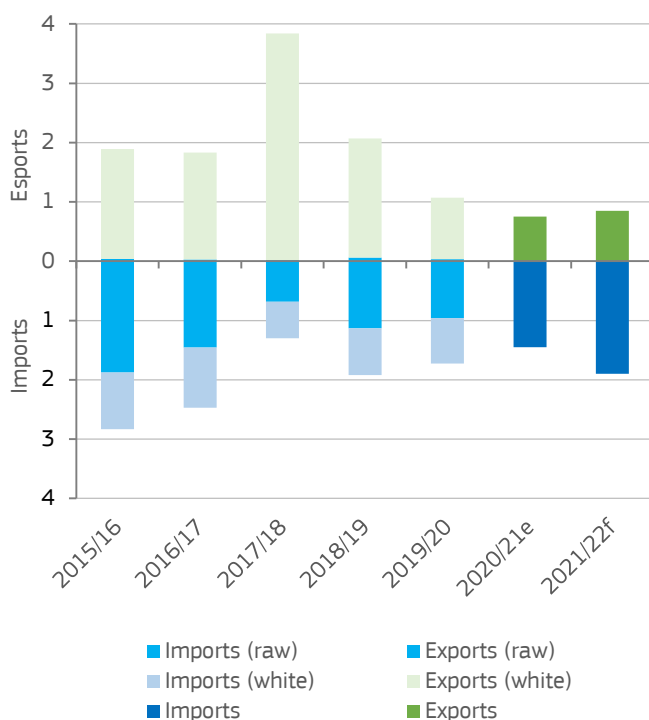
Resulting EU stocks are estimated at a low but not yet critical level of 1.1 million t, which would be almost 50% below 2019/20 ending stocks.

World and EU sugar prices (EUR/t)



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

EU sugar trade (million t)



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

SUGAR BEET YIELDS AND PRODUCTION TO RECOVER IN 2021/22

Thanks to the cold spell in the spring which decreased pest and disease pressure later in spring and summer, sugar beet yield forecast for the 2021/22 EU crop is much favourable than last season and also 3% above the 5-year average, at 75.1 t/ha. With the EU sugar beet area estimated at 1.5 million ha, EU sugar beet production could reach 113 million t, 13.6% more than in the outgoing season.

However, the colder and wetter summer may result in smaller than average sugar content, therefore, EU sugar production is forecast to grow by only 8.5% and could reach 15.7 million t in 2021/22.

Human consumption of sugar, which remained resilient in the outgoing season, is forecast to slightly grow in 2021/22 from the expected demand recovery and GDP growth.

2021/22 exports are expected to be limited by availabilities, while imports are forecast to increase only slightly due to a decrease of the EU price premium over world price. Coupled with an expected recovery in demand, no major increase in stocks is therefore expected.





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KEY MESSAGES

Olive oil: -13%

EU olive oil ending stocks in 2020/21

Apples: 34%

Share of EU apples production for processing

Oranges: +3%

EU imports of fresh oranges in 2021/22

SPECIALISED CROPS

HIGHLIGHTS

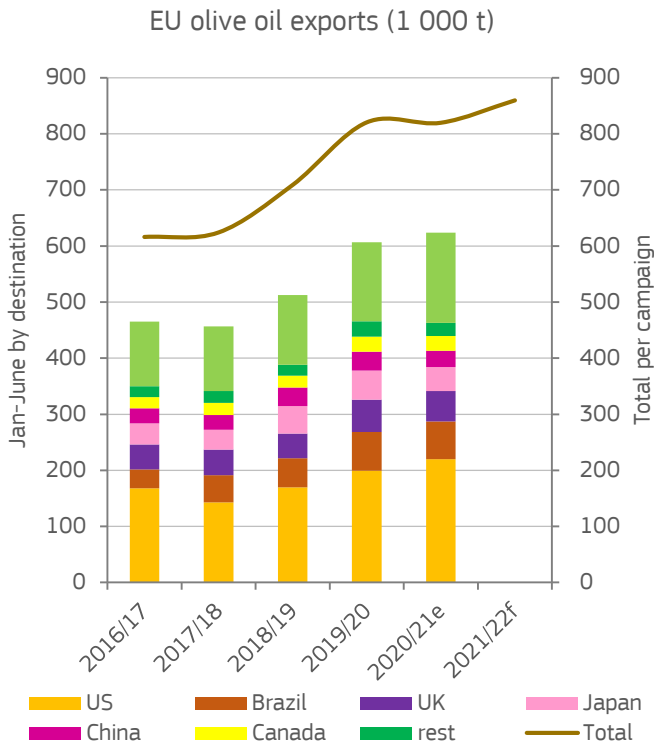
Despite stronger flows to the US, the EU export growth remains modest but above average in 2020/21. 2021/22 EU olive oil production is forecast to be at the level of the last campaign (at around 2 million t). Restocking in some export destination and reopening of foodservice should contribute to higher exports while EU consumption could decline due to lower availabilities and above-average prices.

With an expected increase of total EU apple production by 10%, the share of production used for fresh consumption is expected to continue to grow slightly, while production for processing is expected to boost by 30% in 2021/22, driven by a high availability of apples and low prices.

High per capita consumption driven by growing health awareness of consumers since the COVID-19 pandemic together with decline in production are expected to lead to an increase in imports of fresh oranges (+3% in 2021/22). Both imports and exports of processed oranges in the EU reached its lowest level since 2001.

OLIVE OIL

STABLE 2020/21 EU EXPORTS

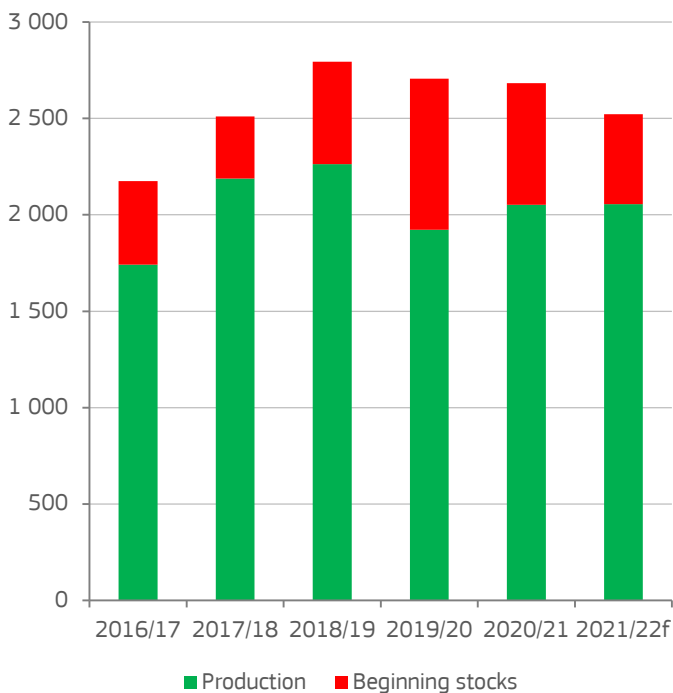


Source: DG Agriculture and Rural Development, based on Eurostat.

In Oct-June, EU exports recorded a positive increase (+3% year-on-year). Flows to the US grew by 4% (incl. July), below expectations, and slowed down in the last 3 months. This could be due to higher freight costs, some uncertainty on when retaliatory tariffs would be lifted, as well as the market opportunities lost by some exporters due to those tariffs. Other main export destinations recorded two-digit decrease, presumably due to good level of stocks, slow foodservice recovery, and increasing olive oil prices. Therefore, 2020/21 EU olive oil exports could remain the same as in the previous campaign (820 000 t). Besides exports, above-average EU producer prices of extra virgin olive oil could lower the expected consumption recovery in the main EU producing countries (still 4% above the last campaign).

