

**European Commission**  
**Directorate-General for Agriculture and Rural Development**

**PROSPECTS FOR**  
**AGRICULTURAL MARKETS**  
**AND INCOME**  
**IN THE EUROPEAN UNION**

**2008 – 2015**

*March 2009*



## **NOTE TO THE READERS**

The projections presented in this publication consist of a set of market and sector income prospects elaborated on the basis of specific assumptions regarding macro-economic conditions, the agricultural and trade policy environment, weather conditions and international market developments. They are not intended to constitute a forecast of what the future will be, but instead a description of what may happen under a specific set of assumptions and circumstances, which at the time of projections were judged plausible. As such, they should be seen as an analytical tool for medium-term market and policy issues, not as a short-term forecasting tool for monitoring market developments and addressing short-term market issues.

The present projections and analyses for the EU-27 have been carried out on the basis of two economic models currently available in the Directorate-General for Agriculture and Rural Development of the European Commission.

This report is based on the information available at the end of January 2009. The changes in legislation proposed or adopted since that date have not been taken into account. Moreover the projections do not take account of any potential outcome of the multilateral trade negotiations within the framework of the Doha Development Round. The analysis covers the period between 2008 and 2015.



## List of acronyms and abbreviations

CAP	Common Agricultural Policy
CNDP	Complementary National Direct Payment
cwe	Carcass weight equivalent
DG AGRI	Directorate-General for Agriculture and Rural Development
DG ECFIN	Directorate-General for Economic and Financial Affairs
EAFRD	European Agricultural Fund for Rural Development
EU	European Union
EU-27	European Union after the enlargement on January, 1 <sup>st</sup> 2007
EU-10	Member States that joined the European Union on May, 1 <sup>st</sup> 2004
EU-2	Bulgaria and Romania
EU-12	All Member States that have joined the EU since May, 1 <sup>st</sup> 2004
EU-15	Member States of the European Union before May, 1 <sup>st</sup> 2004
Eurostat	Statistical Office of the European Communities
GDP	Gross Domestic Product
ha	Hectare
kg	Kilogram
mio	Million
SAPS	Single Area Payment Scheme
SMP	Skimmed Milk Powder
t	Metric tonne
US	United States of America
USD	US Dollar
WMP	Whole Milk Powder



## EXECUTIVE SUMMARY

### Introduction

The outlook for agricultural commodities (cereals, oilseeds, meat and dairy products) in the EU-27 over the 2008-2015 period has been elaborated on the basis of specific **assumptions** on agricultural and trade policies, and the macro-economic environment. They do not consider the potential outcome of the multilateral trade negotiations within the framework of the Doha Development Round. Therefore the Uruguay Round Agreement on Agriculture and other existing trade commitments are assumed to remain unchanged and to be met over the period 2008-2015. The report is based on the information available at the end of **January 2009**.

The **macroeconomic environment** is projected to be shaped over the **short term** by the consequences of the financial and economic crisis, which is expected to put severe pressure on the real economy. The world economy has entered into the deepest crisis for more than 60 years. The economic growth in the EU is estimated to fall from 1.0% in 2008 to -1.8% in 2009, with a modest recovery of 0.5% in 2010. At global level, world GDP is projected to decline by 0.5% in 2009 but rebound by 2.6% in 2010. The **medium-term** perspectives for the EU economy would exhibit a slow and modest recovery (estimated at around 2% p.a.). Yet, the breadth and depth of the crisis are still difficult to assess, and the economic outlook remains subject to important uncertainties with significant (mainly downside) risks that could significantly alter commodity market projections.

### Outlook for EU agricultural markets and income

While the agricultural sector is generally **more resilient** to economic crises than other sectors, it is expected to face great challenges, especially in **demand growth** and **farm income**, which may continue to exert strong pressure on **agricultural prices** and trigger significant structural adjustment. Whereas food demand will be directly negatively affected in the higher value-added sectors (especially in the **livestock** and **dairy sectors**), the economic crisis should also be felt indirectly in other parts of the agricultural economy: in the arable crop sector through feed demand, in the energy crop sector in the wake of lower oil prices, as well as in the upstream and downstream industries.

