European Commission

SHORT-TERM OUTLOOK

for EU agricultural markets in 2022





SUMMER 2022

Edition N°33

Agriculture and Rural Development

Manuscript completed in July 2022

PDF ISSN 2600-0873 KF-AR-22-002-EN-N

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

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https://ec.europa.eu/info/food-farming-fisheries/farming/facts-and-figures/markets/outlook/short-term_en

Please cite this publication as: EC (2022), Short-term outlook for EU agricultural markets, Summer 2022.
European Commission, DG Agriculture and Rural Development, Brussels.

Agriculture and Rural Development

CONTENT

OVERVIEW

The short-term market outlook is driven by uncertainties stemming from the war in Ukraine, post-COVID-19 macroeconomic developments, in particular global inflation pressures, EU spring weather developments, and outbreaks of animal diseases.

The fallout of the **Russian invasion of Ukraine** continues to impact global commodity markets and to represent a major threat to global food security. In a post-COVID-19 recovery which was already facing market balance challenges and price surges, it brings additional instability and uncertainty. Global **agricultural prices** have risen by 30% since the beginning of the invasion, although some relaxation has been observed in recent weeks, linked partly to the coming on stream of the forthcoming harvest.

Ukrainian agriculture is directly impacted all along the supply chain, from production to trade. Several agricultural regions are confronted with heavy fighting, disrupting farming there. Russia targeted grain storage facilities with missile attacks and Ukrainian sea ports remain blocked, hence making it impossible to export the remaining grain reserves from the last harvest.

The EU is actively facilitating new logistical routes to connect Ukraine to global trading partners, combining all transport modes (road, rail, inland waters and maritime), as outlined in the recently adopted Communication establishing **'EU-Ukraine Solidarity Lanes'**. The situation remains nevertheless challenging, with for instance long waiting time at some borders and overall a still insufficient capacity.

With the start of the new cereal harvest in Ukraine and the rest of Europe, uncertainty remains about the capacity of Ukrainian farmers to properly store and to export their 2022 harvest. This already creates concerns for global availability and could in turn also threaten the capacity of Ukrainian farmers to ensure their 2023 harvest even on a reduced area.

In the EU, **weather conditions** are creating further challenges for the new harvest, with a fall in earlier forecasts for yields now foreseen, for certain cereals. Cereals production is now expected to be 2.5% lower than in 2021. While this will be sufficient to meet domestic consumption needs and provide a surplus for exports to partially ease pressures on global markets, the ongoing prolonged dry period presents downside risks to the eventual harvest outcome. In oilseeds, the annual production could increase by 6.9% year-on-year, with sunflower reaching a new record at 11 million t. Sugar production is expected to increase by 5%. Use of arable crops for biofuel are expected to be stable as post-pandemic fuel demand recovery has been curbed by high prices.

At the same time, **animal disease outbreaks** and high feed prices combined weigh on the EU animal production.

Beyond agriculture production, the war in Ukraine has macroeconomic impacts and exacerbates pre-existing headwinds to the EU economic growth. According to the ECB, if the invasion continues in 2023, the euro area GDP recovery to 2019 level is not expected before 2024. **Inflation** in the EU is also expected to remain historically high, especially in 2022 rising to 6.8% according to the Commission forecast. In the case of food and non-alcoholic beverages, inflation reached 10% in May 2022, with important divergences between EU countries.

The upward pressure on agricultural producer prices is not expected to ease in the short term. This is mainly due to ongoing uncertainties on how the war in Ukraine will unfold, expectations on high energy costs to continue, particularly in a view of uncertainty linked to future policy on sourcing and use of gas and oil. These are continuing upward pressures on production costs, e.g. electricity, transport, cooling and heating, as well as fertilisers and other inputs.

In addition, **weather conditions** in the EU deteriorated in spring 2022. Dry conditions were observed in several parts of the EU. In some regions, this was to some extent mitigated by rainfall in June. However, the accumulated rain deficit negatively impacts expected crop yields. The situation also remains challenging also for pastures.

The increase of producer prices of agricultural commodities is expected to weigh on **food consumer prices**, although the price transmission will not, as usual, be perfect. In addition, the impact of rising food prices on EU food consumption levels and patterns could to some extent be offset by strong labour markets and supportive policy measures adopted in EU countries, as well as existing savings made during the periods of lockdowns in 2020 and 2021. However, this impact differs depending on income groups as well as on the level of EU countries, given the share of household expenditure on food and non-alcoholic beverages.

While food consumption in volumes might seem unchanged, downgrading of consumption in value is expected, as some consumers (and food processors) will move away from higher value products to cheaper ones, while some consumers might also increase their retail shopping for food to compensate for a lower use of foodservice.

At **global level**, the demand recovery in China was halted by the series of COVID-19-related lockdowns imposed at the beginning of 2022 contributing to a fall in imports of many food products. This risks to contribute to continued lower demand growth in the remaining part of the year. On the contrary, the current level of oil price could to some extent support demand in **oil exporting countries.** In addition, some lower inflation growth is currently observed in South-Eastern Asia, therefore impacting their purchasing power to a lower extent than in other regions.

In terms of specific EU **agricultural markets**, the dry and hot weather has put significant pressure on some arable crops. Production of cereals is now expected to be 2.5% lower than in 2021. Sunflower yields are expected to be particularly good, resulting in a 6.9% annual increase in production, and reaching a new record of 11 million t. Sugar production is expected to decline by 5% annually, but remain in line with a 5-year average and stocks are at sufficient level. Use of arable crops for biofuel are expected to be stable as post-pandemic fuel demand recovery has been curbed by high prices.

Regarding **specialized crops**, EU olive oil producers continue benefiting from above-average prices, which to some extent help compensating for high input costs. Domestic consumption is due to grow while exports are likely to remain below last year's record levels. In the case of wine, EU consumption is expected to grow despite decreasing production as exports and other uses (e.g. distillation, vinegar, brandies) are set to decline. A higher production of fresh peaches and nectarines could lead to a higher domestic consumption, to some extent supported also by the tourism return. After positive market developments on the EU tomato market recorded last year, EU production is expected to drop in 2022 (in particular for tomatoes destined to processing). The main reasons are dry conditions, lower demand and a good availability from the previous season, switch to more profitable crops as well as, for fresh tomatoes a high energy cost of greenhouses.

Despite record high EU dairy prices, the situation in EU dairy farms remains challenging. High input costs, combined with dry and warm weather affecting grass quality and availability as well as other feed components, could lead to further herd reduction and lower yields, thus reducing the EU annual **milk** collection by 0.6% in 2022. Within **dairy products**, cheese production remains a preferred option, with reduction expected in all other dairy products. Despite rising consumer prices, EU dairy consumption could grow, with some potential to switch to lower value products.

EU beef production is due to decrease by 0.5% in 2022, mainly because of a structural adjustment in the beef and dairy sector, despite high prices. EU exports should increase thanks to existing high-value markets but constrained by record-high domestic prices. EU imports are increasing due to Brazilian supply.

Increasing environmental related measures, reduced export prospects, sustained high input costs and African Swine Fever (ASF) are leading to an expected fall in EU **pigmeat** production by 4.7% in 2022. The UK becomes again EU's first export destination now that China's acute ASF crisis is contained.

In spite of exceptionally high broiler prices, EU **poultry** production is expected to stabilise in 2022. This is because of sustained high input costs and a season of Highly Pathogenic Avian Influenza of a historic magnitude. Trade with the UK is back to pre-Brexit levels but the EU is losing some ground on other export markets. EU imports are increasing strongly, especially from Ukraine following the easing of Avian Influenza restrictions and the temporary suspension of import tariffs.

Despite the historical low EU **sheep and goat** flock, slaughterings are due to stabilise in 2022. Trade should resume but still at relatively low levels, leading to sustained high domestic prices.


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KEY MESSAGES

+2.8%

expected euro area real GDP growth in 2022 in the ECB baseline

-1.7%

expected euro area real GDP growth in 2023 in the ECB "downside" scenario

-35%

natural gas deliveries via pipeline from Russia to the EU between late May and mid-June

+10%

EU consumer prices for food in May 2022, year-on-year

MACROECONOMIC OUTLOOK

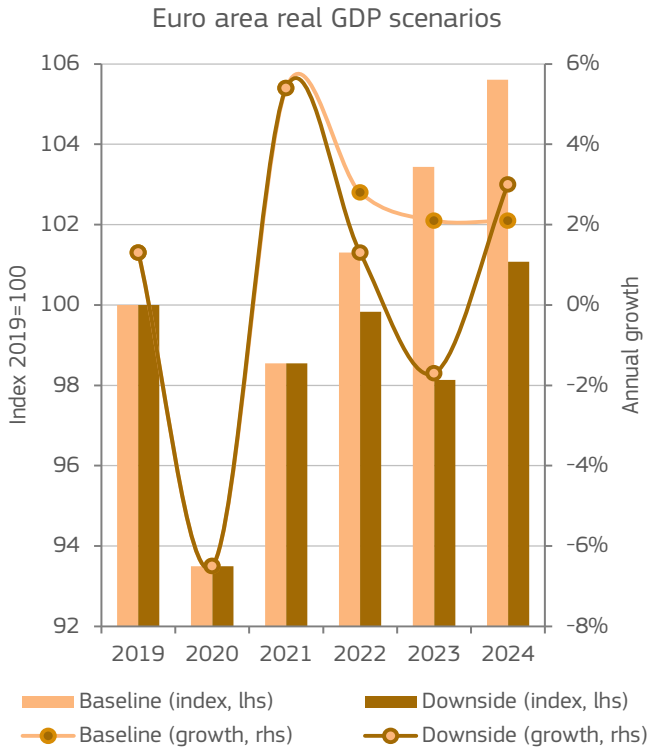
HIGHLIGHTS

Sustained adverse risks call for a further reduction of euro area's real GDP growth projection, especially if the war continues in 2023 and gas supplies have to be rationed.

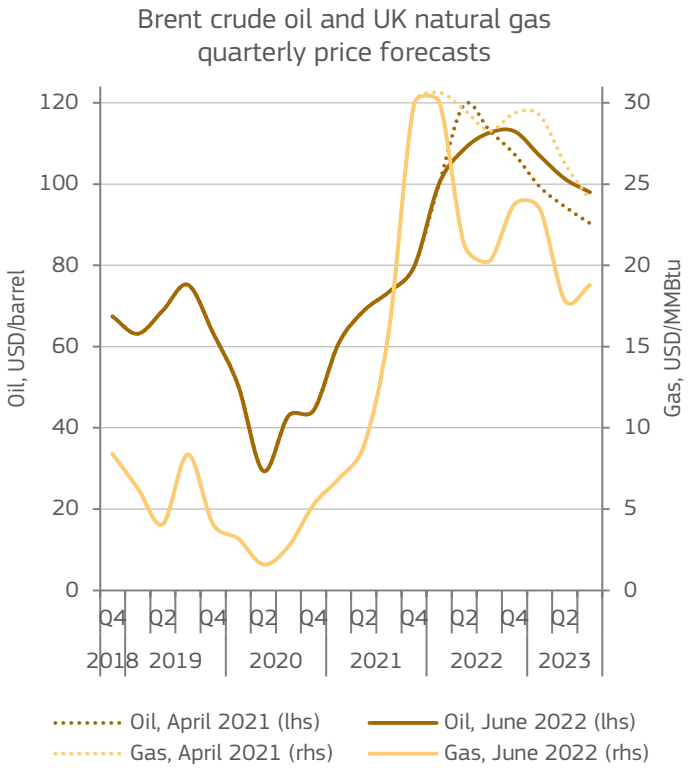
Fossil fuel markets are due to remain very tight and highly uncertain prices are expected to stay high. Marginal crude oil production increases become harder and harder while, with post-COVID-19, the demand has increased again. EU natural gas prices will likely increase further if Russia continues delivering reduced volumes, although the RePowerEU strategy to reduce dependency from Russian fossil fuels may sooner or later ease the situation.

High energy prices and agri-food trade disruptions caused by Russia's invasion of Ukraine exacerbate inflationary pressures throughout the supply chains, although in some sectors effects might be witnessed with time-lag.

MACROECONOMIC OUTLOOK



Note: Downside scenario – protracted intense phase of Russia's invasion of Ukraine into 2023; persistent geopolitical tensions and broader sanctions (including complete cut in energy imports from Russia) leading to rationing of gas supplies and associated stronger and longer inflation and intensified global value chain issues; world activity and trade negatively affected. Source: European Central Bank.



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

GROWTH OUTLOOK REVISED DOWNWARDS AMID SUSTAINED ADVERSE RISKS

As the invasion of Ukraine by Russia impacts the world economy, forecasters revised downwards their real GDP growth projections for the euro area, despite a strong push from services and a favourable labour market. In Mar-Jun, IHS Markit brought the growth projection down by 0.4 percentage point (pp) in 2022, down by 0.6 pp in 2023 and up by 0.2 pp in 2024. In the same interval, ECB's baseline[1] was revised by -0.9 pp in 2022, -0.7 pp in 2023 and +0.5 pp in 2024.

However, given the high degree of uncertainty, these reassessments rely on strong assumptions. In its "downside" scenario, the ECB foresees a much grimmer outlook, where euro area's real GDP could drop by 1.7% in 2023, reaching a level 5.1% lower than in the baseline.

Due largely to the inflow of refugees from Ukraine, the Commission's EU population estimate for 2022 was revised upwards by 4 million, a 1.1% increase compared to 2021.

[1] ECB's projections are based on information up to 17 May 2022. Baseline – the current sanctions against Russia (including oil embargo) remain until at least 2024; the intense phase of Russia's invasion of Ukraine (without further escalation) will last until the end of 2022; energy supply disruptions will not cause rationing; supply bottlenecks gradually resolved by the end of 2022.