Imports are strongly decreasing with lower availabilities in non-EU countries towards the end of the campaign. Imports could reach 160 000 t (almost 40% below 2020/21). Combined with stable exports, and limited increase of total EU consumption (3%), ending stocks could be slightly higher than originally anticipated (470 000 t), still 13% below the 5-year average.

EU olive oil initial availabilities (1 000 t)



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

2021/22 EU OLIVE OIL HARVEST HAMPERED BY WEATHER

The 2021/22 EU olive oil production is forecast to be at the level of the last campaign (around 2.1 million t). An initially expected good-year harvest in IT and EL was hampered by a hot and dry summer. Many growers suffered from water stress which proved to be critical especially in non-irrigated production systems. This could result in lower yields. In ES, an average production is expected, while PT production could increase by 50%. EU initial availabilities would then be 4% below last campaign.

Higher EU exports are forecast in 2021/22 (860 000 t). This assumes an increase of exports to the US with an improvement of the bilateral trade relation enabling EU exports to regain some market shares. This would be combined with restocking and foodservice reopening in other main EU export markets and continuous efforts to gain new markets, especially in Asia. EU imports could increase to 200 000 t (+25% compared to 2020/21), driven by a bigger harvest in Tunisia (around 240 000 t) and favoured by a positive price environment. Lower availabilities and above-average prices could constrain further the EU consumption growth (-2%). However, ending stocks might still be reduced by around 20% (380 000 t).



APPLES

EU CONSUMPTION OF FRESH APPLES REMAINS AT HIGH LEVEL

The EU production of apples is expected to increase by 10% to 12.5 million t in 2021/22 (+8% compared to the 5-year average) driven by an increase in PL (+27% year-on-year) due to an estimated increase in area harvested (+7% year-on-year) and thanks to favourable weather conditions.

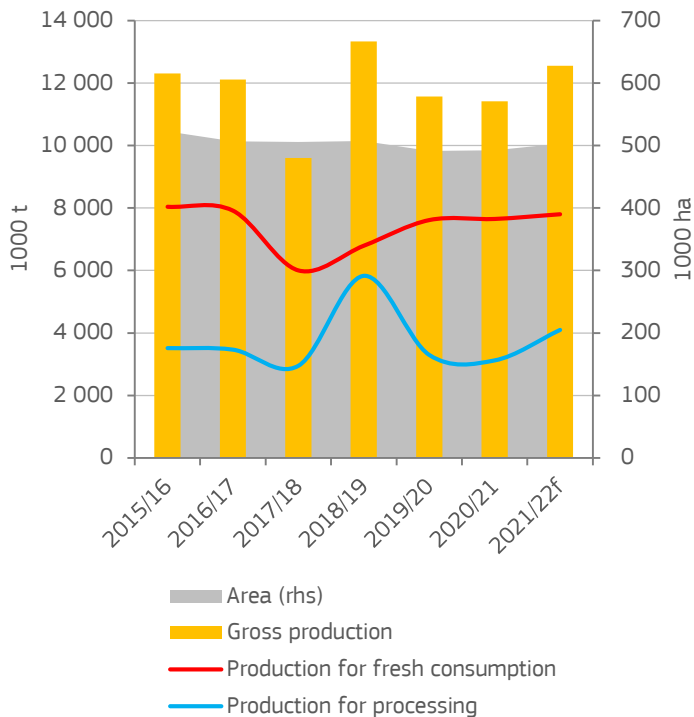
“Share of production for processing is expected to increase to 34% driven by high availability and lower quality due to frost”

The high availability of apples in PL and the low prices should result in an increase in the share of apples going into processing

(to 34% in 2021/22 compared to 29% in 2020/21). In total, around 7.8 million t are anticipated to be sold for fresh consumption (+2% year-on-year) and 4.1 million t for processing. The EU per capita consumption of fresh apples should remain at a high level (15.3 kg) thanks to lower prices and growing awareness of healthy lifestyle. Per apparent capita consumption of processed apples is expected to increase to around 8 kg (+9.3% year-on-year), driven by increasing stocks which were low at the end of 2020/21. Within the stable demand for processed apples, the demand for organic products and products without added sugar is growing.

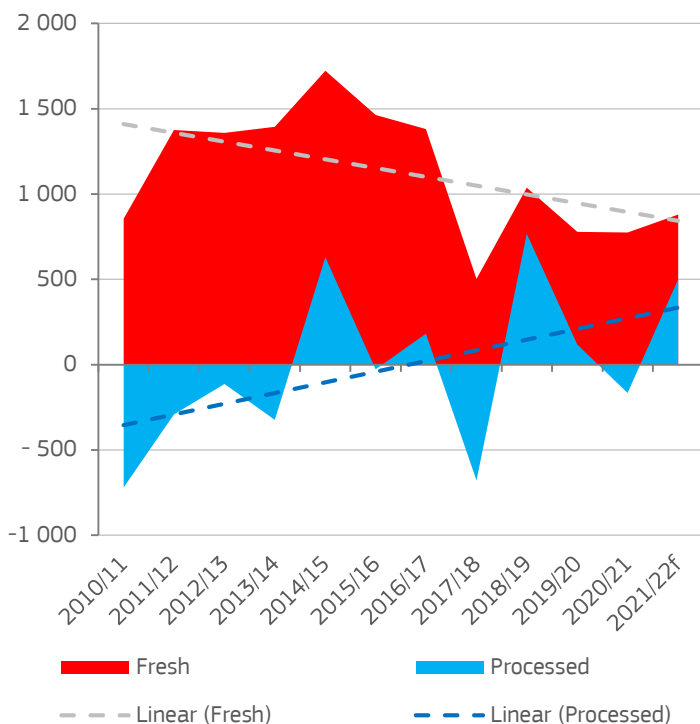
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EU apples area and production



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

EU net exports of apples (1000 t)



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

EXPORTS ON THE RISE DESPITE CONCERNS ON PROFITABILITY

Export of fresh apples could increase by 8% year-on-year (-5% compared to the 5-year average) driven by the increase of production. The low EU apple prices and current high freight costs and lack of container availability may however impact profitability. Imports should continue to decline in line with the long-term trend (-7% year-on-year, -23% compared to the 5-year average).

In 2021/22, EU exports of processed apples could grow by 67%, (+27% compared to the 5-year average). This increase is driven by the high availability of apples, stable demand in the US, EU main export destination, and the currently significant EU competitive advantage to China (significant lower freight costs and no import duty).

The high availability of apples for processing on the EU market will also weigh on imports of those products (-6% year-on-year, 13% below the 5-year average).

ORANGES

SLIGHT DECLINE IN EU ORANGE PRODUCTION IN 2021/22

In 2021/22 EU orange production is expected to decline by 3% to 6.4 million t (stable compared to 5-year average) driven by a 4% drop in IT (29% of the EU production) notably due to adverse weather conditions. Production in ES, the main producer of oranges in the EU with 52% of the EU total production, should remain stable.

Almost 85% of the total production (5.4 million t) is expected to be sold fresh (-2% year-on-year and 5% above 5-year average) with the remaining 1 million t going into processing.

EU orange area is forecast to increase by 1% to 250 000 ha compared to 2020/21 (still 9% below 5-year average).

The bad weather conditions in IT should push overall yields down to 25 t/ha a 5% decrease year-on-year (but 10% above 5-year average).