Whereas the downturn in the global economy is estimated to have amplified the fall in the prices of many commodities during the second half of 2008, it is expected to continue to **weigh heavily over the short-term perspectives** of most agricultural sectors in the EU and at global level. Agricultural commodity markets are projected to recover over the medium term supported by structural factors like the growth in global food demand, the development of the biofuel sector and the long-term decline in food crop productivity growth.

#### *Arable crops*

The markets for **cereals** have shown exceptional developments in 2007/2008, with prices at record levels until spring 2008, followed by a rapid decline resulting in prices coming

back to levels similar to or even below those before the price spikes. Initially the price decline came about as the effect of certain short-term drivers which amplified the price increase in the second half of 2007 diminished due to more favourable weather conditions, declining energy prices and lifting of export restrictions. Moreover, global supply responded strongly to higher prices, supported in the EU by a relaxation of production constraints in the CAP, notably the suspension of mandatory set-aside in 2008. In the EU the 2008 cereals harvest reached around 312 mio t in comparison with 258 mio t in 2007/2008, thanks to both a significant increase of the cultivated area and higher yields due to favourable natural conditions.

The price decline recently gained pace in the wake of the general turbulence in the global financial system and the deterioration of the economic environment. Over the **short term** limited growth in cereal demand is foreseen (especially through lower meat consumption), contributing to keep grain prices under renewed pressure.

The **medium-term** projections for the period until 2015 depict a more positive outlook for the EU cereal markets thanks to the impact of the CAP reform, the moderate prospects for yield growth, the emerging bioethanol market, the continued gradual integration of the new Member States into the single market and favourable price conditions on world markets. The domestic use of cereals in the EU is notably projected to increase thanks to the growth in the emerging bioethanol and biomass industry in the wake of the initiatives taken by Member States in the framework of the biofuel directive, the biomass action plan and the recently adopted renewable energy directive. These developments on the internal and external markets should all result in **relatively balanced cereals markets** over the medium term in the EU.

World and EU cereal prices are projected to recover over the medium term somewhat at higher levels than seen in the last decade, though at much lower levels than those observed early 2008 and those previously foreseen before the start of the economic crisis. Moreover, cereal prices are expected to exhibit greater fluctuations than observed over the past. The continuously high and increasing maize demand in the US should lead to a lasting change of relative prices in favour of coarse grains.

Medium-term market perspectives for the EU **oilseed** sector are foreseen to be supported by the increasing demand for biodiesel in the EU and the perspectives projected for world markets (driven by the rising demand for oilseed meal and vegetable oil). With rather stable oilseed production projected over the next 7 years, the EU will continue to remain a large net importer of oilseeds over the medium term.

### *Meat*

In 2008 total meat consumption fell considerably to 85.1 kg/capita (-2.2% from 2007) as a likely consequence of high prices and low availabilities. A further, albeit slight, decline could take place in the **short term** as a consequence of economic recession. However the medium-term prospects for the EU meat sector appear moderately positive with increased production and consumption of poultry and pig meat, while production of beef and sheep/goat meat are projected to decline further. As demand growth would outpace the increase in total meat production, that is to expand by 2.1% over the projection period, the net exporting position of the EU would show continued weakening.

The medium-term projections for the period until 2015 for **pig meat** production and consumption depict an increase, though at a slower pace than in the past decade, due to

the competition from poultry meat and firm feed prices. The remarkable export situation of 2008 that enabled a 29% increase in EU shipments would end in 2009 as a consequence of economic recession, increasingly restrictive Russian meat import policy and strong competition from low-cost producing countries. EU exports are projected to decline slowly but steadily over the medium term. The market outlook for **poultry meat** should remain supported by the competitive prices with respect to other meats and strong consumer preference should play in favour of poultry production. Following a slight decrease in 2008, imports would grow moderately over the medium term. On the contrary, EU exports are projected to exhibit a continued decline, after the increase in 2008, returning the EU to its net importer status observed in 2007 following trade agreements with Brazil and Thailand.