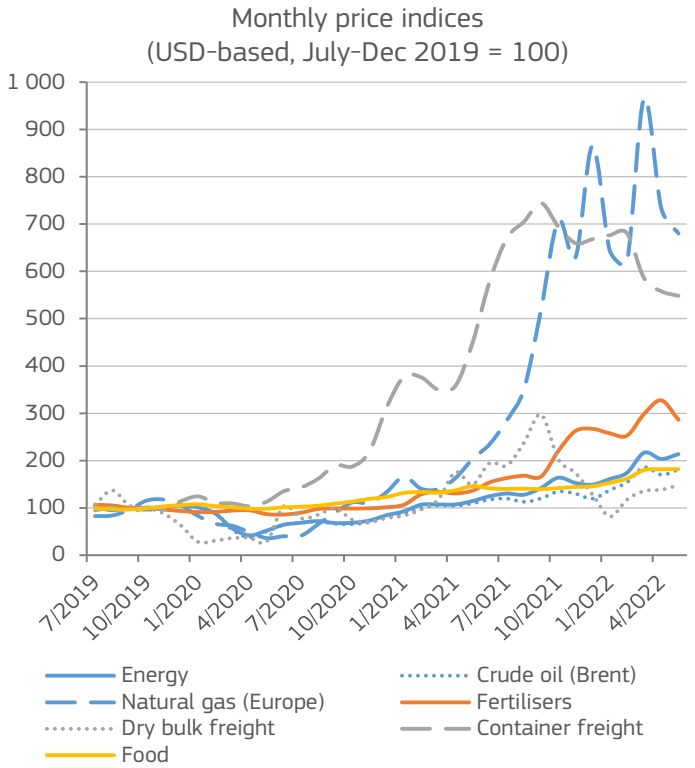
FOSSIL FUELS MARKETS TO REMAIN VERY TIGHT AND PRICES HIGHLY UNCERTAIN

IHS Markit expects the Brent crude oil price to peak at USD 113/bbl in Q4 2022, potentially falling to USD 98/bbl in Q3 2023. According to IHS Markit, after a relative drop in Q2 and Q3 2022 to about USD 20/MMBtu, the UK natural gas price could increase again during the winter by 17%.

Uncertainties are extreme around this outlook. On the oil side, OPEC+ agreed on a plan that would restore the 10 million bbl per day cuts of April 2020. However, the Arabian Peninsula is at a near-record production level, which means the potential for higher production is constrained with demand continuing to recover after the pandemic. OECD oil inventories remain low, Russian exports to the EU are shifted towards Asia. Other factors may play a role: the level of Russian output, the EU ban on imports from Russia, the development of COVID-19 in China, and the impact of the projected economic slowdown.

On the gas side, by the time IHS Markit published its report, Russia dropped its deliveries through the Nord Stream pipeline. Stable until late May, by 12 June the flow dropped by 15% and 4 days later by another 52%, before stabilising end-June. Should that reduced flow continue after the annual maintenance shutdown in July, IHS Markit does not expect the TTF natural gas price to remain in the USD 20-25/MMBtu range. Rather, it could increase above USD 30/MMBtu until the pipeline is back to full capacity.

MACROECONOMIC OUTLOOK



Sources: World Bank (fertilisers, energy, natural gas), Freightos (global container freight), Baltic Exchange (Dry Bulk Freight). Farmers price index based on DG Agriculture and Rural Development and Eurostat.
Note: Energy index includes oil, natural gas and coal.

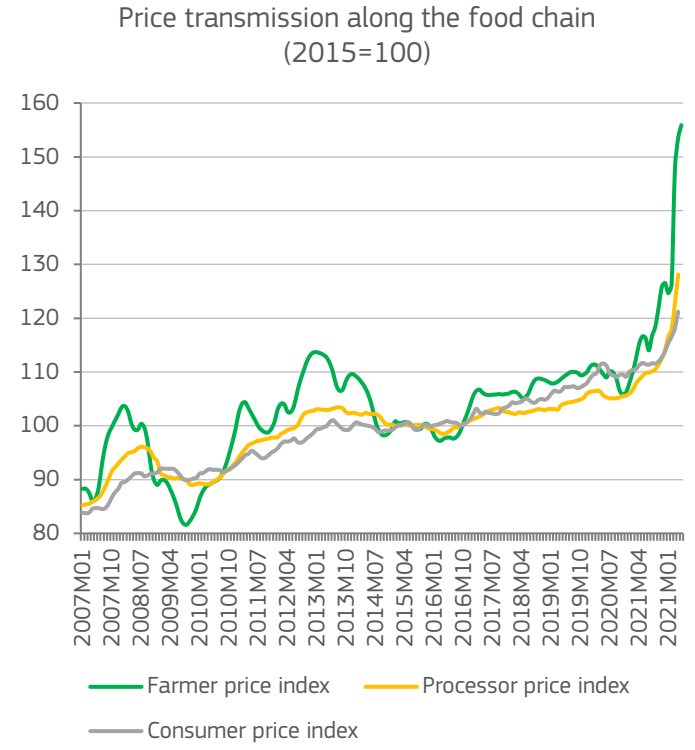
OVERALL INFLATION LARGELY FUELLED BY ENERGY PRICES AND DISRUPTIONS IN SUPPLY CHAINS

Assuming different energy prices than those of IHS Markit (crude oil -2.6%, natural gas +30%), ECB's baseline expects the euro area consumer inflation to peak at 6.8% in 2022 (a revision by +1.7 pp compared to March projections) before falling to 2.1% in 2024. In ECB's "downside" scenario, the inflation could reach 8% in 2022.

Since Russia's invasion of Ukraine started, there was another 50% spike of aggregate fertiliser prices (potash and phosphates prices increase in particular) However, the recent reduction in Russian gas deliveries to the EU could translate with some delay into another surge in nitrogen-based fertiliser prices. Additional uncertainties are linked to the way the suppliers (the EU fertiliser industry) and purchasers (EU farmers) will adjust to the level of prices and uncertainties.

The container freight price seems to have levelled off at about 5.5 times its level in the second half of 2019. The dry bulk freight price is still 50% higher than in the second half of 2019.

Showing much less volatility, the World Bank's food price index is steadily increasing. In May 2022, it was 82% higher than in in the second half of 2019.



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

EU FARMERS' PRICE INDEX CONTINUES GROWING

After an increase by almost 40 points in Feb-Mar, the EU farmer's price index remained high in May (159). In Mar-May, EU farmers' prices grew by 10% in case of pigmeat, slightly below 10% for poultry, milk and common wheat and by less than 5% for feed barley, sugar and beef. The upward pressure on commodity prices could be explained by high input costs, fuelled also by geopolitical events. After an initial shock caused bythe Russian invasion to Ukraine, which led to a jump in commodity prices in March, some drops were observed in April in case of durum wheat, and maize but both returned to higher levels again in May. No price relaxation was observed for animal products, presumably because feed costs' adjustments lag behind the changes in feed commodities prices due to contractual arrangements.

Between Feb-Mar, price indices of processors and consumers increased as well, but less than agricultural prices (+15 and +7.6 points respectively). Until April, the processors' price index recorded a stronger growth than the consumer' price index. Upward pressure on all prices remains because of sustained high agricultural commodity prices, being raw materials for food production and a source of feed, in addition to high energy prices, and an overall inflation.

KEY MESSAGES

50 million t

Estimated 2022/23 EU cereal beginning stocks (+24%/5-year avg)

38 million t

EU exports of soft wheat forecast in 2022/23

11.1 million t

EU 2022/23 sunflower production forecast at all-time high

+58%

Estimated increase of EU sugar ending stocks in 2021/22, y-o-y

ARABLE CROPS

HIGHLIGHTS

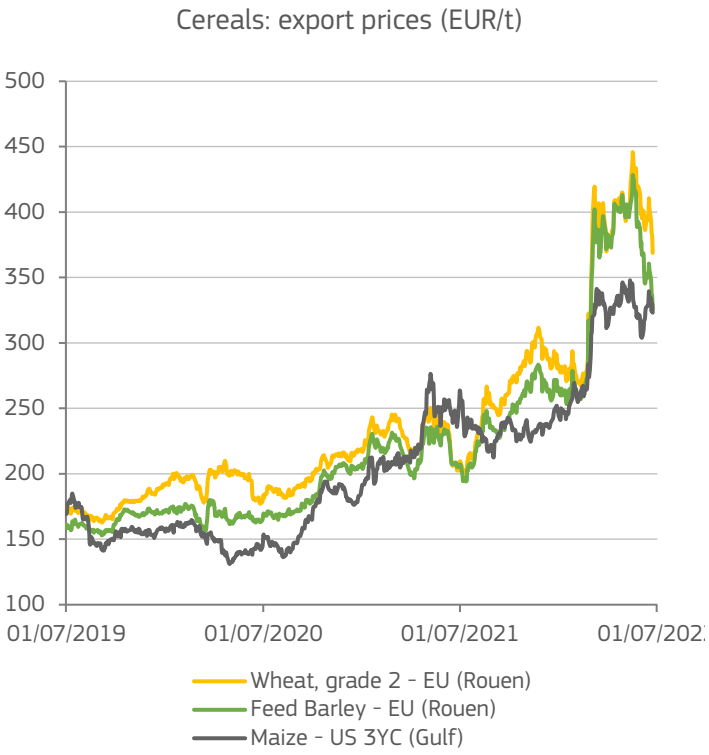
The total availability of EU cereals in 2022/23 is expected at an almost identical level of the previous season. A higher level of beginning stocks (+20% to 50.1 million t) will help compensate for lower production which is forecast to decline to 286.4 million t (-2.5% year-on-year). The drop in production is due to the hot and dry spring in key EU cereal production areas and could fall further if current overall adverse weather conditions, notably drought, continue. This level of availability will ensure adequate supply for domestic consumption and will also allow, combined with lower imports, EU cereals net exports to increase to 33.5 million t, partially offsetting the drop due to the blockage of the Ukrainian sea ports and export restrictions in place by some exporters.

EU oilseed areas for the 2022/23 harvest have increased substantially (7.5% year on year) due to high prices and the temporary derogation to allow the sowing of crops on fallow land. In particular, sunflower plantings increased the most due to their low water and fertilisation requirements. EU oilseed production is forecast at 32.1 million t (+7.8% / 5 year average), including a record 11.1 million t of sunflower seed, allowing to compensate for the loss of supplies from Ukraine.

2022/23 EU sugar marketing season is expected to start with beginning stocks of 1.9 million t (+58% above last season). The production is forecast at 15.8 million t, in line with a 5-year average, while consumption is expected to remain stable.

CEREALS

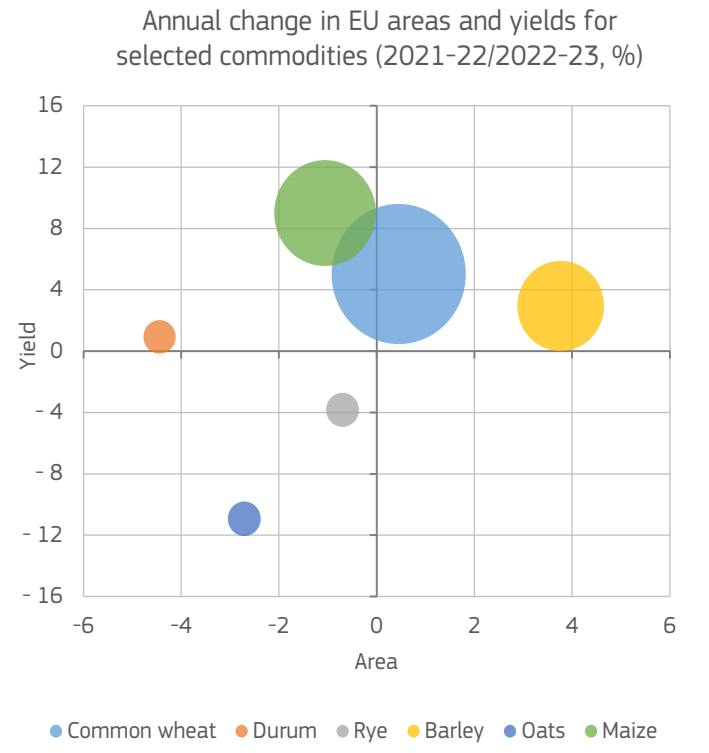
HOT, DRY WEATHER KEEPS UP PRICE PRESSURE



Source: International Grains Council (IGC).

Cereals prices have reached record levels earlier in 2022 due to uncertainty about the global level of supply caused by the Russian invasion of Ukraine, in particular since cereals of the previous harvest faced difficulties to be exported through the Black Sea ports and with significant concerns as to the exact level of production in Ukraine. Large parts of Ukrainian agricultural areas are affected by military operations and indirect effects of the invasion. These drivers aggravated a previous upward price trend driven by post-COVID-19 demand for animal feed, high energy and fertiliser prices. Prices have decreased from their peak levels seen in May 2022 with demand adapting to these high levels and the new harvest being in progress in the Northern hemisphere. The continuing hot and dry weather in many parts of Europe presents the biggest risk to a good harvest.

Global production of cereals in 2022/23 is expected to be slightly lower than during the record season of 2021/22. Due to high prices, demand is expected to decrease as well, although only marginally. After registering a growth in the previous season, global stocks should tighten. Global trade is forecast to shrink due to a combination of factors: importers rationalising due to high prices, blockage of the Ukrainian sea ports and export restrictions put in place by some exporters.



Note: The bubble size is proportionate to a production size.
Source: DG Agriculture and Rural Development, based on Eurostat and MS notifications.

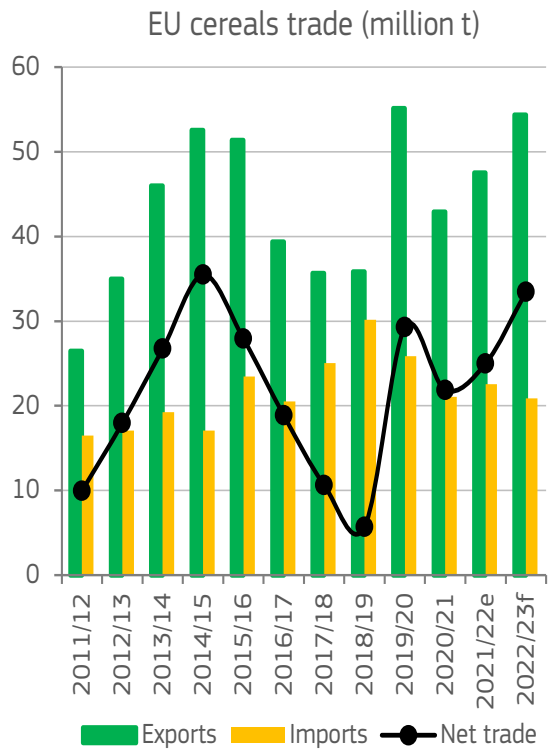
EU CEREALS 2022/23 OUTLOOK

2022/23 EU sowing cereal areas are estimated slightly above the last season (0.4%), with soft wheat and barley areas at 21.8 and 10.7 million ha respectively, increasing by 0.4% and 3.8% year-on-year. On the other hand, durum wheat, rye and triticale areas are forecast to decrease by around 4.4%, 0.7% and 2.0% to 2.1, 1.9 and 2.6 million ha, respectively. Maize area is also expected 1% lower than in 2021/22 season.