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

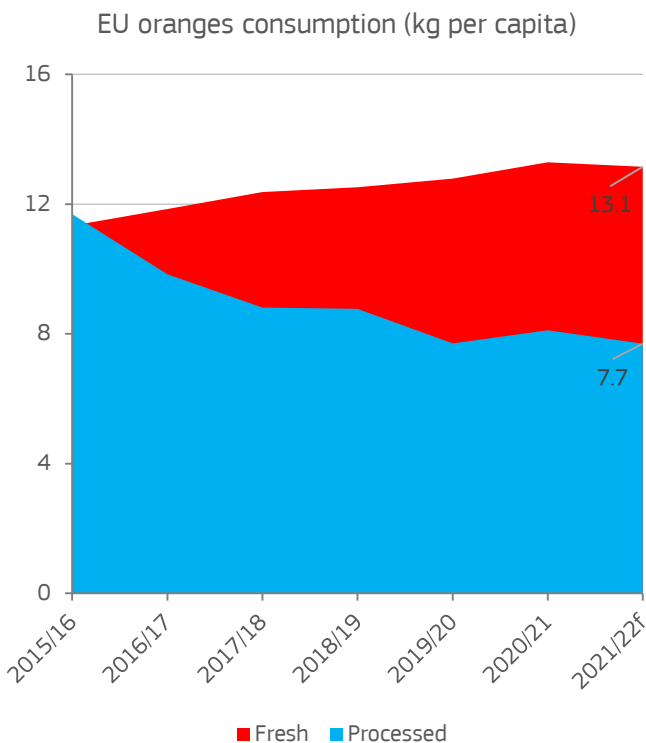
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CONSUMPTION OF FRESH ORANGES IN SLIGHT DECLINE BUT REMAINS HIGH

The EU per capita consumption of fresh oranges significantly increased since the COVID-19 pandemic, due to the associated positive health benefits. It is forecast to remain high at 13.1 kg in 2021/22 (5% above 5-year average) despite a slight decline this marketing year (-1% year-on-year).

The decline in the EU production together with a high per capita consumption should lead to an increase in EU imports of fresh oranges (+3% year-on-year), while EU exports could decline (-4% year-on-year).

The apparent per capita consumption of processed oranges is expected to follow the long-term trend and decline to 7.7 kg (-5% year-on-year, 10% below 5-year average). This is explained by the substitution of the consumption of processed orange juice by fresh oranges. This substitution also drives the continuing decline of EU imports of processed oranges forecast at 3.5 million t in 2021/22 (-3% year-on-year, 16% below 5-year average). EU export of processed oranges are also expected to decline (-5% year-on-year).



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





KEY MESSAGES

0.3%

EU milk collection growth in 2021

+4%

EU cheese export growth

Stable butter production

-0.7%

EU FDP consumption in 2021

MILK AND DAIRY PRODUCTS

HIGHLIGHTS

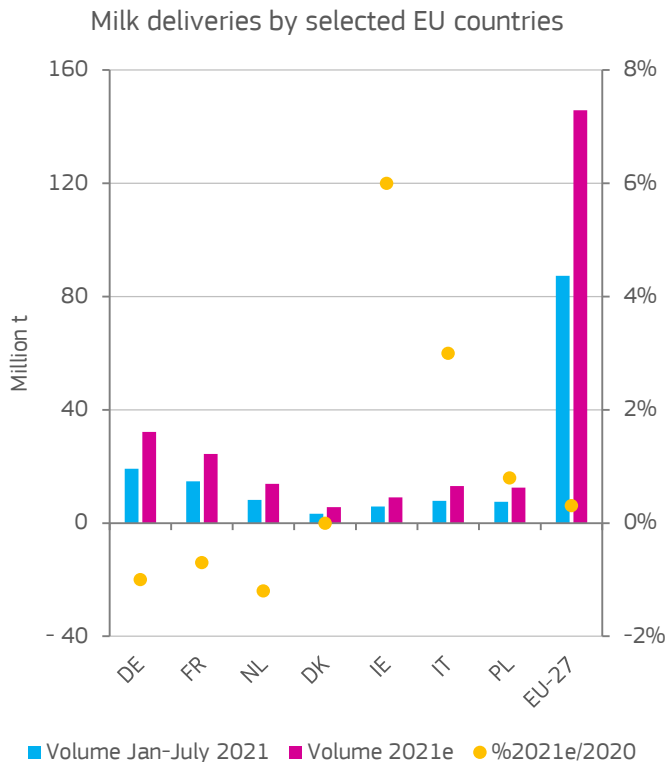
Despite favourable weather conditions for EU pastures, EU milk production remained stable in Jan-July. With stability remaining in Q3 and higher Q4 deliveries, EU milk collection could grow by around 0.3% compared to 2020. Increasing cows' slaughterings, thus a smaller dairy herd (-0.9%), could be compensated by growing yields (+1.3%), but slower than anticipated due to lower purchased feed affordability.

Stable EU cheese prices and recent increase in other EU dairy prices, supported by Chinese demand in particular, continue supporting EU raw milk price, which remains rather flat since April. With an expected slowdown of Chinese demand, potentially lower demand in some more price-sensitive markets, and more EU milk supply in upcoming months, the seasonal winter increase of EU milk price is likely to be limited.

Cheese, together with cream, continued being the main processing options, supported by good EU exports. However, more butter and SMP are expected to be produced in the upcoming months, likely to cover domestic demand, as EU prices are currently less competitive in the world markets (especially in price-sensitive markets in Africa and Asia that reduced their demand). Drinking milk production is expected to get back to the pre-COVID-19 declining trend but exports of fresh dairy products should increase.

MILK

EU MILK COLLECTION RECOVERING SLOWLY

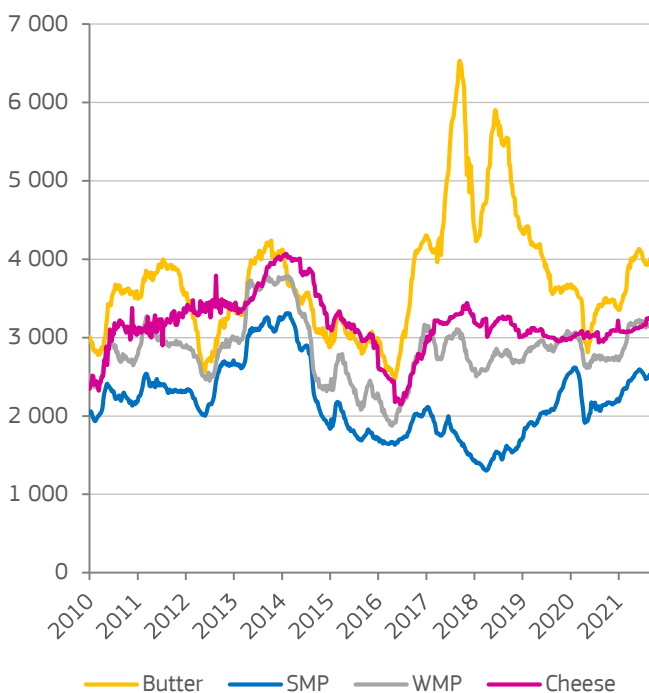


Source: DG Agriculture and Rural Development, based on MS notifications and Eurostat.

Over the summer, mild temperatures and abundant rainfall provided good conditions for pastures in many producing regions of DE, FR, BE, NL, IE and PL with some reported obstacles to cut and harvest the grass under optimal conditions (e.g. in north-western FR). On the contrary, the southern EU suffered from hot and dry weather, resulting in low biomass formation. Despite positive weather developments for grass availability in the majority of EU producing countries, total EU milk deliveries are only close to 2021 level (-0.1% in Jan-July). However, some EU countries report an increase of organic milk production (e.g. FR) for which demand response remains low. Overall, EU milk collection could grow by around 0.3% in 2021, with a relatively stable Q3 and higher Q4 compared to 2020. The expected decline in DE, FR and NL could be compensated by a production increase in IE, IT and PL among others. Higher cows' slaughtering resulting in smaller dairy herd (-0.9%) could be compensated by yields growth (+1.3%), but slower than anticipated due to lower affordability of purchased feed.

In 2022, assuming normal weather conditions and recovering demand, EU milk production could grow stronger rate (+0.6%), supported by increasing yields (+1.5%) while dairy herd could decline at a similar rate as in 2021.