**Beef** production is projected to decline by some 4.8% over the next seven years following the structural reduction of the dairy herd and the impact of decoupling. Consumption would exhibit a more modest decrease (-0.8%) leading to increased imports (+60%) that are foreseen to return to previous growth trends following the large drop in 2008 due to non-compliance with EU traceability regulations in Brazil and government interventions in Argentina. **Sheep and goat meat** production fell considerably in 2008 as a likely outcome of the Blue Tongue disease in major producing regions and is projected to decline further over the medium term. Imports are expected to remain stable in order to meet domestic demand that is projected to decline at a slightly lower rate than production.

### *Milk and dairy products*

The **short-term perspectives** in the dairy sector should remain dominated by the consequences of the economic crisis, notably on disposal income. The pronounced decline in the prices of dairy products during the most recent months is expected to induce a substantial fall in the producer price of milk in 2009. Milk prices would remain at depressed levels over the first part of the projection period. This should lead to a slight contraction in EU milk production over the short term. **EU milk production** grew only marginally in 2008 despite the 2% quota increase decided for the 2008/09 quota year and the relatively favourable milk price paid to producers over the calendar year. As a consequence, the 2008/09 quota year (ending in March 2009) could finish with a record level of net undershoot for EU deliveries quota. The aggregate EU milk quota underutilisation should increase even further in the 2009/10 quota year.

EU milk production would recover over the **medium term** displaying a gradual growth over the milk quotas phasing-out period, while constantly remaining below the quota level. As a result the abolition of milk quotas in 2015/16 is not projected to have a significant impact on milk production and milk price (+1.1% and -0.1% against 2014/15 respectively). Milk production is projected to exceed the 2008 level by 1.8% in 2015 at 151.4 mio t, but EU-12 supply is foreseen to decline to 27 mio t (-4.2%) driven by a steady decrease in subsistence production. On the other hand, the proportion of milk delivered to dairies is foreseen to expand over the medium term, particularly in the EU-12, leading to a 4% increase in milk available for processing at 138.2 mio t by 2015.

The short-term prospects for **cheese** and value-added fresh dairy product markets should be determined by constrained EU and world demand, although the medium-term demand prospects are anticipated to remain favourable allowing EU cheese production to return to a stable growth from 2011 onwards to reach 9.9 mio t by 2015 (exceeding the 2008 level by 10%). This growth would be driven by continued strong consumption and

production increase in the EU-12. Exports are foreseen to expand slightly following the short term decline, but the growth in domestic consumption would absorb most of the increase in cheese production, leading to a steady drop in exports in the last years of the projection period.

Driven by a contracting EU and world demand, **butter and skimmed milk powder (SMP)** prices declined to EU intervention buying-in levels by the end of 2008, leading to the accumulation of private stocks for both products. EU and world demand is expected to remain weak, which may make intervention an attractive outlet for these bulk products over the short term. The re-activation of export refunds should support EU exports, but low demand and strong competition from lower-priced exporters are foreseen to affect EU export potential for butter and SMP over the near and medium term.

The medium-term developments for bulk commodity output depict a steady decline due to the increasing production of higher value added dairy commodities and depressed price levels throughout the 'intervention de-stocking period'. EU butter production is foreseen to decline to 1.9 mio t by 2015, while consumption is projected to decrease at a lower rate enabling a complete de-stocking of intervention storage by 2012 and leading to declining butter exports over the medium term. SMP production is forecast to decline by 8% from 2008 to reach 787 thousand t by 2015, but intervention stocks would not be emptied over the projection period as EU demand is foreseen to remain limited and strong competition from lower cost exporters would render EU exports less attractive.