Given the hot and dry spring in key EU cereal production regions, yields will be lower than last year, and total EU cereals production is now expected to reach 286.4 million t (2.5% year-on-year). Soft wheat production is forecast at 125.0 million t (3.9%), barley at 52.2 million t (+0.4%) and maize at 72.1 million t (1.4%). Given the high feed cost and expected lower EU meat and milk production, the demand for animal feed is forecast to decrease by 1.3% in 2022/23 to 158.8 million t. The use of cereals to produce biofuels is expected to decrease by 3% as well, given lower competitiveness of cereals as biofuel feedstock and stagnation of the production of biofuels. Lower demand ensures availability on the EU market despite the reduced production.

CEREALS

EU CEREALS NET TRADE AT HIGHEST LEVEL SINCE 2014/15

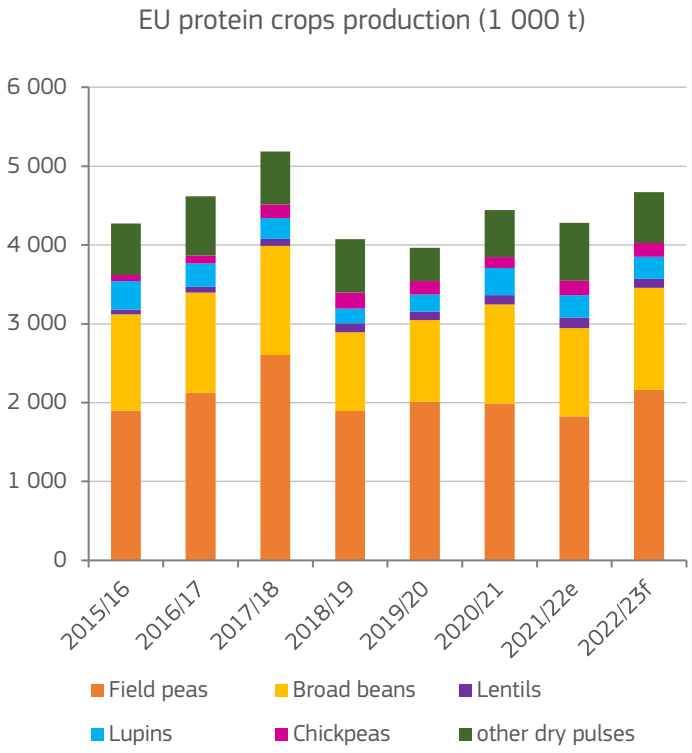


Source: DG Agriculture and Rural Development, based on Eurostat.

EU wheat stocks have grown substantially during the 2021/22 season, ending at estimated 17.2 million t (+92% year-on-year). This comfortable level and expected sustained demand from the neighbouring countries should allow for a significant increase of EU wheat exports in the 2022/23 season, which could reach 38 million t. In total, EU exports of cereals are projected to reach 54.3 million t, +14% compared to the estimated 47.5 million t in 2021/22. With the progress made in facilitating grain deliveries from Ukraine through the neighbouring EU countries, EU imports of maize from Ukraine are also expected to be higher than anticipated previously, but with significant uncertainties. EU imports of maize are expected to reach 15 million t (-9% year-on-year), while total cereal imports are forecast at almost 21 million t (-7% year on year). Consequently, net trade (net exports) of EU cereals is forecast to increase, from 25.0 million t in 2021/22 to 33.5 million t in 2022/23. This would be the highest net exports of EU cereals since 2014/15, when they reached 35.5 million t. This will, if realised, help mitigating the significant concerns in relation to availability of cereals on global markets, by partially compensating for the difficulties in access to Ukrainian cereals and export restrictions put in place by some exporters.

PROTEIN CROPS

INCREASE IN EU PROTEIN CROP AREAS AND PRODUCTION EXPECTED IN 2022/23



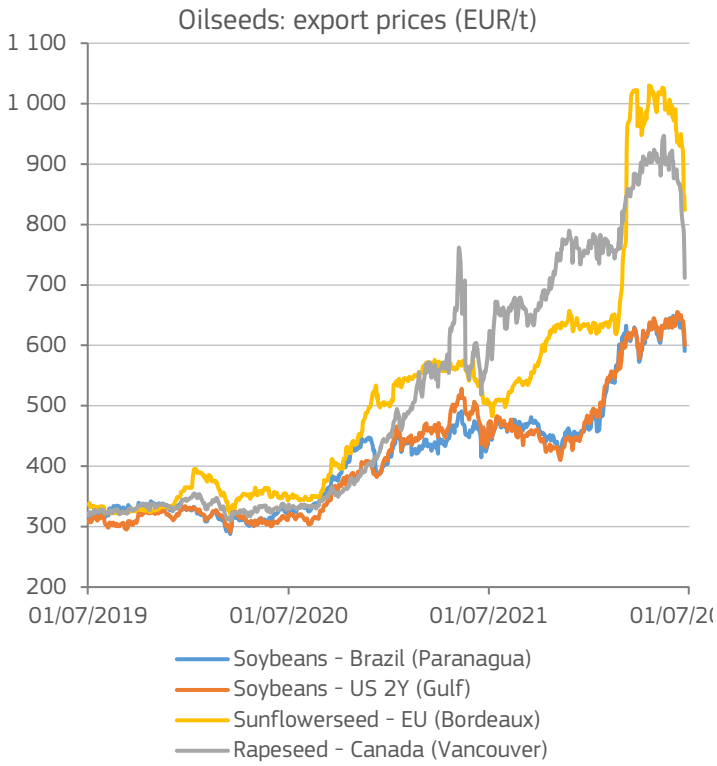
Source: DG Agriculture and Rural Development, based on Eurostat.

The estimated EU protein crops production stands at 4.28 million t in 2021/22 (-3.6% year-on-year). The total domestic use for protein crops is estimated unchanged at 5.44 million t, although with a shift from feed to food, with increased net imports covering the deficit.

In 2022/23, sown areas of protein crops are due to increase following the relaxation of the greening obligations. The projected increase in area stands at 6% (2.2 million ha) thanks to an additional land made available through the derogation applied on ecological focus areas. Yields are also expected to grow by around 3%. These two factors combined imply that 2022/23 EU protein crops production is forecast to reach 4.8 million t (+13% year-on-year).

Domestic demand is expected to increase by 4%, both for human consumption and animal feed. Thanks to the increased production, EU exports are expected to grow (+19% year-on-year) with small decrease in imports (-5%).

OILSEEDS



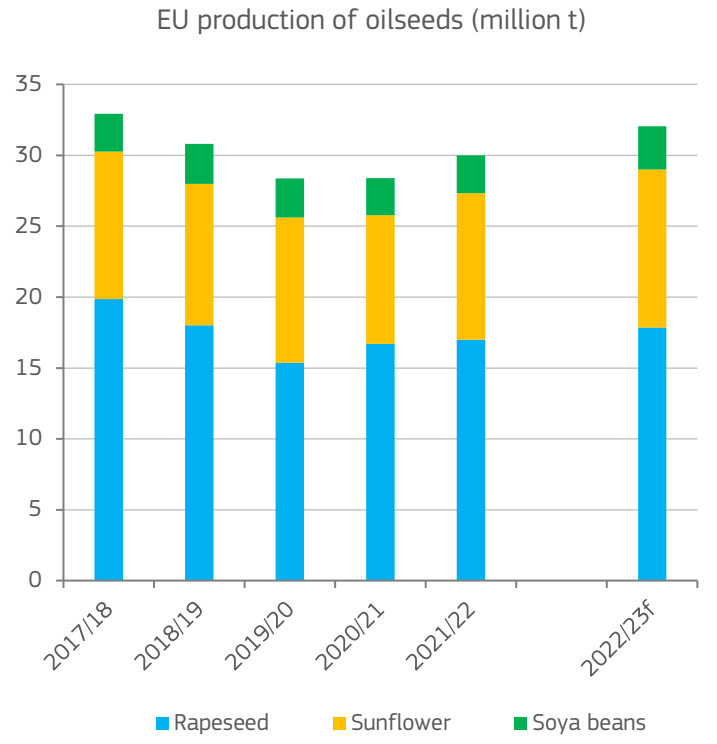
Source: International Grains Council (IGC).

2022/23 EU OILSEED PLANTINGS INCREASE DUE TO HIGH PRICES AND FALLOW LAND MEASURES

Prices of oilseeds have soared in the last two years and hit all-time highs after the Russian invasion which made supplies of sunflower seed and its products from Ukraine unavailable for the world market. In the last few weeks, however, prices have come down on lowering demand and the expectations of good production prospects in the key producing regions.

EU sowing areas for sunflower seed have increased in 2022/23, given the current high prices and the temporary derogation to allow the sowing of crops on fallow land. Farmers used this authorisation in particular to plant sunflower, also because of their relatively low water and fertilisation requirements. Estimated sowing areas of sunflower therefore reached 4.7 million ha (+7.8% year-on-year).

The EU rapeseed area is also estimated at a four-year high of 5.7 million ha, due to already higher prices at the time of sowing in fall 2021 and with mild conditions during the winter, favourable for crop development. Soya beans acreage also increased, by 8.6% year-on-year to reach 1.0 million ha.



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

EU SUNFLOWER SEED PRODUCTION AT NEW RECORD HIGH IN 2022/23

2022/23 EU total oilseed production is forecast to increase by 6.9% year-on-year to pass 32.1 million t for the first time since 2017. Such a high production level should allow to compensate for the loss of supplies from Ukraine.

More specifically, EU rapeseed production could reach 17.9 million t (+5.1% year-on-year), while EU sunflower seed production is expected to reach an all-time high of 11.1 million t (+7.8%). EU soya bean production could increase by almost 15% to 3.0 million t, also reaching a record level.

Overall, EU crushing could increase 3.2% year-on-year, bringing EU meals production to 29.8 million t, close to the average of the previous five years.

EU vegetable oil production is also expected to increase, by 3.2% year-on-year to 16.1 million t. In particular, sunflower seed oil production is expected to grow by 7.8% year-on-year, to a record high level of 4.3 million t.

SUGAR

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

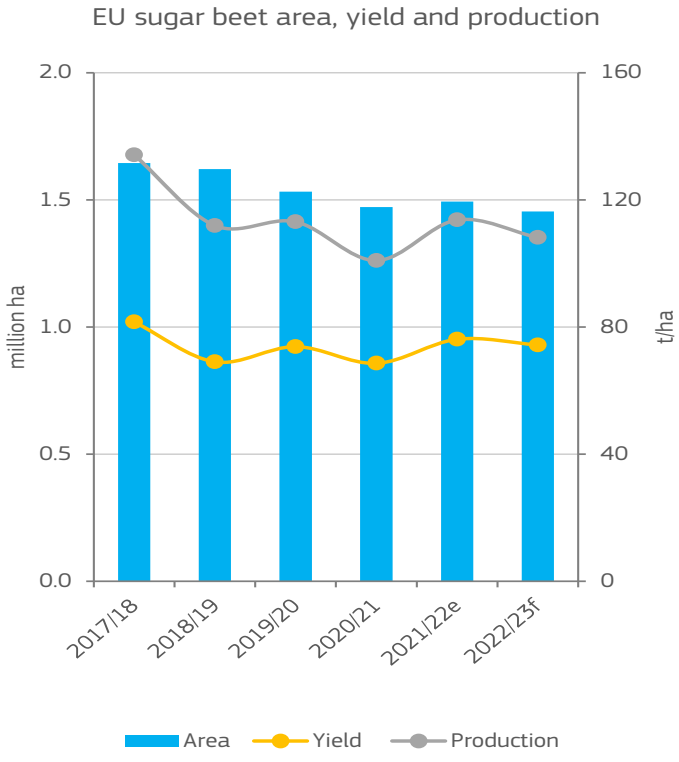
EU SUGAR STOCKS RECOVER IN 2021/22

2021/22 EU sugar production has reached 16.65 million t, well above the previous season (+14.5%) and above a 5-year average. This helped ending stocks of sugar to recover to 1.9 million t, i.e. more than 50% growth compared to the very low ending stocks of 1.2 million t.

Due to the increase in production, EU exports of sugar as such are forecast to reach 0.9 million t in 2021/22 (+7% year-on-year). Due to higher demand, import levels are also forecast to be up (+8% year-on-year), at 1.4 million t.

World sugar prices have been growing consistently since the mid-2020, increasing by more than 30% over the 2020/21 marketing year. This pattern has also continued in 2021/22, supported by tight stocks, increasing consumption and high energy prices. EU prices have followed the growing trend, albeit with a slower pace, reaching the highest level in the post-production quota era of EUR 452/t in May 2022.

As prices for oil and cereals have increased more than the sugar price, it became more competitive as bioethanol feedstock. It is forecast that sugar for ethanol would grow 8% in 2021/22, compared to the last marketing year.



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

2022/23 EU SUGAR PRODUCTION TO DROP BELOW 16 MILLION T

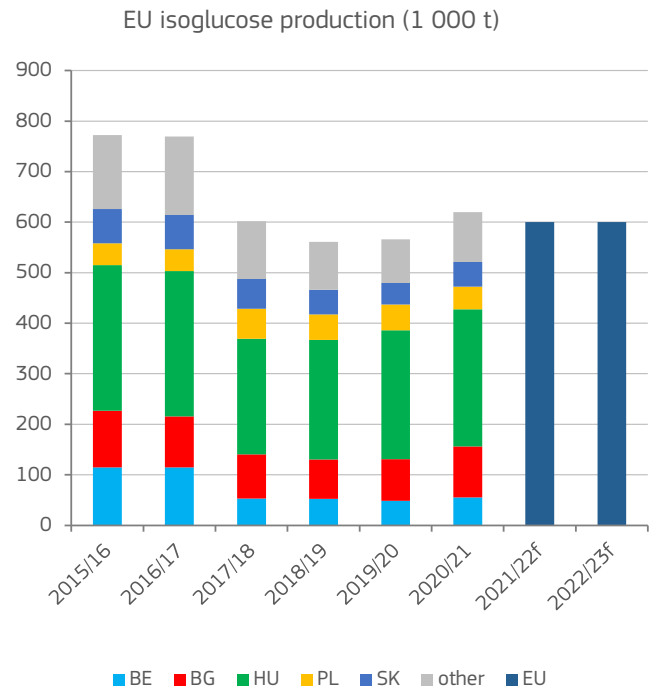
Facing a tough competition from other high-priced arable crops, namely cereals, the EU sugar beet area in 2022/23 is estimated to decrease by 2.4% compared to the previous season to 1.45 million ha. The sowing season was generally favourable with only limited number of re-sowing needed due to few events of spring frosts.