EU weekly dairy prices (EUR/t)



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

EU RAW MILK PRICES REMAIN STABLE SINCE APRIL

Relatively stable EU production helps balancing global milk supply growth. The US continues growing due to a larger dairy herd and increasing yields, and New Zealand recorded also growth. On the other hand, global dairy demand remains positive, driven by China. This continues supporting dairy prices. Imports to China could weaken towards the end of the year as some destocking will take place there but global dairy prices are expected to remain relatively high on trend.

While EU cheese prices were relatively stable in recent weeks, other EU dairy prices continued increasing, notably from August. Mid-September, EU butter prices were around EUR 4050/t, EU SMP prices also stayed well-above the level of last year (EUR 2650/t) as well as EU WMP prices (EUR 3250/t). Boosted by positive Chinese demand, EU whey prices stay high too (close to EUR 1000/t).

These price developments supported the EU raw milk price, which was at around EUR 36/100 kg in August (+9% compared to 2020) and remained relatively flat since April. With an expected slowdown of Chinese demand, potentially lower demand in some more price-sensitive markets, and more EU milk supply in the remaining months of 2021, the seasonal winter increase of EU milk price is likely to be limited.



DAIRY PRODUCTS

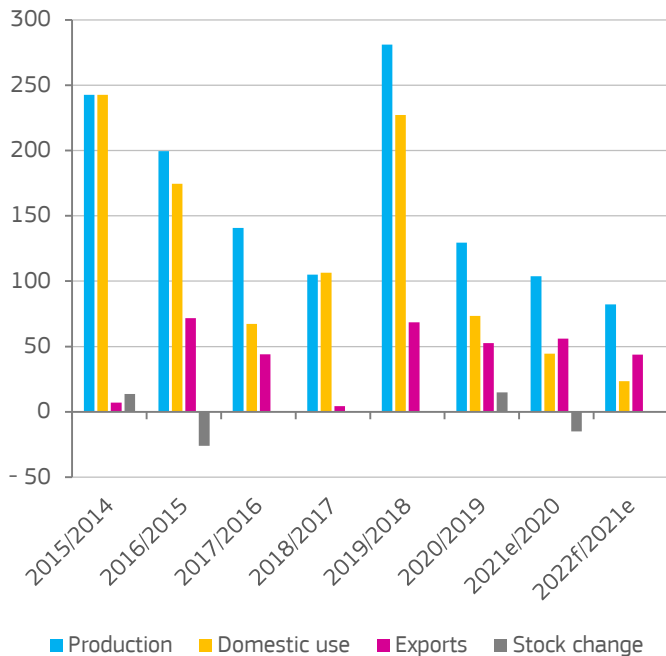
EU CHEESE EXPORTS CONTINUE GROWING

With a stable EU production, cheese remained the main channel for milk fat processing so far (+2% production growth in Jan-July). In Jan-June, losses of cheese exports to the UK were compensated in particular by a recovery of flows to the US (+18%), and increased exports to China (+79%), and Switzerland (+7%) while exports to Japan and South Korea were lower than last year.

In the upcoming months, the export trend could remain positive, especially shipments to the US and China where foodservice is recovering fast. EU cheese exports could grow by 4%. On the contrary, domestic use might grow less, at around 0.5%, as retail sales might decrease, only partly be compensated by foodservice uses of cheese. This should result in cheese production increase of around 1%, and so slowing down on the current trends. This should allow more milk fat to be used in processing of other dairy products.

In 2022, further reopening of foodservices and return to offices at a larger scale could lead to a lower EU domestic use growth (0.2%) while exports could grow further (3%). As a result, EU cheese production could grow by 0.8%.

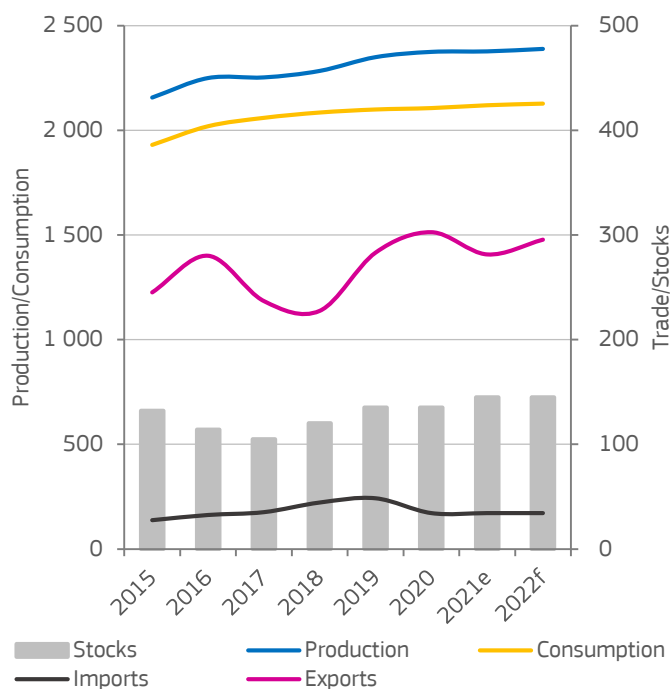
Annual change of EU cheese production, domestic use, exports and stocks (1 000 t)



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

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EU butter balance sheet (1 000 t)



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

EU BUTTER PRODUCTION TO REMAIN STABLE IN 2021

With an increased cheese production and limited milk supply, the EU butter production dropped in Jan-July (-1.3%). In the upcoming months, it should recover to remain relatively stable in 2021 (0.1%).

With an increasing EU butter price (+20.7% in Jan-July 2021), more price sensitive markets are lowering their purchases, contributing to a drop in EU exports which were record-high last year and are expected to be 7% lower in 2021. Similar to the cheese use, EU butter consumption could grow by around 0.6%.

In 2022, some export recovery could be expected (5%), as well as limited consumption growth (0.3%) with an increasing use of butter in foodservices and lower retail sales. This should support production growth (0.5%).



DAIRY PRODUCTS

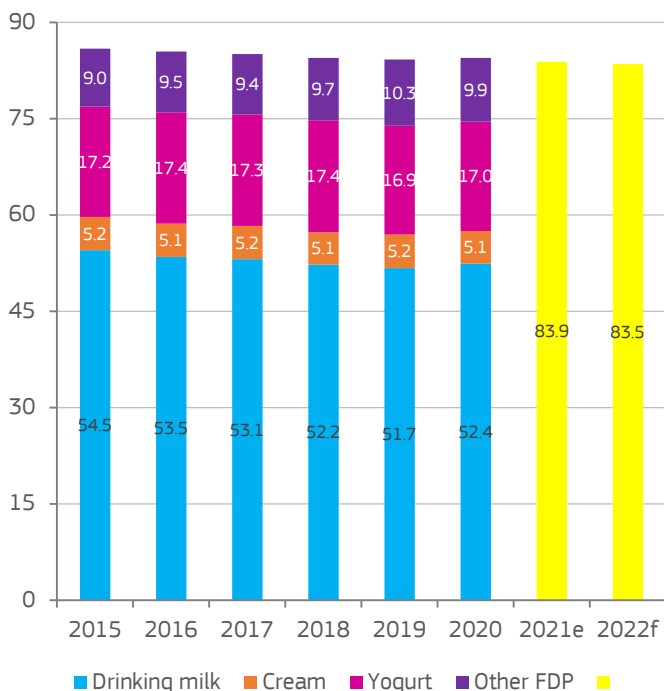
EU DRINKING MILK BACK TO DECLINING TREND

In addition to cheese, cream was another preferred option in milk fat processing and in Jan-July, EU cream production increased by around 2%. Exports were an important driver (close to 40% increase, driven by China) as well as domestic foodservice recovery. Overall, the EU cream production growth could slow down as butter should benefit more from extra milk and reach around 1.5% growth in 2021. However, this should still allow to satisfy export demand and domestic use, at higher levels compared to 2020.