### *Agricultural income*

Despite the significant short-term setback in the wake of the economic recession, the medium-term prospects for **EU agricultural income** remain positive with the aggregate income in real terms and per labour unit exceeding the very favourable 2007 year by 7.5% in 2015. This overall gain would however mask marked differences between EU-15 and the EU-12. Whereas agricultural income in the EU-15 would show a very moderate development and remain in 2015 below the 2007 level by 2.9%, it is foreseen to display a more pronounced picture in the EU-12 rising above the 2007 level by 49.8% in 2015. The continuous increase in the subsidies granted to agricultural producers in the EU-12 should remain a key driver of income growth in this group of Member States.

### *Uncertainties*

The overall outlook for EU agricultural markets remains subject to some **important uncertainties**, most of which on the downside. The latter relate mainly to future economic, market and policy developments. They concern in particular the extent of the ongoing financial and economic crisis with its impacts on exchange rates, disposable income, labour market, asset values, access to credit and energy prices. Other factors such as future changes in agricultural and trade policies as well as the outcome of the current Doha Development Round of trade negotiations, the policies on renewable energy, the path of technological change and future climatic conditions could also have far reaching implications for the future pattern of EU agricultural markets.

## 1. INTRODUCTION

This publication summarises the main results of updated medium-term projections for the cereals, oilseeds, meats and dairy products markets in the European Union for the period 2008-2015. The projections are based on market statistics and other information available at the end of January 2009. In particular the projections take into account developments foreseen for the period 2008-2010 on domestic and world markets in light of the bleak macroeconomic outlook currently envisioned over the short term.

The projections are established under the following set of assumptions on agricultural and trade policies and the macro-economic environment. These working hypotheses have been defined on the basis of the information available, which at the time of the analysis were judged the most plausible:

- (1) The present projections assume a continuation of the Common Agricultural Policy (including Health-Check decisions adopted by the Agricultural Council in November 2008) until 2015, including notably:
  - (a) **Phasing out milk quotas:** Milk quotas are increased by one percent every quota year between 2009/10 and 2013/14. For Italy, the 5 percent increase will be introduced immediately in 2009/10. Milk quotas are abolished by April 2015.
  - (b) **Intervention mechanisms:** Intervention will be set at zero for barley and sorghum. For wheat, butter and skimmed milk powder intervention purchases will be possible at guaranteed buying-in prices up to 3 mio t, 30 thousand t and 109 thousand t respectively. Beyond these limits intervention will be possible by tender.
  - (c) **Decoupling:** The payments that some Member States kept coupled after the 2003 CAP reform will be decoupled and moved into the Single Payment Scheme (SPS) by 2010 for arable crops, durum wheat, olive oil and hops and by 2012 for processing aids and the remaining products, with the exception of suckler cow, goat and sheep premia, where Member States are assumed to keep current levels of coupled support.
  - (d) The Member States currently applying the **single area payment scheme (SAPS)** are assumed to adopt the regionalised system from 2014 onwards.
  - (e) **Set-aside:** The requirement for arable farmers to leave 10 percent of their land fallow is abolished.
  - (f) **Modulation** (shifting money from direct aid to Rural Development): direct payments exceeding an annual €5,000 shall be reduced each year by 7% in 2009 up to 10% in 2012. An additional cut of 4 percent will be made on payments above €300,000 a year.
- (2) All commitments taken within the **Uruguay Round Agreement on Agriculture** regarding in particular market access and subsidised exports are assumed to be fully respected. No account is taken of any potential outcome of the multilateral trade negotiations within the framework of the Doha Development Round.
- (3) Assumptions on the **macro-economic environment** have been revised considerably since the March 2008 publication in the light of the escalating impact of the financial crisis on the real economy at EU and global level. Industrial production in

the EU has been falling below the 2007 level at an increasing pace since May 2008 to stand at -12.1% in December (year on year), while the volume of retail trade was -0.8% below the December 2007 level in December 2008, with sales of food, drinks and tobacco standing at -1.3% against December 2007.