As generally dry conditions during the sowing and the early part of the growing season were observed, the sugar beet yields are estimated at 74.3 t/ha (2.6% below the previous season).

Under these circumstances, the EU sugar beet production would reach 108.1 million t in 2022/23, or 5% below the level of 2021/22 (113.8 million t). Likewise, EU sugar production is expected to decrease by 0.85 million t compared to 2020/21, to 15.8 million t. EU human sugar consumption is expected to remain stable in 2022/23, as the number of consumers has increased following the arrival of Ukrainian refugees, and despite a long-term trend of a decreasing per capita consumption due to consumers switching to less sugar intense diets.

ISOGLUCOSE

ISOGLUCOSE PRODUCTION TO REACH 600 000 t



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

2021/22 EU isoglucose production is forecast to decrease to around 600 000 t, down 3% from post sugar quota record of 620 000 t in 2020/21.

The production was strong early in the season (late 2021) but due to decreasing price competitiveness with sugar, it was reduced. Consequently, exports have also fallen after a strong start of the season and are not expected to reach 76 000 t, falling short of the record of 88 000 t set in 2020/21.

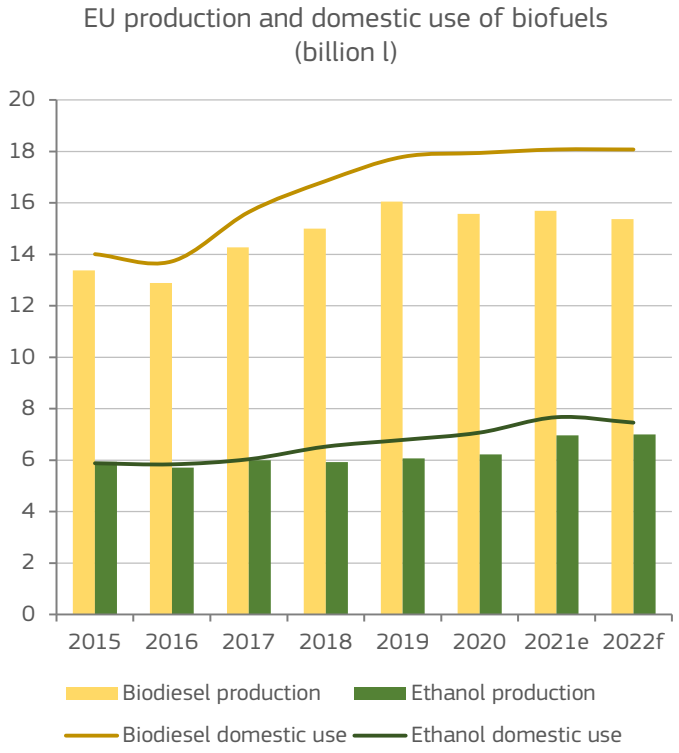
Imports have become negligible since the end of the EU production quotas in October 2017.

Because of lower production, the use of isoglucose in the EU is also expected to decrease by 1% compared to 2020/21.

EU isoglucose production, use and exports in 2022/23 is forecast to remain stable.

BIOFUELS

DEMAND FOR BIOFUELS FLAT IN 2022



DG Agriculture and Rural Development, based on Eurostat (biodiesel) and MS notifications (ethanol).

Road transport fuel use saw a recovery in 2021 but remained significantly below pre-COVID-19 levels. Biofuel use, on the other hand, remained relatively stable in the last two years.

Biodiesel use was supported by higher blending rates and the fact that the demand for diesel, which is used for road freight, was less affected during the pandemic than the one for gasoline. Ethanol use was helped by higher demand for industrial use, but that was not sufficient to avert fuel use losses.

In 2022, however, the demand for both biodiesel and bioethanol are forecast to remain stable or slightly lower. High prices at the pump are expected to limit transport fuel demand, while relaxation of blending mandates in some EU countries should restrict growth in blending.

The EU biodiesel production should be fuelled by used cooking oil and other waste feedstock, while use of palm oil is due to fall further. Use of sunflower oil as feedstock is also expected to decrease due to limited availabilities, while rapeseed oil use is forecast to be stable.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KEY MESSAGES

Olive oil: +9%

EU olive oil consumption in 2021/22

Wine: -3%

EU wine production in 2021/22

P&N: +5%

EU consumption of fresh peaches and nectarines

Tomatoes: -14%

EU tomatoes production for processing

SPECIALISED CROPS

HIGHLIGHTS

2021/22 EU olive oil production increase of 11% was supported by a higher oil content of olives. Above-average EU producer prices of olive oil are likely to remain due to sustained high input and transportation costs, and high prices of other oils and fats. EU exports are forecast to decline compared to a record level last year while some recovery in EU consumption is expected. Ending stocks could be lower than expected, moving towards a likely below-average EU production in 2022/23.

Despite the decrease of EU wine production and imports in 2021/22, the consumption is expected to increase by 5% to 23 l per capita due to lower exports and decreased use of vinified production for “other uses” (distillation, vinegar, brandies). When buying, consumers increasingly pay attention to origin of wine, followed by taste and brand.

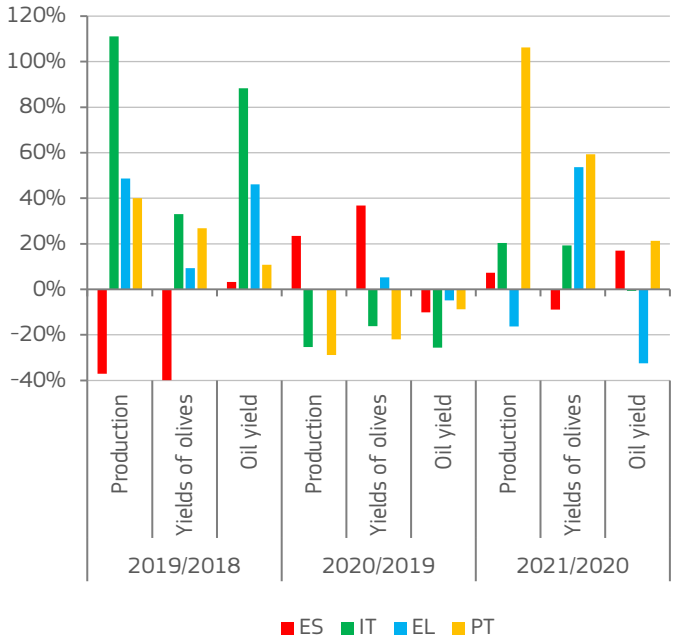
2022 EU per capita consumption of fresh peaches and nectarines is due to increase to 6.1 kg (still below a long-term average) despite the lower purchasing power. This could be thanks to a higher production, the good weather and the return of tourism.

After a very good season in 2021 with high production, good consumption, great quality and low stocks, EU production of tomatoes in 2022 is expected to decrease by 9% to 16.5 million t. The production for processing is forecast to drop by 14%, while production for fresh consumption by 3% year-on-year. The lower production is due to drought, lower expected demand, switching to alternative, more profitable crops and lower planting in greenhouses due to very high energy costs.

OLIVE OIL

EU OLIVE OIL PRICES REMAIN ABOVE AVERAGE

Annual change of olive oil production, yields of olives and oil yields in main EU producing countries



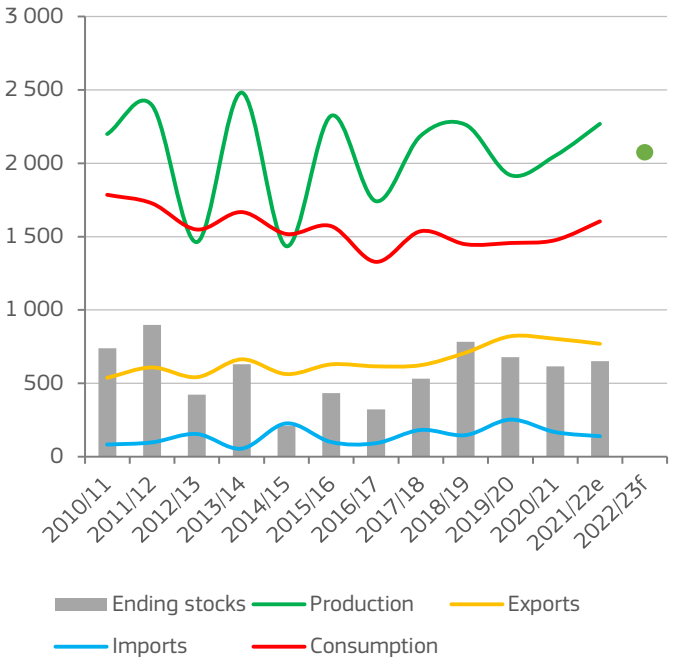
Source: DG Agriculture and Rural Development, based on Eurostat.

The latest MS notifications confirmed the EU olive oil production recovery in 2021/22 (+11% year-on-year), reaching almost 2.3 million t. This was supported by both increasing yields of olives (+7%) and the yield of oil (+6%). However, the situation is mixed in main producing countries. While the yields of olives were lower year-on-year in ES (-9%), this was compensated by a higher oil content (+17%). By contrast, the annual drop in Greek production (-16%) was due to a lower oil content (-33%) despite higher yields of olives (+54%). The record harvest in PT (more than 200 000 t) was the result of 59% higher yields of olives as well as an improved oil content (+21%). In IT, the production increase was supported to a great extent by olives yields growth (+19%) while the oil content remained almost unchanged.

After an initial shock caused by the Russian invasion to Ukraine in March, EU olive oil prices slightly relaxed but remain still well-above a 5-year average. In ES and EL, the national prices of extra virgin olive oil are around EUR 340/100kg (respectively 19% and 16% above 5-year averages) while in IT, it is EUR 430/100 kg (-5%). These prices are likely to remain high due to sustained high input and transportation costs, and the high prices of other oils and fats. This could be further supported by lower expectations for the next harvest.

EU OLIVE OIL CONSUMPTION INCREASING

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



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

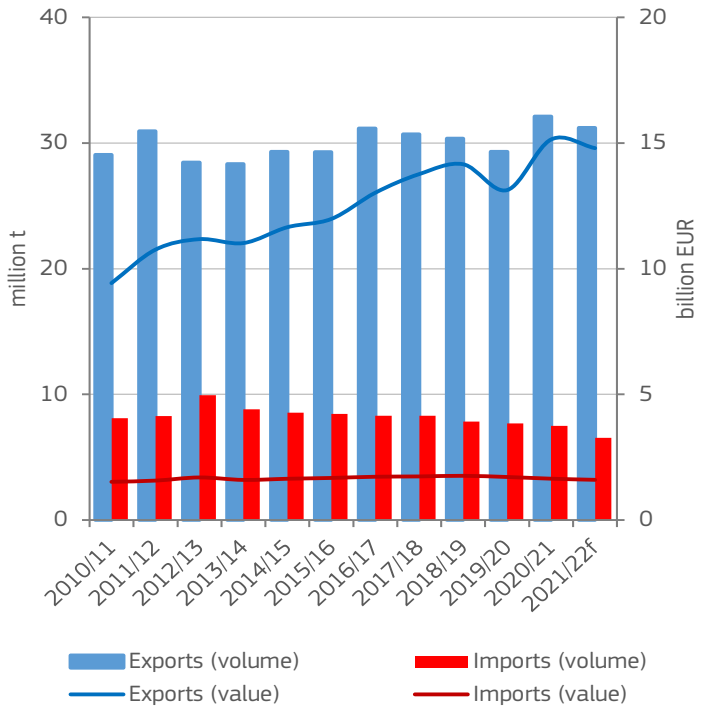
The EU consumer price of olive oil continues increasing. In May, it was 16% above the last year (19% for butter, 45% for other edible oils). However, the EU olive oil consumption keeps on growing thanks to sustained retail sales and the foodservice recovery. It is expected that in 2021/22 it could be 11% higher in the main producing countries and stay at the comparably high level of last years in other EU countries. EU exports are in Oct-Mar 9% below the same period last year due to increased prices and record flows in last campaign. In 2021/22, this trend is expected to lead to exports drop of 4%. However, this is still 8% above the last 5-year average. In Oct-Mar, EU imports were much below the last year (-26%), driven by lower shipments from Tunisia despite a good harvest there. Due to their own food security concerns, and lower vegetable oils imports from Ukraine, it is possible that Tunisia will keep domestic stocks higher, and therefore EU imports could only reach 140 000 t. This would contribute to lower-than-expected ending stocks (650 000 t).

The lack of rain and water for irrigation in some producing regions of ES and IT, and a bi-annual alternation in PT might lead to a decline in 2022/23 EU olive oil production despite some recovery expected in EL. These expectations should continue supporting producer prices in the upcoming months.

WINE

SITUATION ON WINE MARKET BACK TO NORMAL

EU wine trade in volume and value



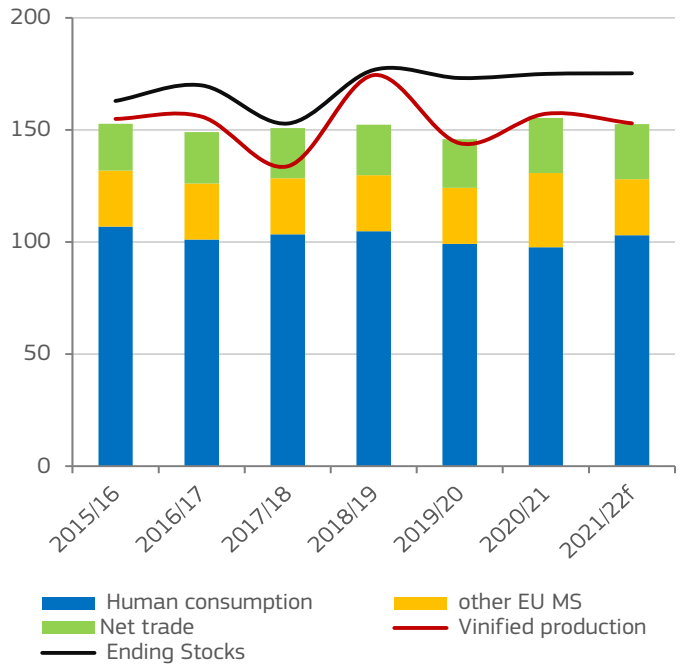
Source: DG Agriculture and Rural Development, based on Eurostat.