Among other categories of fresh dairy products, EU drinking milk production could decline (-0.5%) following the extraordinary increase in 2020, as domestic use should drop. Yogurts could follow similar trends. Over years, there is an increasing competition for yogurts from other fresh dairy products which provide some targeted functional benefits (e.g. rich in protein, nutritional additives) and are easily interchangeable for yogurts for consumers.

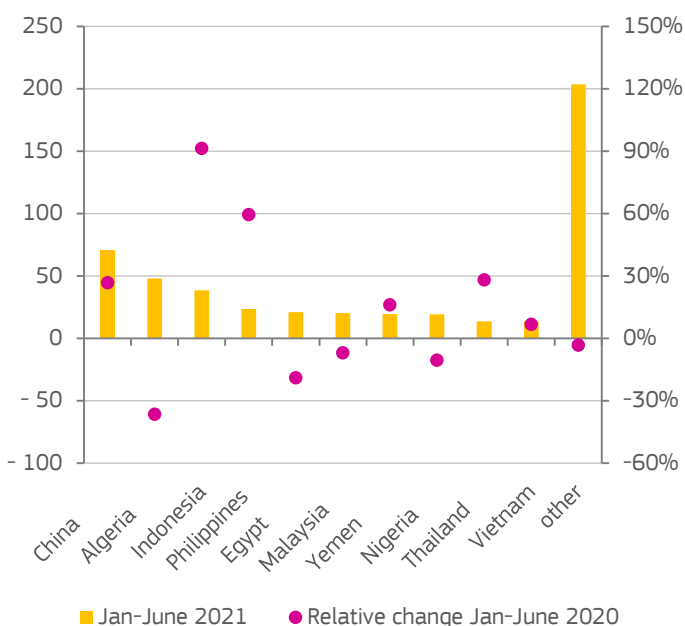
EU exports of fresh dairy products should continue growing (+10%/2020). This could slow down in 2022 given high rates already. The EU consumption should go back to the pre-COVID-19 trends, notably for drinking milk for which the break in trend in 2020 seems to be temporary. It should decline in 2022 (-0.5%).

EU FDP consumption (kg per capita)



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

Jan-June EU SMP exports by top 10 destinations (1000 t) and relative annual change



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

EU SMP EXPORTS GROWING TO ASIAN MARKETS

In Jan-July, EU SMP production lagged behind 2020 volumes (more than 4%) due to an increase in cheese production. In the upcoming months, it could slightly recover with an expected butter production increase and reach around 1% growth. EU shipments grew to China, the EU top export market, as well as to Indonesia, Philippines and Yemen among others, while they dropped to Algeria and Nigeria. The increasing EU SMP price hampers EU competitiveness and EU exports are likely to remain stable in 2021 while domestic processing use could grow slightly (+0.5%).

In 2022, EU exports could grow (+3%) to refill stocks in some destinations and overall support an increasing demand, in particular in Asian markets. Domestic processing use could grow as well, and this should lead to an increased EU production (2%).

In Jan-July, both EU WMP production and exports recorded two-digit decline, compared to extraordinarily high levels in 2020. By the end of the year, the production decline could be reduced to -2%, supporting domestic use (+0.7%) while exports are expected to remain negative (-5%).

In 2022, mainly domestic use (+0.8%) should support production growth (+0.5%) while export could remain stable.





KEY MESSAGES

-0.5%

EU beef production in 2021

+4.1%

EU pigmeat production year-on-year increase, first half 2021

-5%

expected EU poultry exports in 2021

-18%

Sheepmeat imports into the EU

MEAT PRODUCTS

HIGHLIGHTS

EU beef production is expected to decrease moderately in 2021, mainly due to a reduction of cow herd in the beef and dairy sector combined with lower demand from food service. Exports to high-value markets, such as Japan, Norway and Hong-Kong, are increasing, while exports to the UK show an important decline due to trade frictions.

The current oversupply situation in the EU pigmeat market drive a decrease in price amid high feed costs. However, that situation is expected to fade away by the end of 2021, as the production increase should slow down. Exports increases to several destinations are expected to continue compensating the reduction of exports to the UK.

Lasting effects of Avian Influenza (AI), reduced foodservices demand and high feed costs hinder the EU poultry production, which is expected to decrease by about 1% in 2021. EU trade partners apply AI-related bans which negatively impact exports in 2021. The prospects for a largely positive trade balance in 2022 are not overshadowed by the forthcoming entry into force of the UK's SPS checks.

The EU sheep meat market faces strong global and domestic supply shortages (EU production +1.3%), leading to relatively high prices. Exports from New Zealand are partly redirected to Asia, while facing at the same time higher shipping costs. The current trade situation between the EU and the UK continues to add downward pressure on exports and imports.

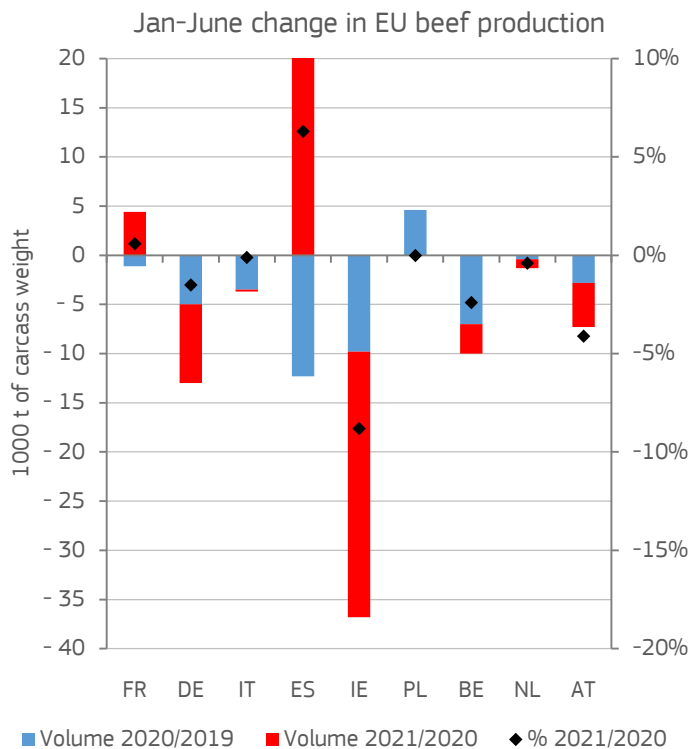
BEEF AND VEAL

EU BEEF PRODUCTION CONTINUES DECREASING IN 2021

In the first half (H1) of 2021, EU beef production declined by 0.5% year-on-year in volumes, but the picture by MS is very different. The main contribution to this decline came from IE (-7% or 41 000 t). This was mainly due to the uncertainties around the management of the border between the UK and IE after the UK left the single market, and the anticipation of potential tensions that led to a higher production at the end of 2020. Beef production in DE showed a reduction of -1.5% (16 000 t) in H1, reflecting a reduction of the cow herd, the COVID-19 measures and a low demand from foodservices. In ES, on the contrary, the production increased by 6.3% (20 000 t). Favourable prices in a tight domestic market and an increasing cow herd are at the basis of this evolution.

Due to the higher feed prices, additional slaughterings can be expected in the second half of 2021. Moreover, the gradually improving economic situation and the current favourable prices in the EU will limit the further decline in beef production, at only -0.5% in 2021, before resuming its downward trend in 2022 (-0.9%).