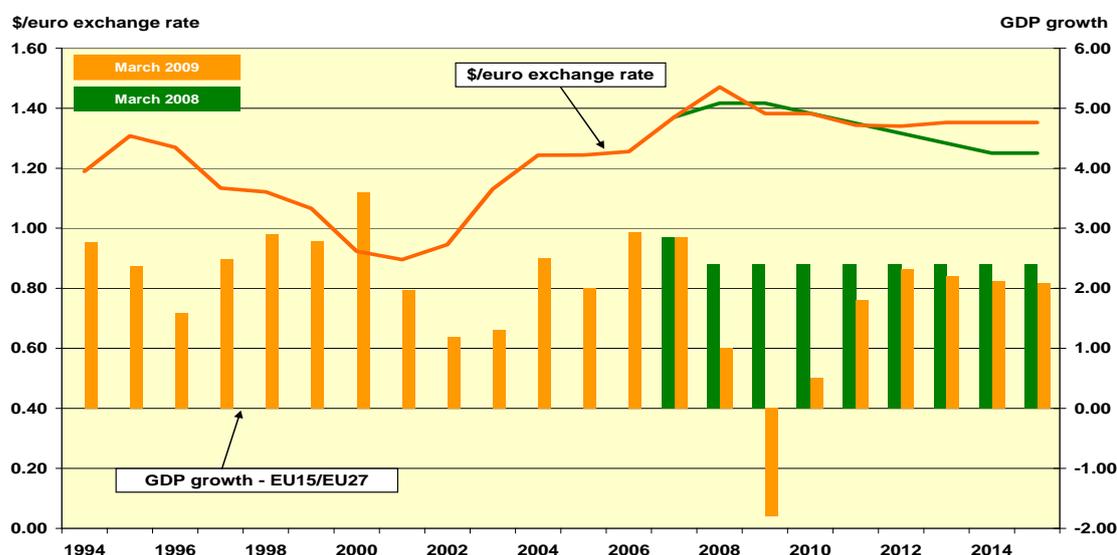
**Table 1: Assumptions on key macro-economic variables in the European Union, 2007 – 2015**

	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Population growth</b>									
EU27	0.4%	0.5%	0.4%	0.4%	0.4%	0.4%	0.3%	0.3%	0.3%
of which EU15	0.6%	0.6%	0.5%	0.5%	0.5%	0.5%	0.4%	0.4%	0.4%
of which EU12	-0.1%	0.0%	-0.2%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%
<b>GDP growth</b>									
EU27	2.9%	1.0%	-1.8%	0.5%	1.8%	2.3%	2.2%	2.1%	2.1%
<b>Inflation</b>									
EU27	2.4%	3.7%	1.2%	1.9%	2.0%	2.0%	1.9%	1.9%	1.9%
<b>Exchange rate</b>									
USD/EUR	1.37	1.47	1.38	1.38	1.34	1.34	1.35	1.35	1.35
<b>Price of crude oil</b>									
USD per barrell	73	99	52	62	71	80	85	84	78

Source: DG AGRI, ECFIN, Eurostat, IHS Global Insight

These developments result in a bleak outlook for the near future with real EU **GDP growth** expected to decelerate from 2.9% in 2007 to 1% in 2008 and drop by 1.8% in 2009. A gradual recovery is foreseen thereafter, with an increase of 0.5% in 2010. The medium-term GDP growth is assumed to be around 2.1% per year, below the level assumed in the March 2008 publication (at 2.4% p.a.). World GDP growth is expected to decline by 0.5% p.a. in 2009 but rebound by 2.6% p.a. in 2010, followed by continuous growth above 3.6% p.a. over the medium term.