2021/22 EU wine production is estimated to decrease by 3% to 153 million hl, returning to a long-term average before COVID-19 pandemic. The record high production (+19% year-on-year) in IT, largest EU wine producing country, will not compensate for the drop in FR and ES (-19% and -13% year-on-year respectively). A record high production is also expected in PT (+15% year-on-year), the fifth largest EU producers, following DE. Two thirds of the wines produced are quality wines.

EU wine consumption, affected by COVID-19 measures, is also normalizing. With an expected 5% year-on-year growth (23 l per capita in 2021/22), it is on track to meet a pre-COVID-19 average level. An increasing trend in the wine consumption can be observed – consumers put more and more often origin of wine first (while agreeing to pay a higher price), followed by taste and brand.

The decrease (-24% year-on-year) in vinified production intended for distillation, vinegar and brandies (Other uses) reflects the end of crisis distillation triggered during the COVID-19 pandemic and its level is returning to the long-term pre-pandemic trend.

EU wine production, consumption, net trade and ending stocks (million l)



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

EU WINE EXPORTS SLOW DOWN AFTER RECORD HIGH LEVEL IN 2020/21

After the historically high level of EU wine exports in 2020/21 (supported by removed US duties and large stocks), EU shipments in 2021/22 are expected to decrease to 31.2 million hl (-3% year-on-year), driven by a drop in exports of PGI wines. This marks a return closer to a longer-term trend. Main factors influencing the exports are increasing energy and transport costs, as well as costs of packaging (paper, glass, cardboards and aluminium).

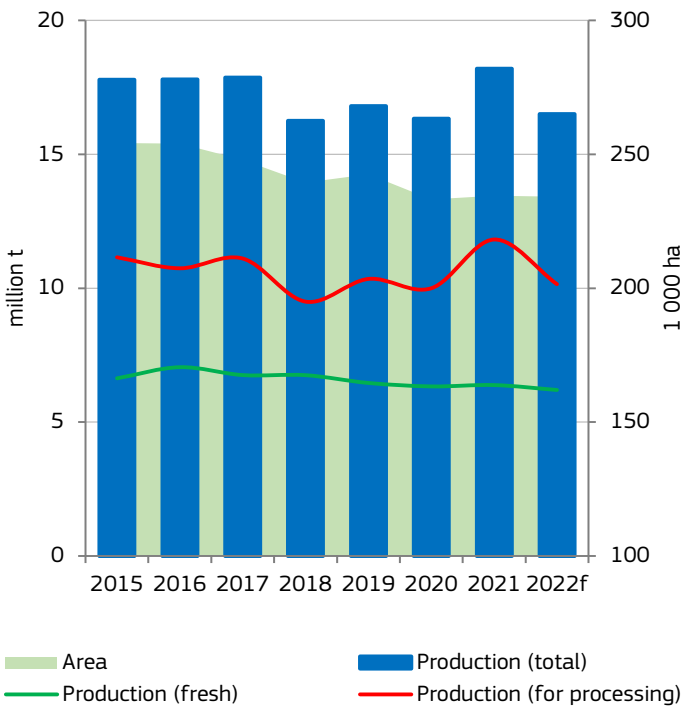
The main EU export markets in value terms remain US, UK, Switzerland, Canada and China with the share of PDO wines close to 80% followed by PGI wines with a share of 13%.

EU imports of wine are declining since 2012/13. In 2021/22, they are expected to decrease to 6.5 million hl (-13% year-on-year, and 18% below 5-year average), driven by a drop of imports of varietal and PDO wines.

TOMATOES

TOMATO PRODUCTION DECLINING

EU tomatoes area and production



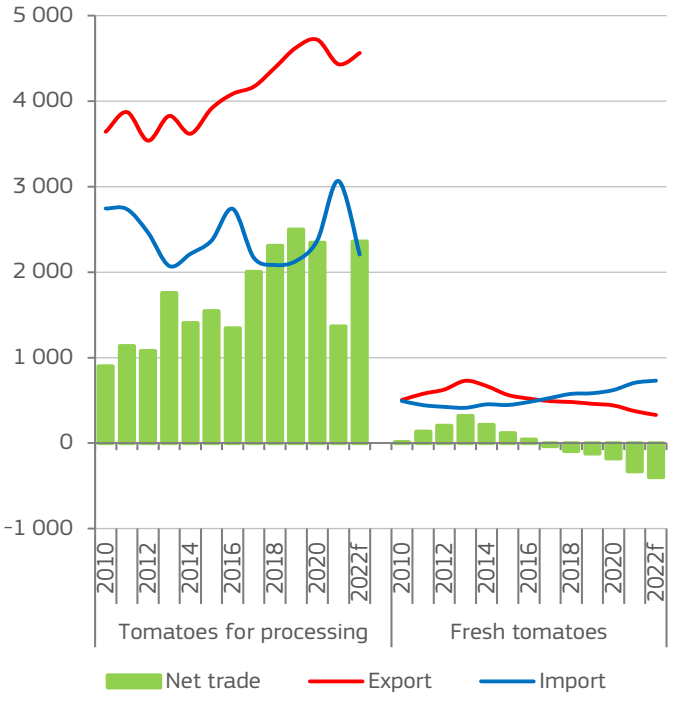
Source: DG Agriculture and Rural Development, based on Eurostat.

2022 EU production of tomatoes is expected to decrease by 9% to 16.5 million t (3% below 5-year average). The annual production of tomatoes for processing (around 60% of total production) is expected to drop by 14% to 10.1 million t (3% below 5-year average) due to dry conditions (affecting mainly Spain and North of Italy), lower expected demand especially for retail products and competition from more profitable crops (e.g. maize, sunflower). EU production for fresh consumption is estimated to decrease by 3% to 6.2 million t (5% below 5-year average). The main factors are less plantings in greenhouses due to very high energy costs, an ongoing switch between varieties towards cherry tomatoes.

While the annual EU fresh tomatoes consumption is expected to decrease slightly (-2% year-on-year), the decline in apparent EU consumption of processed tomatoes would be significant (-25% year-on-year) reflecting the increase of stocks in the previous year.

Per capita consumption of both fresh and processed tomatoes decreased reaching pre-pandemic levels (14.6 kg fresh tomatoes and 17.2 kg processed).

EU trade of tomatoes (1000 t)



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

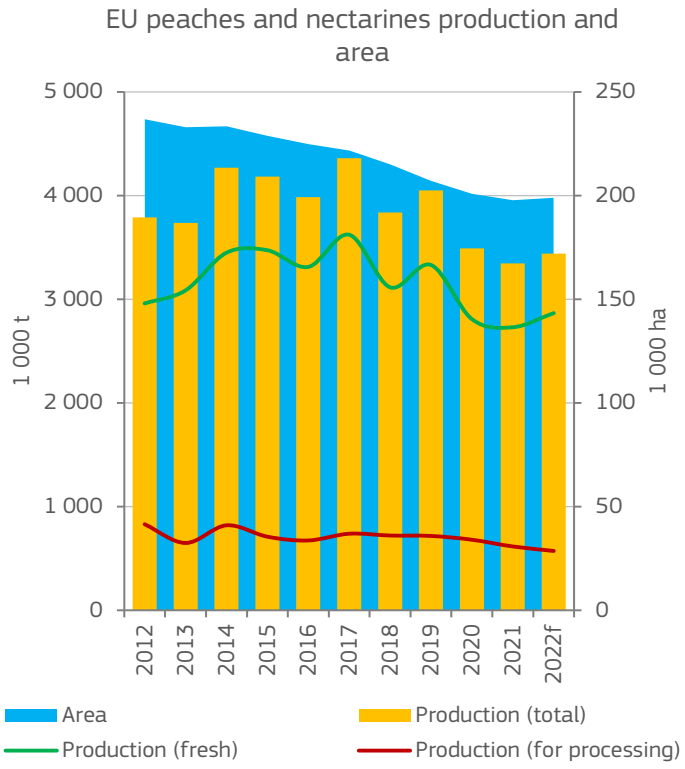
IMPORTS OF PROCESSED TOMATOES DOWN

EU imports of fresh tomatoes (continuing upward trend) are expected to increase in 2022 by 3% to 730 000 t (23% above 5-year average). In 2021, around 67% of EU fresh tomatoes imports were from Morocco (the largest source of imports), followed by Turkey which increases its share in the EU market (25% in 2021/+5 pp above 2020).

EU exports of fresh tomatoes continue declining, following a 10-year trend. In 2022, they are expected to drop to 330 000 t (-12%/2021) as a consequence of Brexit and gradual loss of the UK market (75% of EU fresh exports in 2021) due to increased competition from Morocco in particular. In Jan-Mar, exports to UK dropped by 28% compared to the same period last year.

Due to high EU production in 2021, imports of processed tomatoes are lower in 2022 (-28% year-on-year, with the volume close to pre-pandemic average), while exports are expected to increase by 3%. Lower imports are also partially explained by a lower production (and hence lower exports) in Ukraine where the production is expected to decline by 75% due to the conflict. A reversed trend is expected in 2023 given the lower EU production in 2022 and a production increase outside of the EU.

PEACHES and NECTARINES



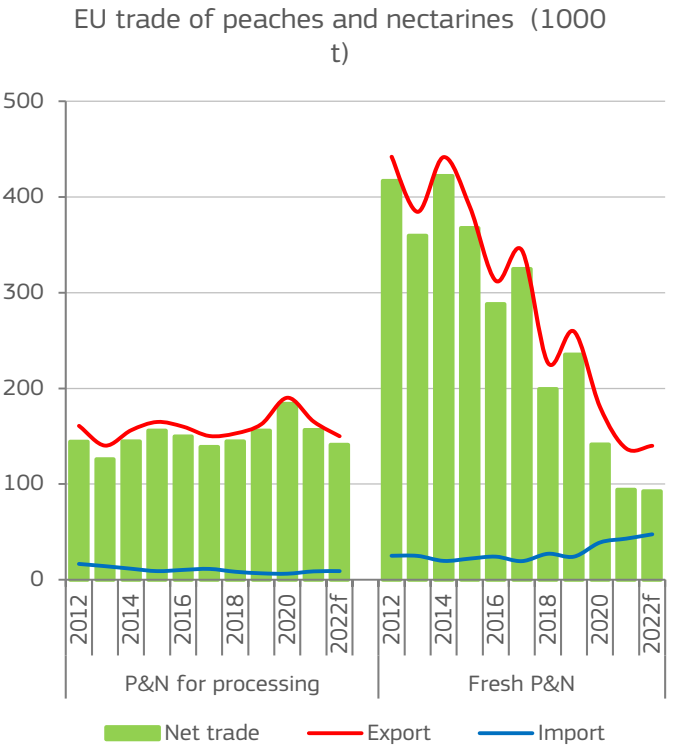
Source: DG Agriculture and Rural Development, based on Eurostat.

STABILITY IN THE AREA AFTER A LONG-TERM DECLINE

In 2022, total EU production of peaches and nectarines is expected to increase by 3% to 3.4 million t (9% below 5-year average), compared to the record low volumes last year affected by extreme weather events especially in IT. Positive production expectations in IT, EL and FR should this year compensate the significant losses in ES caused by historical frost damages and Cyril storm. As a result, Spanish production is expected to drop by 20%.

EU production for fresh consumption is due to increase by 5% in 2022 (7% below 5-year average) to 2.9 million t thanks to favourable weather conditions in IT and FR. By contrast, the annual production aimed at processing is expected to decline by 7% to 570 000 t, driven by decrease in ES (-47%) which is the second largest EU producer after EL.

The area which has been steadily declining since 2012 has stabilised at a level of 200 000 ha in 2022 mainly due to an increase in EL that should compensate the reduction in IT.



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

AVAILABILITY IS DRIVING CONSUMPTION

Total EU consumption of fresh peaches and nectarines is expected to increase to 6.1 kg per capita (5% below 5-year average) after a low level of 2021 (5.9 kg) despite the weakening of the purchasing power. The consumption growth is driven by a higher fresh production, the good weather and the return of tourism. Apparent per capita consumption of processed fruits is expected to decline below 1 kg in 2022.

Although the expected higher fresh production should also boost the sales outside the EU, EU exports of fresh peaches and nectarines are due to be stable (around 140 000 t, +2% year-on-year). The current difficulties to export to the East (e.g. Belarus and Ukraine) should have a negative impact on sales. Following the UK and Switzerland (the main EU export partners), Belarus and Ukraine were in the top 5 destinations. EU imports of fresh products would follow the increasing trend and are expected to increase in 2022 by 11% to 47 000 t while remaining low relative to total production and consumption. EU imports of processed peaches and nectarines are due to remain at a level of 9 000 t in 2022. Exports could decrease by 9% year-on-year to 150 000 t due to a lower EL competitiveness, being dependent on Russian gas more than extra-EU competitors.

KEY MESSAGES

Record dairy prices

but farms' margins remain tight

-0.6%

EU milk collection in 2022

+0.5%

EU cheese production despite milk collection decline

+2%

EU butter exports recovery

MILK AND DAIRY PRODUCTS

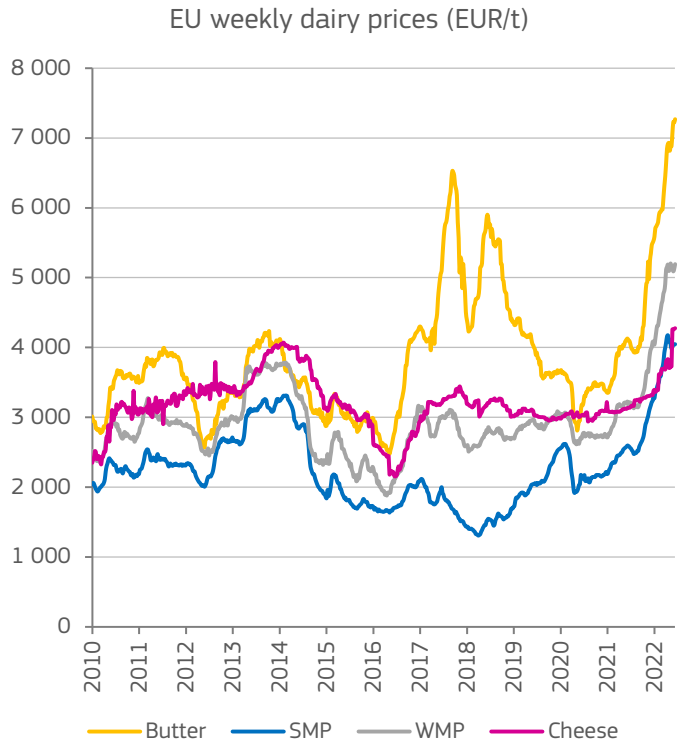
HIGHLIGHTS

EU dairy prices are at record levels. While EU SMP and WMP prices remain relatively stable (but high) and whey prices show some decline, others continue increasing. These developments support EU raw milk prices at record levels. Despite this, farms' margins remain tight because of high input costs. Due to the dry and warm weather conditions during spring – which affected grass quality and availability and other feed ratios components – milk yield development in the EU could be lower than expected earlier in 2022 (0.4%), also combined by the reduced feed use as a result of high feed cost. Combined with a smaller dairy herd (-1%), EU milk deliveries are therefore expected to drop by 0.6% in 2022. The lower grass quality and lower feed use due to availability and cost are likely to decrease also the milk fat and protein content, thus reducing the availability of milk solids for processing even further.