The declining development of apparent consumption may continue in 2021 (-0.6%), despite the expected recovery of demand in the second half of 2021

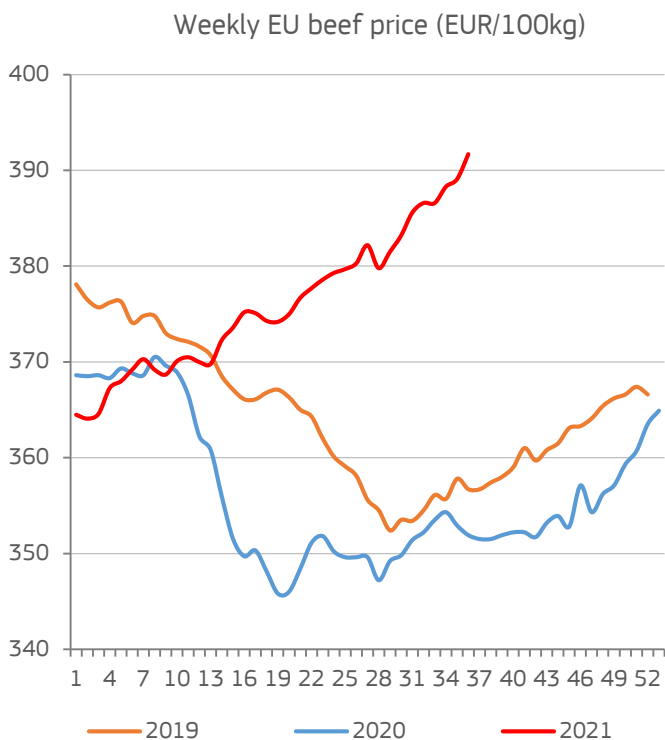


Source: DG Agriculture and Rural Development, based on Eurostat.

RECOVERY OF IMPORTS AND EXPORTS IS EXPECTED

EU beef exports decreased by almost 6% in H1 2021, mainly driven by the drop in exports to the UK (-27 000 t), although the trade flows between the UK and the EU seem to stabilise (Q1: -29%, Q2: -6%). Also the relatively high EU prices play a role. On the other hand, exports to certain high-value markets such as Hong Kong and Norway, keep growing. Therefore, a small increase is expected on an annual basis in 2021 (+2%) and a more important increase in 2022 (+5%).

There is currently a short supply of beef on the international market. Australia and Brazil are restocking and therefore have less beef available for export. Argentina suspended several times its export licences and Indian slaughterhouses are impacted by COVID-19 measures. Import figures in H1 2021 are still negative (-11%), due to the drop in demand in the EU related to foodservice's closure and the shortage of beef on the world market. EU imports are expected to recover by 5% in 2021 driven by the gradual reopening of foodservice and tourism in many EU countries.



Source: DG Agriculture and Rural Development.



PIGMEAT

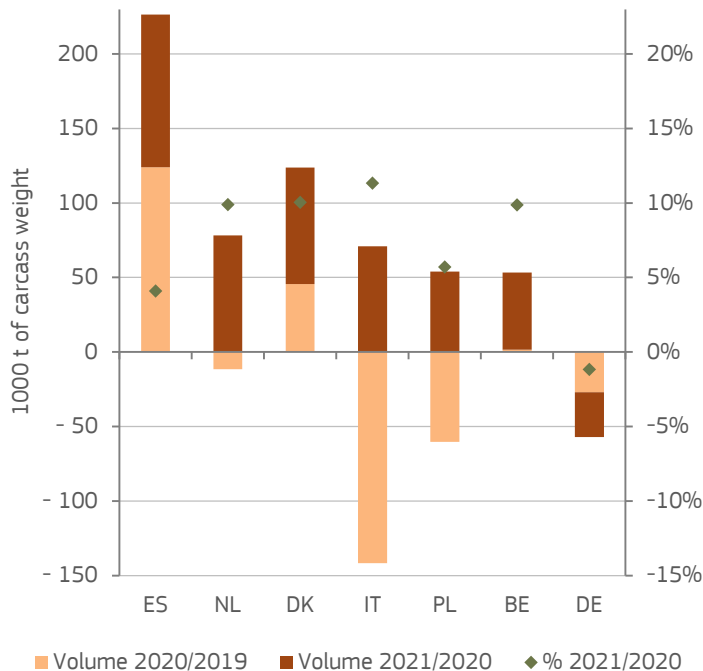
THE EU MARKET IMBALANCE PUTS PRESSURE ON PRICES

The EU pigmeat market is in a difficult situation due to the production having increased in the first half of 2021 while the demand from the foodservices decreased and the Chinese demand slowed down. Prices have been falling steadily in the past months, raising concerns regarding pig farmers' margins.

Due to COVID-19 disruptions in 2020, the slaughtering statistics in the first half of 2021 show a significant production increase in major producing countries: ES (+4.1% year-on-year), NL (+9.9%), DK (+10%), PL (+5.7%) and IT (+11%). In DE, the loss of the Chinese market because of ASF and the resulting price decline have already had an impact on the production (-1.2%). Overall, the EU pigmeat production increased by 466 000 t in the first half of 2021 (+4.1% year-on-year).

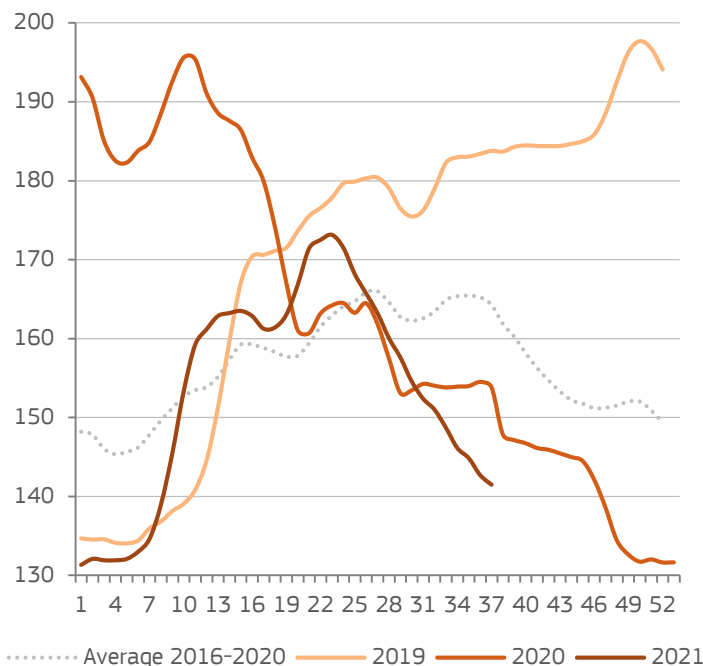
In response to this situation, and faced with increasing feed costs, the EU pigmeat sector is expected to react by slowing down the production increase. The 2021 yearly production growth is forecast at +1.7% year-on-year. In 2022, that trend could continue, with a projected yearly growth of +0.6%.

Jan-June change in EU pigmeat production



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

Weekly EU pigmeat price classes E and S (EUR/100 kg)



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

MIXED PICTURE ON THE WORLD MARKETS

EU pigmeat prices peaked in June and since then have fallen steadily, down to almost EUR 140/100 kg in the month of September. Those low prices negatively impact the EU pig farmers' margins but give EU pigmeat a comparative advantage on the world markets.

EU exports to China, the EU pigmeat main destination, continued to increase in the first half of 2021 (+157 000 t or +14% year-on-year). EU exports also significantly changed to other destinations: Asia (Philippines +260%, Vietnam +100% - as ASF reduced domestic production in both countries, Hong Kong +38%), America (Chile +1600%, the US +37%), Oceania (New Zealand +72%, Australia +42%), Ukraine (+18%), the UK (-10%) and to Japan (-13%, partly due to restrictions in foodservices ahead of the Olympics). In volume, the net increase of EU pigmeat exports to those destinations amounted to 121 000 t year-on-year (+14%).

Overall, EU pigmeat exports are projected to remain dynamic, with a +6% increase in 2021 and +7% in 2022. The EU export situation will be strongly influenced by the developments on the Chinese market, which has entered a situation of oversupply following a temporary reduction in stocks, in part to upgrade the sow herd. China should continue heading towards more self-sufficiency in 2022.