**Graph 1 Assumptions on GDP growth and exchange rate developments**

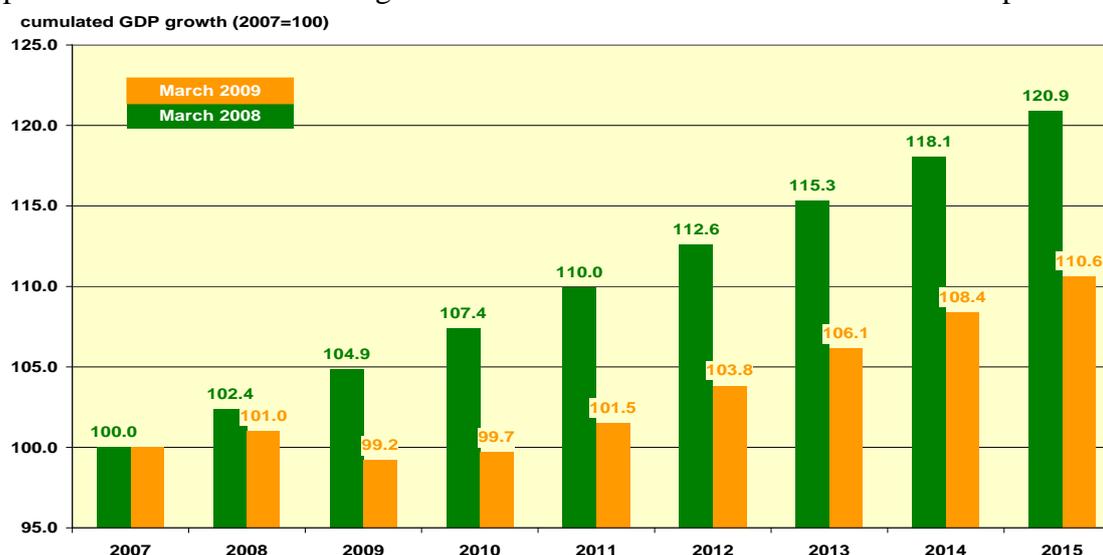


The assumption on the **USD/EUR exchange rate** is assumed to exhibit a short-term depreciation of the euro to 1.34 by 2011 after which the exchange rate would stabilise around 1.35, thus remaining above the levels in previous DG AGRI projections (at 1.25).

The short-term economic recession results in a setback of approximately three years in the economic performance of the EU when measured in cumulative GDP growth, with EU GDP expected to rebound to the 2008 level by 2011. The revised

assumptions lead to an approximate 4 year lag in economic performance when compared to the GDP growth assumptions of the March 2008 publication, implying that cumulative GDP growth in 2015 under the current projections would be near the 2011 level in the March 2008 publication.

Graph 2 Cumulative GDP growth under the current and March 2008 assumptions



The lower demand growth as a consequence of economic slowdown should ease inflationary pressures and result in a declining annual rate of **inflation**, falling from 3.7% in 2008 to 1.2% in 2009 and 1.9% in 2010. Over the medium term inflation is foreseen to stabilise around 1.9% p.a. (below the previous assumption of 2.2%).

EU **population projections** have been revised on the basis of the latest population statistics and the Eurostat projection *EUROPOP2008*<sup>1</sup>. EU population growth is currently foreseen to slow steadily from 0.4% to 0.3% p.a. over the medium term, in comparison to the previous growth rate of 0.1% per year.

The **price of crude oil** is assumed to fall to 52 USD per barrel on average in 2009 and increase during the 2010-2013 period in line with the projected recovery in GDP growth. The marginal slowdown of GDP growth in 2014 and 2015 is foreseen to induce a slight decline in the crude oil price to 78 USD per barrel in 2015.

The economic outlook faces great uncertainty and is subject to a number of (mainly downside) **risks** that could alter the scenario assumed for these market projections<sup>2</sup>, such as the scale of the negative feedback-loop between the financial and real sectors of the economy and the ensuing impact on the real economy. Existing global imbalances could trigger disruptive exchange-rate developments and trade-distorting policy measures cannot be ruled out. On the other hand, lower growth prospects could lead to a further decline in inflation rates with positive impact on real disposable income.