EU cheese and cream production could continue to grow and reduce milk fat availability for butter and WMP production. An increase in cheese exports is expected, and domestic use of dairy products could grow slightly in 2022 (0.3%), assuming sustained retail sales and foodservice recovery, as well as limited transmission of high producer prices along the chain towards consumers.

MILK

EU DAIRY PRICES AT RECORD HIGH



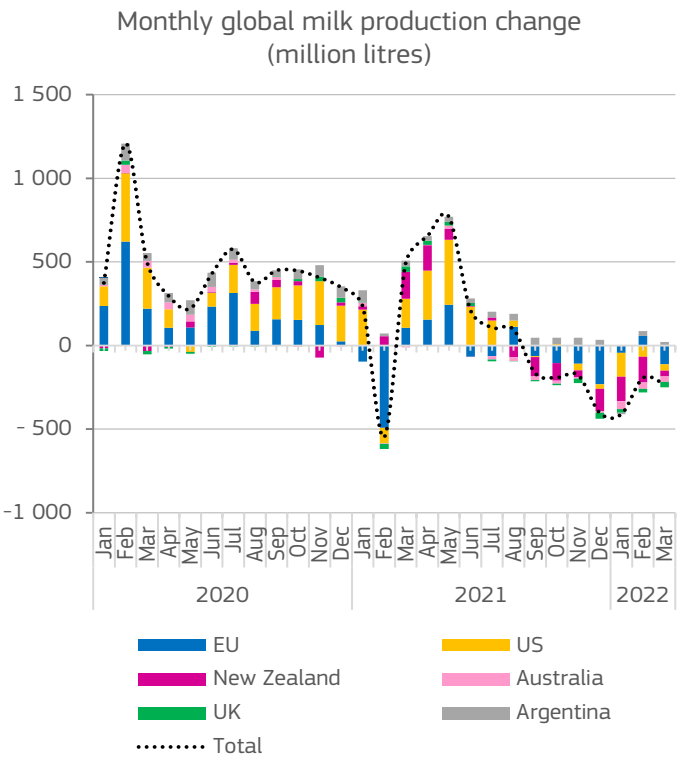
Source: DG Agriculture and Rural Development, based on MS notifications.

The trend of increasing EU dairy prices continues. Since the beginning of the year until mid-June, they grew by around 25% for SMP and cheeses, and by 30% for butter and WMP. Prices for EU whey powders lag behind this (16%). While EU SMP prices showed some relaxation after an initial shock caused by the Russian invasion of Ukraine, and now remain stable, EU butter and cheese prices continue increasing. Contrary to SMP, EU prices for WMP did not relax and remain at a stable but high level since the invasion. All these EU dairy prices are at a record high. In mid-June, EU butter prices reached close to EUR 7300/t, SMP prices are more than EUR 4000/t, and WMP prices are close to EUR 5200/t. By contrast, EU whey powders prices are at a lower level (EUR 1300/t), and compared to other products, they even showed a declining trend since the invasion started.

These developments are driving up the EU raw milk price, which in May was almost EUR 48/100 kg (40% above 5-year average). The EU milk equivalent price (based on SMP and butter prices) remains high as well. Considering the relationship between the two, the upward trend on EU raw milk prices is expected to remain in following months, and no seasonal price relaxation is likely to take place.

Despite an increasing EU raw milk price, dairy farms' margins remain tight due to sustained high input including feed and logistic costs.

HIGH COSTS CONTINUE RESTRICTING GLOBAL MILK PRODUCTION GROWTH



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

Record EU dairy prices affect also the EU's competitiveness in trade compared to other main players (Oceania and the US). In mid-June, the EU is competitive only in cheese (9% below the US price, the second lowest market price), while in butter and WMP, the EU is more than 30% above the lowest market price (Oceania prices), and 5% for SMP (the US price).

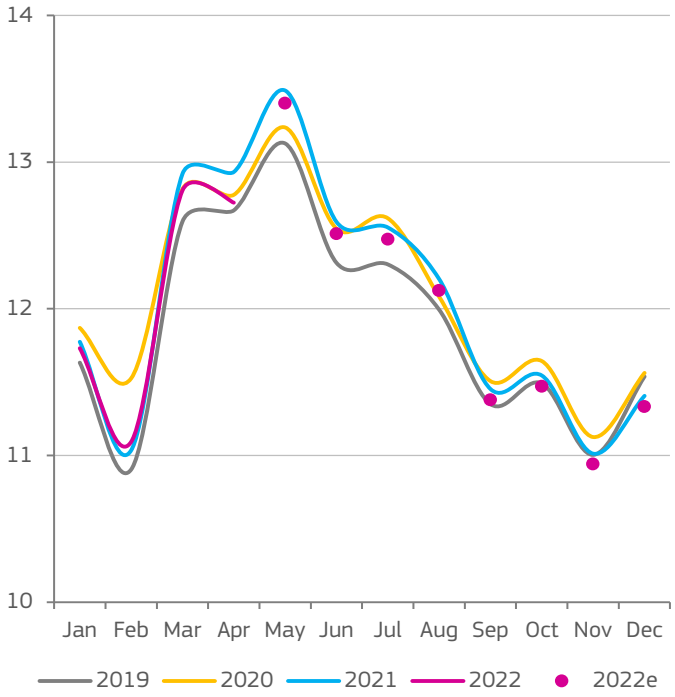
The global milk supply growth is likely to remain limited in 2022. Warm and dry weather in some US producing regions, and high input costs are considered a limiting factor for a significant expansion of milk production, despite an increase in the size of dairy cows' herd. Nevertheless, the growth of the US milk production could be still positive.

In the case of New Zealand, high input costs could weight negatively on farms' profitability, although less than in other world regions due to a higher share of grass feeding. The milk production increase will depend on weather conditions. However, seasonal prospects remain positive taking into account the comparably low levels of the last season.

MILK

LOWER THAN EXPECTED EU MILK COLLECTION

EU monthly milk collection (million t)



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

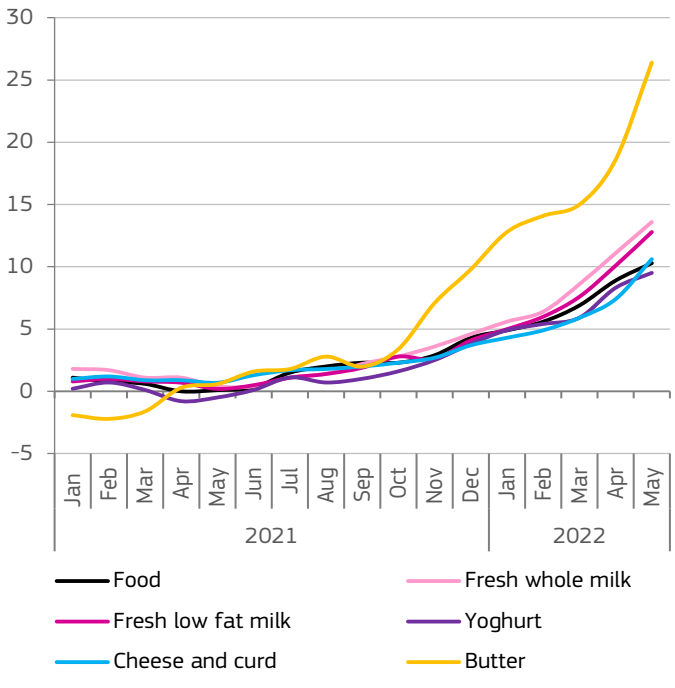
In Jan-Apr, EU milk deliveries dropped by 0.6%. Among the largest producing countries, only deliveries in PL, IT and DK grew (2.4%, 0.4% and 0.6% respectively) while DE, FR and NL continued the declining trend: -1.7%, -1.3%, -2.3% respectively. Irish milk deliveries dropped as well (-0.7%), compared to an exceptionally high level of last year. Warm and dry weather during the spring flush (causing heat stress to cows and affecting grass and crop development), combined with high feed costs and the difficulties of sourcing GM-free feed in DE, resulted also in a drop of milk fat and protein availability. In Jan-Apr, the drop for both was 0.8%.

Weather prospects in upcoming months remain negative for pasture developments in Central and Eastern Europe as well as in IT. Combined with sustained high prices of crops destined to feed, this is likely to affect farms' economy negatively and to lead to a further herd reduction (-1%) in 2022, and lead to lower yield growth (+0.4% compared to 1% in Spring STO). As a result, in 2022 EU milk deliveries could drop by 0.6%, mainly due to a drop in Q2 (-1%), followed by declines in Q3 and Q4 (-0.6% for both). This would then contribute to tighter global milk supplies in 2022.

DAIRY PRODUCTS

EU DAIRY CONSUMPTION COULD STILL GROW

Annual rate of change of consumer prices of selected dairy products (%)



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

Consumer prices are not growing proportionally to increasing dairy prices. In May, an annual rate of change of EU consumer prices for milk, cheese and eggs combined was above 11%, stronger for fresh milk (almost 14% for the whole milk, close to 13% for the low fat milk), butter (more than 26%) and lower for the yoghurt (9.5%) and cheese (10.6%). Nevertheless, it is assumed that EU dairy consumption could grow overall by 0.3%, supported by the ongoing recovery of foodservice, with other food products seeing even higher inflation rates. After a period of lockdowns in 2020 and 2021, accumulated personal savings will likely to some extent offset an increase in consumer prices. At the same time, some switch to low value-added products could be assumed, impacting neutrally the volumes consumed.

The global dairy demand weights on developments in China. There, lockdowns at the beginning of the year halted the demand recovery, prevented a release of accumulated stocks and led to an increasing unemployment, all factors impacting negatively on the demand for dairy products in 2022. On the contrary, oil exporting countries could benefit from increasing oil prices to some extent. Another positive demand signals are observed from South-East Asia which is suffering less suffering less from the global inflation developments.

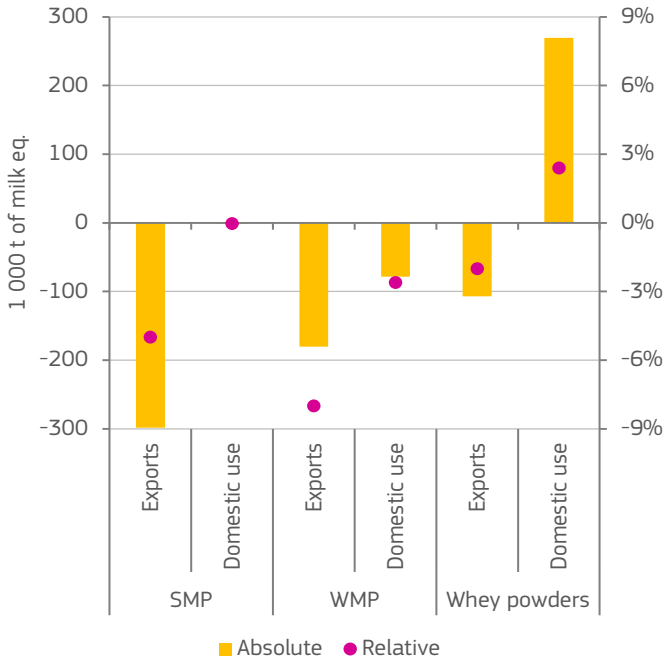
DAIRY PRODUCTS

EU CHEESE PRODUCTION ABSORBING MILK FAT

Even if the EU milk deliveries are expected to decline in 2022 by 0.6%, the EU cheese production could grow by 0.5%. This is thanks to the competitive prices on the world market (+2% of export growth), and mainly thanks to growing flows to the US and recovery of the UK-destined exports. This could be combined with stable domestic retail sales and foodservice recovery, supporting the level of the consumption of last year (+2%/2020). Among other dairy products using milk fat in their processing, the EU cream production is expected to grow as well (+1%), also supported by the domestic and global demand, although less than in 2021 due to a likely reduced demand from China. This reduced demand could also weaken the flows of drinking milk but EU FDP exports could still grow by 2% while domestic use could continue declining (-0.4%).

This is expected to reduce the availability of milk fat for other dairy products. In particular, the EU butter production is expected to be reduced (-1%), with domestic consumption being stable and despite some recovery of EU shipments. This could be supported by the reduction of stocks (-35 000 t) which are expected to be at the low level. The EU WMP production is likely to decline as well (-5%), with negative expectations for exports (-8%) as well as domestic processing (close to -3%).

2022/2021 annual change in exports and domestic use of EU milk powders



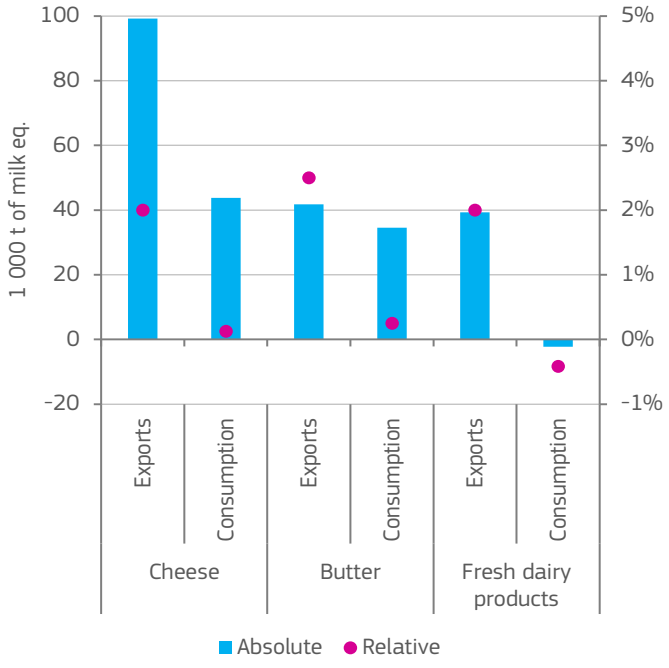
Source: DG Agriculture and Rural Development, based on Eurostat.