POULTRY

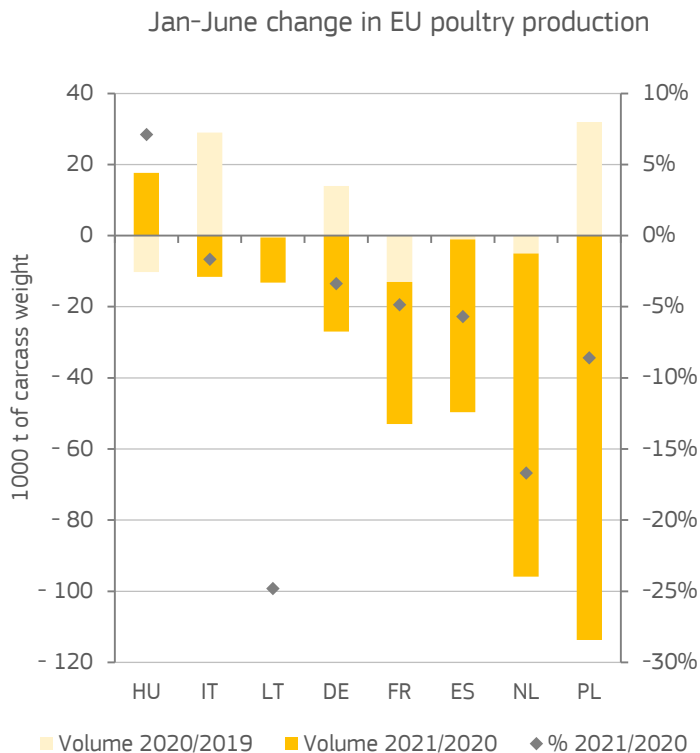
MULTI-FACETED PRODUCTION DECREASE

The sector has been faced in the past months with lasting AI impacts, affecting most frequently duck, turkey and laying hens farms as well as smaller holdings, subdued foodservices demand due to COVID-19 restrictions and high feed costs. In this context the EU poultry industry reacted by implementing a disciplined production strategy.

As a consequence, the EU poultry production continued to decline in the first half of 2021 (-4.7% year-on-year), with reduction in output recorded in all major producing countries (NL -17%, PL -8.6%, ES -5.7%, FR -4.9%, DE -3.4%).

Overall, the EU poultry production is expected to partly recover in the second half of the year, decreasing by only -0.9% in 2021 compared to 2020. Provided the demand from foodservices return to normal and AI impacts continue decreasing, the production could grow in 2022 (+1%/2021).

The EU poultry consumption should remain stable in 2021, and be back to a moderate growth in 2022 (+1.2%/2021).



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

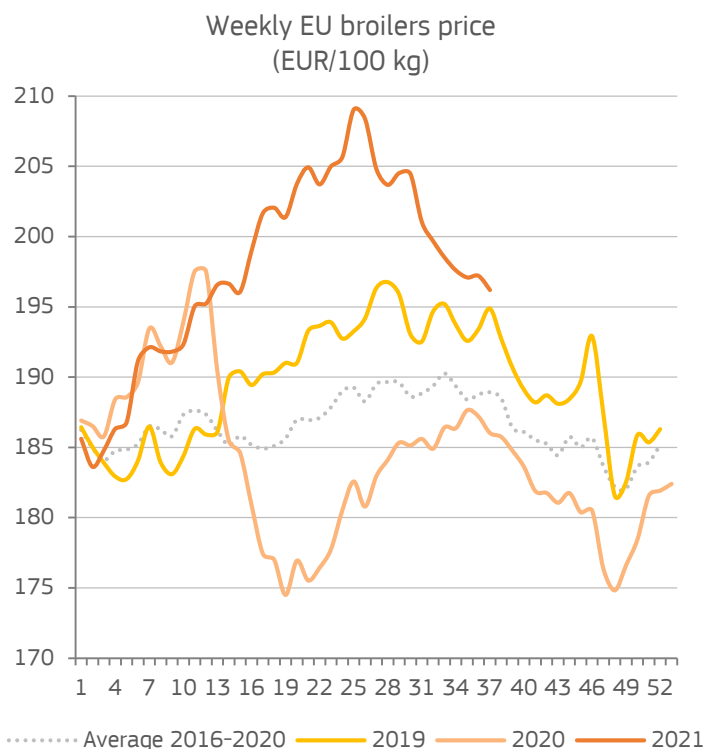
AI AND FOODSERVICE ACTIVITY SHAPE THE TRADE

EU average broiler prices have peaked in mid-June and since then declined following the normal seasonal trend. They were down to EUR 196/100 kg in mid-September, still well above the 2016-2020 average.

Many EU trading partners apply country-wide or regional AI-related bans that risk hampering export performance for the rest of the year. The UK decision to postpone until 1 July 2022 the implementation of SPS controls at the border (instead of 1 October 2021 as initially planned) should bring some comfort to operators exporting to the UK.

During the first half of 2021, EU exports decreased by 150 000 t year-on-year (-13%). Lower exports to the Philippines (-61%), the UK (-15%), Hong Kong (-68%), and South Africa (-54%) – together: -215 000 t – were only partially compensated by increased exports to Ghana (+26%) and Ukraine (+26%) – together: +38 000 t. EU exports are expected to decrease in 2021 (-5%/2020) before stabilising in 2022 provided AI-related bans are gradually lifted.

Mostly reflecting the activity of foodservices, EU poultry imports decreased by 13% during the first half of 2021, recovering only gradually.

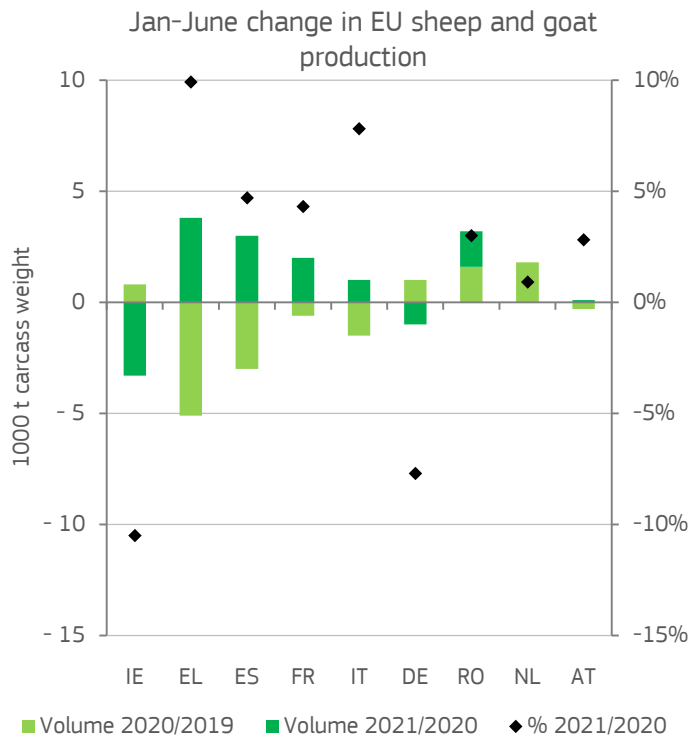


Source: DG Agriculture and Rural Development, based on MS notifications.



SHEEP/GOAT MEAT

MODEST INCREASE OF EU SHEEP AND GOAT MEAT PRODUCTION IN 2021

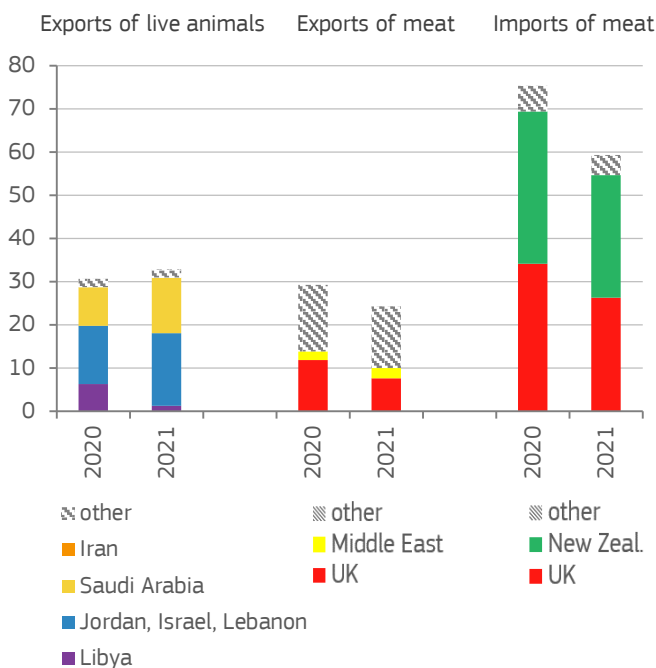


Source: DG Agriculture and Rural Development, based on Eurostat

EU sheep and goat meat production increased by 2.2% in H1 2021 favoured by positive sheep prices. Main contributions to this situation come from EL (+9.9%, despite the declining sheep herd), ES (+4.7%), FR (+4.3%) and RO (+3%). On the other hand, production in IE is low mainly due to the anticipation of slaughterings in the end of last year ahead of possible frictions implied by the new trade relationship with the UK, resulting in a decrease of -10.5% year-on-year. While the EU flock size at EU level stayed relatively stable in the last five years, there were some shifts between MS. This limits any substantial increase of total slaughterings in 2021. EU production is therefore projected to grow modestly by 1.3%.

A decline of imports not compensated by more domestic production explains that heavy lamb prices are substantially higher in 2021 than previous years. The reopening of foodservice in the second half of 2021 might bring more demand for sheep meat on the EU market.

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



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

LOGISTICAL COSTS AND DEMAND IN ASIA LIMIT EU IMPORTS

EU sheep meat exports are heavily influenced by the frictions in the trade relation with and low demand from the UK. Moreover, the current high domestic prices and supply shortage also keep the produce within the EU. Sheep meat exports went down by 17% in H1 2021. Export markets in the Middle East showed mixed evolutions. Overall, a decline of 12% in EU exports is expected by the end of 2021 and a small recovery in 2022 (+5%).

In contrast, exports of live animals showed an increase of 32% in Q1 2021 but they decreased after the religious festivities by -9% in Q2. Much less animals were shipped to Libya (-80% in H1), contrary to the exports to Jordan (+29%), Saudi Arabia (+44%) and Israel (+46%). Overall, exports of live animals are set to stabilise in 2021 due to the sustained demand in the Middle East met by a limited domestic supply.

Imports of sheep meat were down by 21% in H1 2021 due to lower shipments from the UK and New Zealand. Imports from New Zealand dropped by 21% in H1 2021 due to high shipping costs and the attractiveness of the Asian market. The relatively high EU prices should attract additional imports in the second half of the year. With high shipping costs likely to continue to limit import volumes at least in the short term, imports are expected to decrease by -18% in 2021.



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 six marketing years for crops and fruit and vegetables.

SOURCES

- Eurosystem staff macroeconomic projections for the euro area¹
- IHS Markit
 - DataInsight database
 - Commodity Price Watch
- COVID-19 Vaccine Tracker of the European Centre for Disease Prevention and Control²
- Danske Bank, Research Euro Area – Looming energy crisis creates a perfect storm³
- World Bank, Commodity Markets⁴
- Freightos,⁵ global container freight rate index, 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.

¹ https://www.ecb.europa.eu/pub/projections/html/ecb.projections202106_eurosystemstaff~7000543a66.en.html

² <https://vaccinetracker.ecdc.europa.eu/public/extensions/COVID-19/vaccine-tracker.html>

³ [https://research.danskebank.com/link/ResearchEuroArea041021/\\$file/Research_Euro_Area_041021.pdf](https://research.danskebank.com/link/ResearchEuroArea041021/$file/Research_Euro_Area_041021.pdf)

⁴ <https://www.worldbank.org/en/research/commodity-markets>

⁵ Freightos compiles the global container freight rate index on the basis of real-time business data. It represents a market rate for freight for any given shipping lane for a 40' container. <https://www.freightos.com/>

⁶ <https://www.statista.com/statistics/1250636/global-container-freight-index/>

For trade with the UK, only the declaration of the Member States are considered, both imports and exports.

- 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 IHS Markit and Danske Bank.

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 forecasted 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.

Following the conclusion of the EU-UK Trade and Co-operation Agreement in December 2020, forecasts for 2021 calendar year assume duty-free/quota-free trade between the two.

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

Since November 2020, the UK stopped reporting trade data to Comext database. In order to ensure consistency of time series for analytical purposes, EU flows to/from UK are extracted from GTA database.

Although the UK is considered to be a third country partner of the EU since January 2021, Member States continue reporting trade flows to/from the UK in INTRASTAT database which causes a delay compared to other extra-EU countries (70 days instead of 45). This reporting is also impacted by inconsistencies reported earlier. Therefore, GTA database provides more timely data for the purpose of analyses, while reporting and drafting relies on COMEXT data only.

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

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.

ARABLE CROPS

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 or 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. tall oil). Consumption includes fuel use data from Eurostat and own estimates of biodiesel for other uses. Trade figures include trade of pure biodiesel 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.

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.

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. 2019 estimates and 2020 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 years 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 (conversion coefficient is 1 for all processed 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.

¹⁰ Conversion coefficients are laid down in Working Document 'Handbook for compiling supply balance sheets – fruits (ESTAT/ASA/PE/641rev3_WPM)

¹¹ Conversion coefficients are laid down in Working Document 'Handbook for compiling supply balance sheets – vegetables (ESTAT/ASA/PE/640rev3_WPM)

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. 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 (with the exception of pork lard). All data is expressed in carcass weight equivalent unless specified otherwise¹³.

Production estimate for the year 2021 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 slaughtering 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.

Production of EU-27 total dairy products and in particular for SMP and WMP are 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 2020 is based on Eurostat annual statistics, estimates for 2021 are based on the available monthly statistics, taking into account the country coverage and sample characteristics. Forecast 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'.

Market forecast is 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

Balance sheets for the EU and production figures at Member State level are available on Europa: https://ec.europa.eu/info/food-farming-fisheries/farming/facts-and-figures/markets/outlook/short-term_en

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

AI	avian influenza
ASF	african swine fever
AT	Austria
BE	Belgium
BG	Bulgaria
BSE	bovine spongiform encephalopathy
CY	Cyprus
CZ	Czechia
DE	Germany
DK	Denmark
ECB	European Central Bank
ECDC	European Centre for Disease Prevention and Control
EE	Estonia
EL	Greece
ES	Spain
EU	European Union
EUR	euro
EVOO	extra virgin olive oil
FDP	fresh dairy products
FI	Finland
FMD	foot-and-mouth disease
FR	France
GDP	gross domestic product
GIP	gross indigenous production
HR	Croatia

HU	Hungary
IE	Ireland
IT	Italy
LT	Lithuania
LU	Luxembourg
LV	Latvia
MMBtu	million British thermal units (approximately 293.1 kilowatt hours)
MS	member states
MT	Malta
NL	Netherlands
OIE	World Organisation for Animal Health
PL	Poland
PT	Portugal
RO	Romania
SE	Sweden
SI	Slovenia
SK	Slovakia
SMP	skimmed milk powder
SPS	sanitary and phytosanitary measures
STO	short term outlook
UK	United Kingdom
US	United States
USD	US dollar
VAT	value-added tax
WB	World Bank
WMP	whole milk powder

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