LOWER MILK PROTEIN AVAILABILITY LIMITING SMP PRODUCTION GROWTH

Among the milk powders, it is expected that only the EU production of whey powders could grow (+1%), related to an increase of the cheese production. Given the current price levels of these milk powders, it is still assumed to be a cheaper alternative to other milk powders in some processing applications, thus supporting some domestic use increase (+2.4%). Contrarily, EU shipments could decline (-2%), driven mainly by a reduced demand from China.

Lower milk protein availability due to reduced milk collection, energy cost of running drying towers, the weakened demand in some destinations and high freight costs, could result in a lower EU SMP production in 2022 (-1.5%) and lower exports (-5%). As the EU SMP price is less competitive than the US one now, and China and Algeria reduced their imports at the beginning of the year, the EU export decline in Jan-Mar was strong (-22%). However, given the small price difference, EU exports could grow in upcoming months, leading to a stock reduction as the EU production is expected to decline. Concerning domestic use, it could remain unchanged compared to 2021, despite initial expectations. To some extent, the use of SMP in the FFP production could be further incentivized due to high WMP price and its impact on some price sensitive markets. Contrarily to EU exports, the domestic use is assumed to be less price sensitive.

2022/2021 annual change in exports and domestic use of traditional EU dairy products



Source: DG Agriculture and Rural Development based on Eurostat.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KEY MESSAGES

-0.5%

EU beef production in 2022

-4.7%

expected EU pigmeat production drop in 2022

+29%

average EU broiler price Apr-Jun 2022 year-on-year

+9%

EU heavy lamb price 2022 year-on-year

MEAT PRODUCTS

HIGHLIGHTS

EU beef production is expected to decrease by 0.5% in 2022, due mainly to a structural adjustment in the beef and dairy sector, despite high prices. EU exports should increase mainly to existing high-value markets but constrained by record-high domestic prices. EU imports are on the rise due to Brazilian supply.

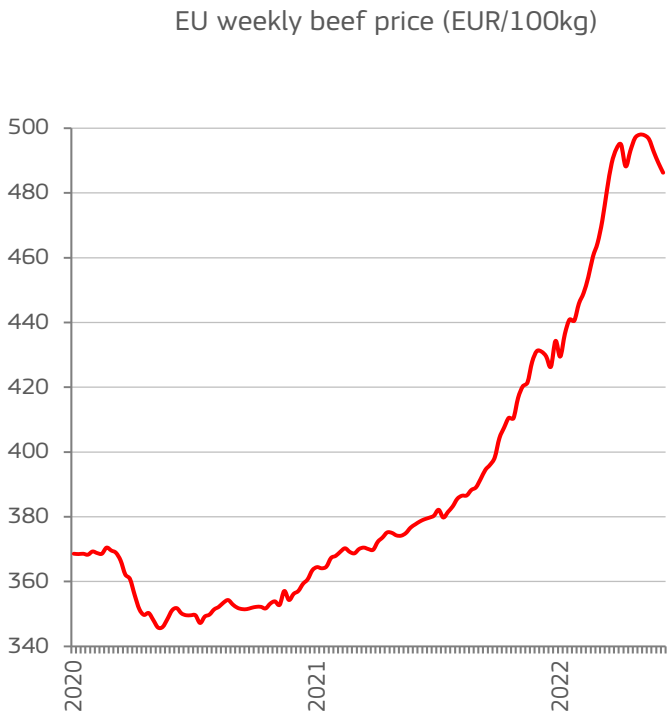
Increasing concerns for the environment, reduced export prospects, sustained high input costs and African Swine Fever (ASF) are due to annul the high pigmeat price incentive and result in a decreased production. The EU supplied China during 2 years of the acute ASF crisis, while now the UK becomes again EU's first export destination.

EU poultry production is due to stabilise in 2022. The EU broiler price is high enough to compensate for the high input costs and Highly Pathogenic Avian Influenza continues spreading, among other factors. Trade with the UK resumes pre-Brexit levels but the EU is losing in some export markets. Imports are expected to partially recover 2016-19 levels, although trade flows with Ukraine bring some upward uncertainty.

Despite the historical low EU sheep and goat flock, slaughterings are expected to stabilise in 2022. Trade should resume but still at relatively low levels, leading to sustained high domestic prices.

BEEF AND VEAL

EU BEEF PRICES AT RECORD LEVEL

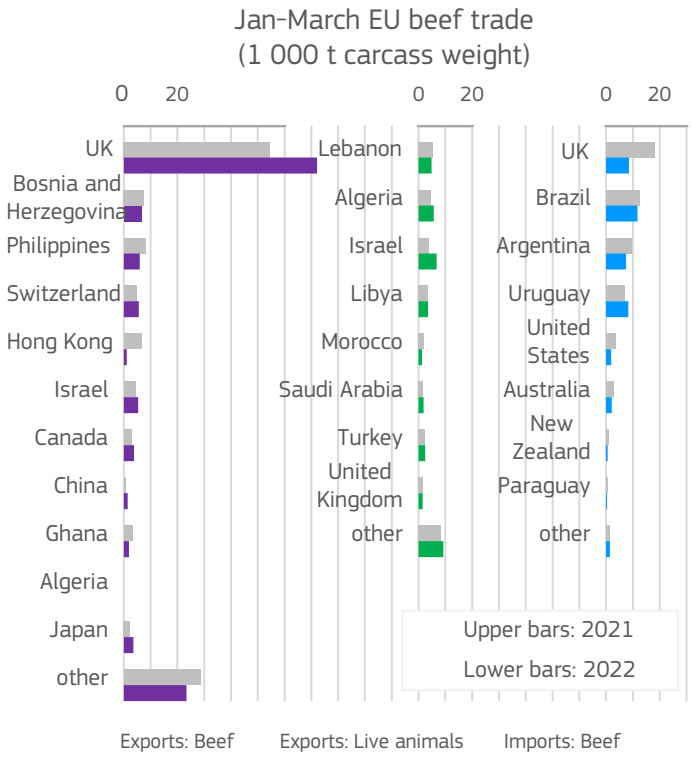


Source: DG Agriculture and Rural Development, based on MS notifications.

Since the beginning of 2021, the EU beef price increased strongly to reach almost EUR 500/kg in May 2022 due to low supply at EU and global level at one hand and improving demand after COVID-19 on the other hand. The last few weeks, this increase seems to have come to a halt.

In Jan-March, EU beef production declined by 0.8% year-on-year. This number hides large differences among EU countries. The declining cow herd in FR and DE during the last years impacts negatively the beef production. Italy compensates its declining domestic herd by increasing imports of live animals for slaughtering mainly from FR, while ES takes advantage of both an increasing domestic herd and additional imports of live animals to increase its production. In IE, dairy cows continue replacing suckler cows. As a result, EU countries can or cannot take advantage of the increasing demand and the current high beef prices.

In addition to these different pathways and developments at country level, continuing high input prices, notably for feed, may lead to additional slaughterings by the end of the year and to lower carcass weights, especially in the finishing process, where feed costs will weigh more on farm profitability. Overall, production is expected to continue the declining path in 2022 by -0.5%.



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

EXPORTS TO HIGH-VALUE MARKETS IMPROVE, WHILE IMPORTS FROM BRAZIL RECOVER FAST

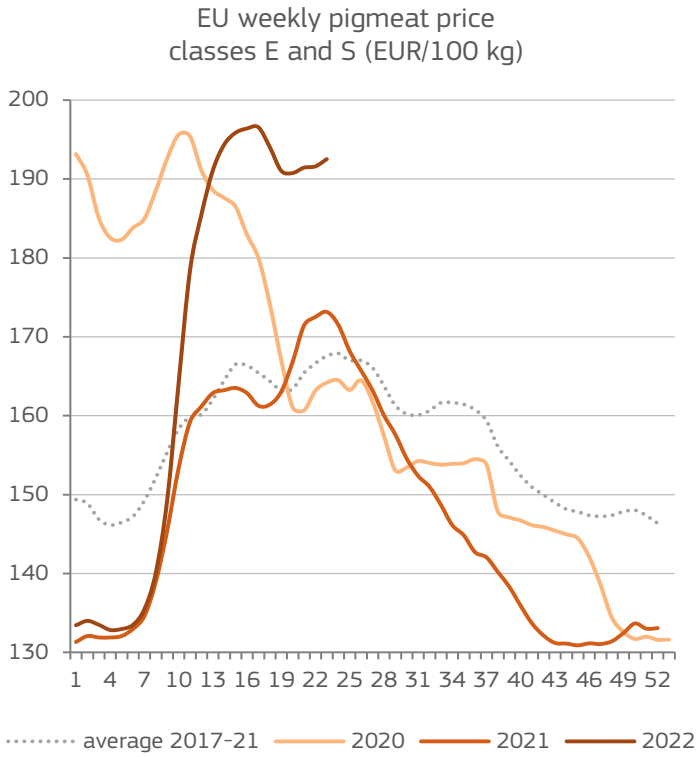
In Jan-March, EU beef exports increased by 6% compared to a relative low level over the same period in 2021. Exports to certain high-value markets such as Canada (+36%), Japan (+61% and UK (+32%) are doing very well. It should be kept in mind that exports in Q1 of 2021 were relatively weak. Other destinations such as Israel are also prospering, while Bosnia-Herzegovina, the Philippines and Hong Kong are showing significant declines. For the whole year, EU meat exports are expected to grow by 4%, constrained by limited domestic availability and the relatively high domestic prices.

EU live exports declined by 10% in Q1 of 2022. Frictionless exports of live animals between the EU and the UK are not yet expected. Trade with Russia is decreasing. Shipments to Israel, Lebanon and a newcomer Egypt are evolving positively. Overall, a decline of 8% is foreseen in 2022.

EU imports are expected to recover by 15% in 2022 (after two years of lower imports) due to the reopening of foodservices in the EU, a faster recovery of supply by Brazil and additional in-quota imports from Argentina.

PIGMEAT

PRODUCTION TO FURTHER DECREASE IN SPITE OF HIGH PRICES



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

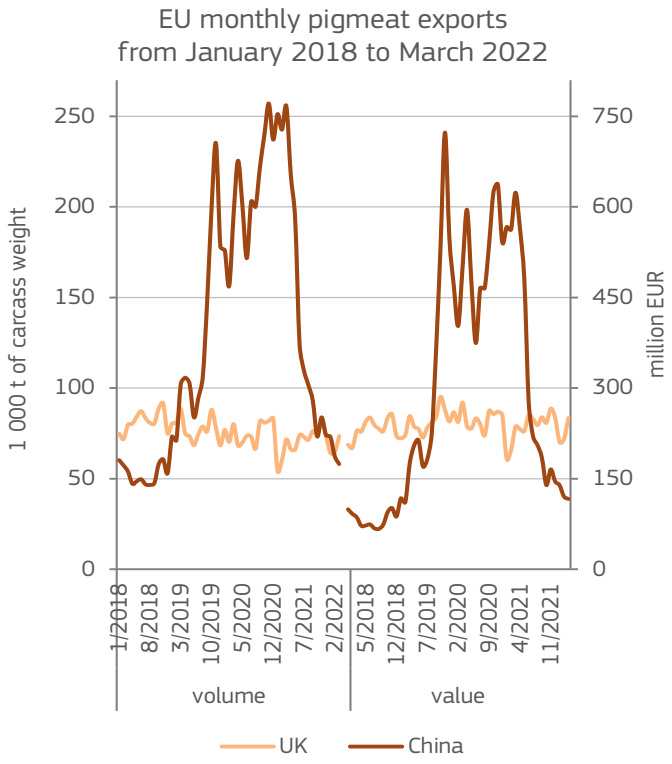
Since February 2022, EU pigmeat price rapidly recovered, reaching since April a level (17% above Apr-May 2017-21 average). However, increasing concerns for the environment, reduced export prospects, sustained high input costs and African Swine Fever (ASF) push production down.

The production is due to decline strongly in DE (-14%), IT (-7.5%), as well as in PL (-14%).

As BE and NL both discuss similar regulations to reduce the pressure on the environment, production is already expected to adjust in anticipation (-3% in BE and stabilisation in NL).

By contrast, ES – EU's biggest producer – is likely to continue increasing its production by 3% in 2022. Overall, pigmeat production is expected to decrease by 4.7% in 2022.

In 2022, EU domestic use may decrease by 3.3%, which would average at 31.7 kg per capita.



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

THE UK BECAME AGAIN THE FIRST EXPORT DESTINATION AFTER CHINA

As China continues to restore its pigmeat production capacity, EU exports to that destination resume pre-ASF levels and are expected to decrease by 40% in 2022, reaching a level just above that of 2016. In the meanwhile, EU exports to the UK continue improving. They may increase by 10% in 2022, almost reaching their 2019 level.

EU pigmeat exports to other overseas destinations are due to increase in 2022: +20% to Japan, the Philippines, the US and Australia, for instance.

Overall, EU pigmeat exports are expected to decrease by 9.6% in 2022, which means they would still reach a level 19% higher than the 2016-18 average.

EU pigmeat imports from the UK are expected to increase strongly in 2022, by 34%. As a consequence, total EU pigmeat imports are due to increase by 28%, reaching a level still 21% lower than the 2016-18 average.

POULTRY

PRODUCTION TO STABILISE DESPITE EXCEPTIONALLY HIGH PRICES

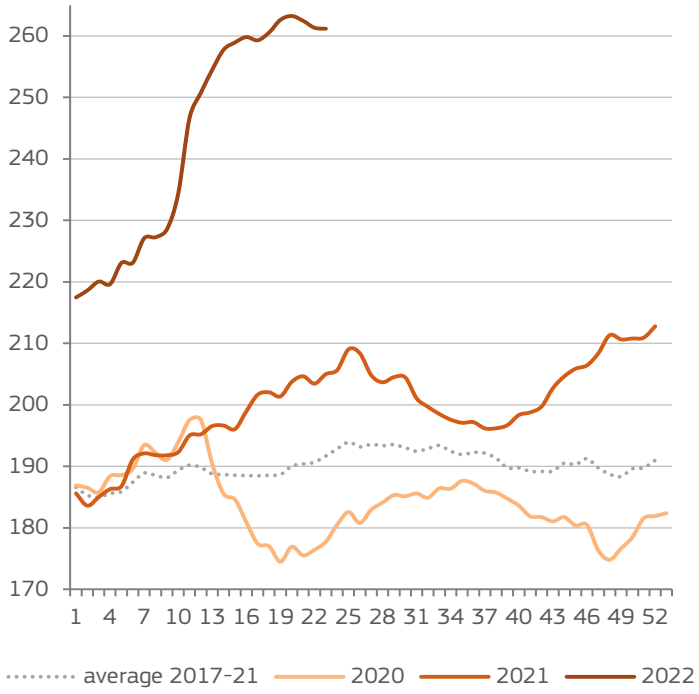
Already starting 2022 at very high level, EU broilers price showed a strong surge by 13% in 5 weeks (late February - early April). Since April, it levelled off 38% above the 2017-21 average year-on-year.

However, the sector faces a Highly Pathogenic Avian Influenza (HPAI) epidemic season of historic magnitude. Since October 2021, 21 EU countries have been affected by HPAI outbreaks in poultry, in particular in FR, IT, HU, PL and NL. In spite of high culling numbers in FR, the impact on meat production is moderate: the production in FR may increase slightly by 0.5% in 2022. By contrast, in IT and HU, the production decrease is due to be severe (10.5% and 9% respectively). Another factor acting against production expansion remains high input prices, expected to last until at least the end of 2022. Lastly, growing concerns for the environment – especially in BE and NL where similar regulations are being discussed to reduce the excess of nutrients – also tend to push for a decrease of production.

Amongst the biggest EU producers, ES and PL are expected to increase production in 2022(by 2.4% and 2.5%, respectively). Overall, EU poultry production is due to remain stable in 2022.

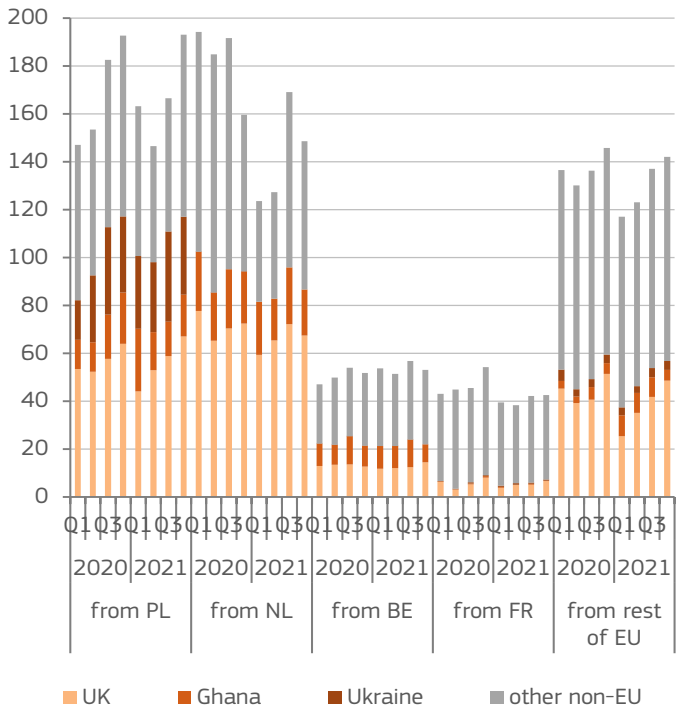
EU domestic use may increase slightly by 0.9% in 2022.

EU weekly broilers price (EUR/100 kg)



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

EU quarterly poultry exports (1 000 t)



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

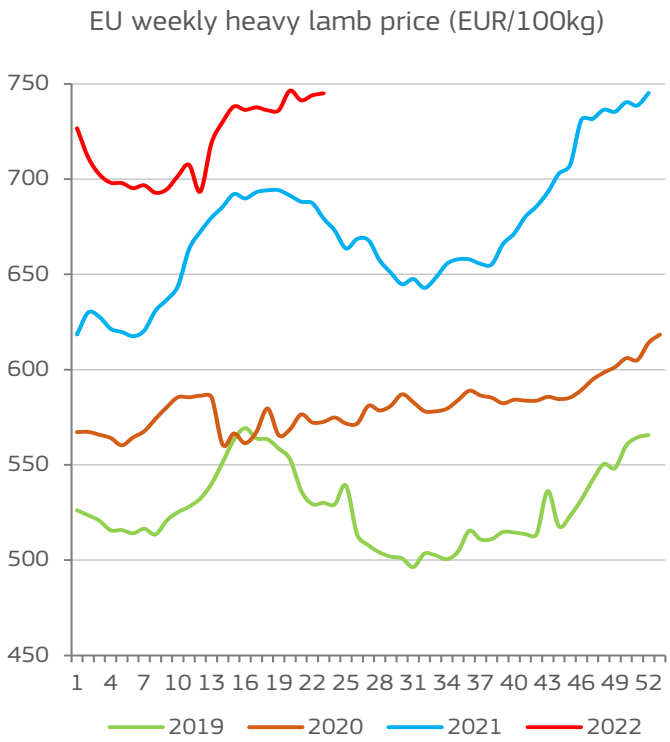
TRADE WITH THE UK RECOVERING

Poultry trade with the UK is certainly resuming pre-Brexit levels. EU exports to the UK are expected to increase by 20% in 2022, to a level 6% above the 2016-19 average. EU imports from the UK may increase by 25% in 2022, reaching a level still 3% below the 2016-19 average.

Because of HPAI, EU exports – particularly to African and Asian countries – are constrained by regional or country-wide bans. On the American continent, the virus was absent from the US for 2 years. Since the start of 2022, HPAI outbreaks have continued to spread and currently 36 US States are impacted. By contrast, Brazil reclaims its share on world markets and takes advantage of US and EU limited production to supply important poultry markets. Overall, EU poultry exports are due to increase slightly, by 0.9% in 2022 reaching a level 7% below the 2016-19 average.

EU foodservice recovery is likely to continue pushing imports upwards, as witnessed early 2022 in imports from the UK, Brazil and Ukraine. Imports from Ukraine have continued and reached similar levels as in the recent years. With Ukraine's duty-free/quota-free access to the EU market as of June 2022, they might further rise because of large quantities of grains available due to the blockage of Black Sea ports. Overall, EU poultry imports are expected to increase by 16.5% in 2022 (a level 4% below the 2016-19 average).

SHEEP/GOAT MEAT



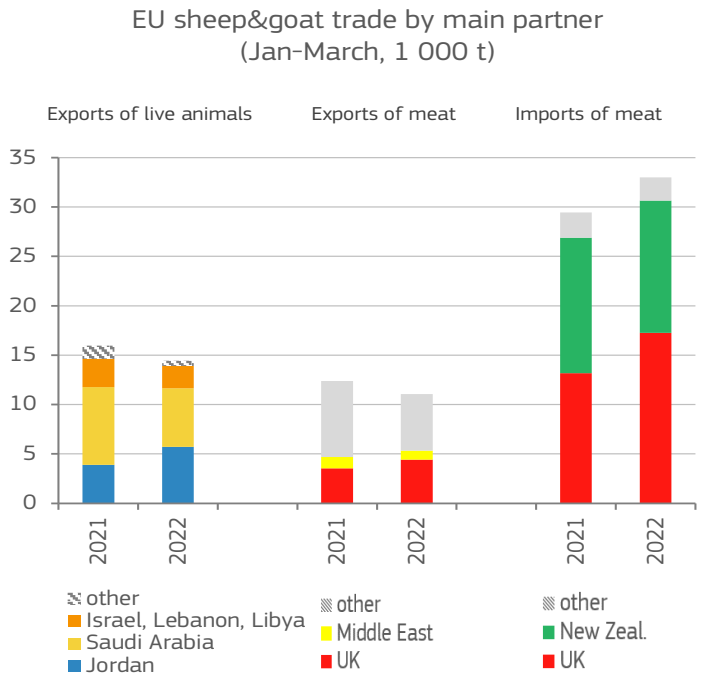
Source: DG Agriculture and Rural Development, based on Eurostat

SHEEP AND GOAT MEAT PRODUCTION STABILISES IN 2022

EU lamb prices in 2022 remain at unprecedented high levels. After the decline in the beginning of the year, prices reached again record levels during Easter. The main reason for this high price level is the low domestic supply against a sustained demand in the EU.

In Jan-March 2022, EU sheep and goat slaughterings were down 4% year-on-year, but this needs to be considered with caution since the spike of seasonal slaughterings occurred during March in 2021, while Easter demand was in April in 2022. In this light, the drop is relatively modest and certain EU countries like IE and EL even show increased slaughterings.

The substantial reduction of the flock will limit production increases in certain EU countries, despite the favourable prices. The current situation of high feed prices may lead to additional slaughterings and lighter slaughter weights in feed intensive production systems. Overall, a stabilisation of production is expected in 2022, which is likely to contribute to sustained domestic prices.



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

HIGH DOMESTIC PRICES LIMIT EXPORTS

EU sheep meat exports decreased by 11% in Jan-March 2022 compared to the same period last year. A shortage in domestic supply, continuing trade frictions with the UK and relatively high EU prices will limit the recovery of exports to a modest 2% increase in 2022, starting from low 2021 numbers.

EU exports of live animals decreased in the same period by 10%. All main destinations, especially Saudi Arabia, are recording decreases, except Jordan. Exports of live animals are set to decline by 8% in 2022 due to high domestic prices and the difficult transport situation through the Black Sea. RO is expected to redirected part of its excess live animals to neighbouring countries such as EL and BG due to the very remunerating prices.

EU imports of sheep meat increased by 12% in Jan-March 2022. Shipments from the UK to the EU recorded a recovery of 31%, while imports from New Zealand stayed relatively stable. High shipping costs and more attractive markets in Asia will further limit the increase of EU imports to 6% in 2022, assuming no change in trade frictions with the UK.

METHODOLOGY

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

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

SOURCES

- DG Economic and Financial Affairs, European Economic Forecast[1]
- Eurosystem staff macroeconomic projections for the euro area[2]
- IHS Markit
  - DataInsight database
  - Commodity Price Watch
- World Bank, Commodity Markets[3]
- Nord Stream network data[4]
- Freightos,[5] global container freight rate index, cited by Statista[6]
- Baltic dry index,[7] cited by Statista[8]
- Eurostat
  - Agricultural production yearly for historical data and monthly data for previous and current year for meat and dairy production
  - Farm livestock survey
  - Gross Indigenous Production (GIP) forecast for meat
  - Early estimates for crop products
- Comext database (extra and intra-EU trade statistics)

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

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 AGRI4CAST[9]) 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 2022 calendar year assume duty-free/quota-free trade between the two.

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

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

Because of this delay in EU trade data completeness, the period covered by trade data might differ from the period for

[1] https://ec.europa.eu/info/business-economy-euro/economic-performance-and-forecasts/economic-forecasts/spring-2022-economic-forecast_en

[2] https://www.ecb.europa.eu/pub/projections/html/ecb.projections202206_eurosystemstaff~2299e41f1e.en.html

[3] https://www.worldbank.org/en/research/commodity-markets

[4] https://www.nord-stream.info/

[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/

[7] The Baltic Dry Index is reported daily by the Baltic Exchange in London. The index provides a benchmark for the price of moving the major raw materials by sea. https://balticexchange.com/en/data-services/market-information0/dry-services.html

[8] https://www.statista.com/statistics/1035941/baltic-dry-index/

[9] http://mars.jrc.ec.europa.eu/mars/About-us/AGRI4CAST/Crop-Monitoring-and-Yield-Forecasting

which monthly production data is available (usually 45 days after the end of month, depending on the source). However, some individual data for other extra-EU partners might already be available as described above.

Price transmission along the food chain: main data source for individual indices is Eurostat (Food price monitoring tool). However, EU farmer price indices are not available before January 2015. Before this date, the monthly change is estimated based on Member States data weighted by their share in the agricultural output. Latest Eurostat monthly indices for EU farmer prices are available in June 2021. Since this date, the index is estimated based on cereals, sugar, milk, meat, tomatoes and apples monthly prices weighted by annual production (updated by the latest edition of short-term outlook: https://ec.europa.eu/info/food-farming-fisheries/farming/facts-and-figures/markets/outlook/short-term_en).

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 cereals[10]. 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 sugar[11] and white sugar. The link with white sugar production is made through the white sugar production as notified under the Common Market Organisation (CMO) for sugar. The presented balances do only consider sugar expressed in white sugar equivalent (e.g. no isoglucose) and take into account sugar beet production outside of the quota (up to 2016/17). Trade of products containing sugar is reported under net exports in processed products under domestic uses of white sugar. These are estimated by applying conversion coefficients to trade volumes of over 400 processed food products. Industrial and biofuel use is based on historical data and projections based on information about ethanol production development. Stocks are taken from Member States notifications when they become available and therefore the balance closes over human consumption. When Member State information on stocks is not yet available for the projections, they are closing the balance. The reported stocks include carry-forward sugar (up to 2016/17).

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

Isoglucose

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

[10] 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.

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

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. 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 6[12].

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.19.5[13].

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

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

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

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.

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 equivalent[14]. 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 otherwise[15].

Production forecast for the year 2022 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 (therefore not fully comparable to reported monthly figures by Eurostat, and based on the comparison of trends between annual and monthly databases in past). Forecast for 2022 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'.

2022 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

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

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

ABBREVIATIONS

ASF	african swine fever
AT	Austria
bbl	barrel (approximately 159 litres)
BE	Belgium
BG	Bulgaria
BSE	bovine spongiform encephalopathy
CAP	Common Agricultural Policy
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
GM	genetically modified
HPAI	highly pathogenic avian influenza
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
PL	Poland
pp	percentage point
PT	Portugal
RO	Romania
SE	Sweden
SI	Slovenia
SK	Slovakia
SMP	skimmed milk powder
SPS	sanitary and phytosanitary measures
STO	short term outlook
TTF	Title Transfer Facility
UK	United Kingdom
US	United States
USD	US dollar
VAT	value-added tax
WB	World Bank
WMP	whole milk powder
WOAH	World Organisation for Animal Health (founded as OIE)

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KF-AR-22-002-EN-N

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Publications Office
of the European Union

ISSN 2600-0873