<sup>1</sup> From the Eurostat projection EUROPOP2008 “convergence scenario”

<sup>2</sup> As described in the January 2009 Interim Forecast of DG ECFIN.

*Implications of the economic recession on EU agriculture*

The origin of the current economic crisis is to be found in the bursting of the US housing equity bubble, which was driven by the accumulation of excessive private debt. The financial crisis that succeeded brought about the burst of the commodity bubble that had developed in parallel since the early 2006, and revealed that the cost of the financial crisis was much larger than previously thought.

The intensified financial crisis has severe impact on the real economy, with an ensuing global downturn manifested in the severe contraction of world trade and manufacturing output and, in some countries, housing-market corrections. It should have a profound impact on labour market developments and public finances over the next few years, though inflation pressures should continue to ease (thus contributing to private consumption).

The impact is so significant that it is generally recognized that the world economy has entered into the deepest economic crisis for more than 60 years. It is still too early to assess the breadth and depth of the crisis, and its path of recovery. Clearly not all sectors and countries are and will be affected in the same way, or to the same extent.

However, it is becoming clear that the slowdown in economic activity is significant, generalized, and affects simultaneously all major economies. Therefore, the exit of the present crisis becomes more difficult since no major economy can help pull others faster out of the crisis. The significant increase in public expenditure - government consumption and public investment- which has taken place in order to address the crisis and the level of private debt -both household and corporate- that has been accumulated, coupled with the dramatic decline in equity, should all have long-term implications and probably result in a slower path of recovery.

In comparison to other sectors, agriculture is generally more resilient to economic downturns as food demand needs to be satisfied with priority. Nevertheless it is expected to face great challenges, which may trigger a significant structural adjustment at considerable cost, whose scale and scope would be subject to the length and breadth of the recession.

The recession is expected to induce lower demand and a shift in the composition of food demand both on domestic and external markets that would continue to exert downward pressure on agricultural prices. Whereas demand will be directly negatively affected in the higher value-added sectors (most notably in the livestock and dairy sectors), the recession should also be felt indirectly in other parts of the agricultural economy: in the arable crop sector through feed demand, in the energy crop sector in the wake of lower oil prices, as well as in the upstream and downstream industries.

The first impact of the economic crisis has already taken place in the second semester of 2008 when the decline in commodity prices -linked to the strong supply response to the high prices of 2007/2008- was exacerbated by the turmoil on financial markets and the rapid deterioration of the economic environment. This has particular implications for the dairy sector, where butter and SMP prices have already dropped to intervention buying-in levels by the end of 2008.

The economic crisis is expected to continue to weigh heavily over the short- and medium-term perspectives of most agricultural sectors, in particular in the meat and dairy sectors (with spill-over effect on the arable crop sector).

The lower oil price significantly reduces the attractiveness of the bioethanol sector at global level, whereas the fall in disposable income growth would affect meat consumption, exerting substantial pressure on world and EU cereal prices over the near term. The market prices of pig and poultry meat would also be constrained by reduced feed prices.

Adjustments along the food supply chain should take place in the meat sector owing not only to income effects, but also of exchange rate developments both within the EU and with respect to external EU trade (e.g. currency depreciation in Russia and Brazil). Overall meat consumption would fall slightly, with sheep meat and beef being most affected, while poultry meat, and to a lesser extent pig meat, would benefit from the shift in meat demand towards lower priced meat.

The recession should have a profound impact on the dairy sector that has already witnessed a drastic fall in commodity prices and accumulation of stocks since the financial crisis has set in. The decline in disposable income is expected to generate a drop in the consumption of high value-added dairy products. As the safety-net of intervention buying-in would become an increasingly attractive outlet for bulk commodities, public stocks could rapidly accumulate. As global demand for dairy commodities is also expected to remain constrained, export refunds would be required to support EU exports. Milk producer prices should follow the drop in dairy prices that would reduce future growth prospects for EU milk production.

At the same time, the current difficulties in the credit system and the expected fall in the value of assets is projected to have a supply side impact linked to higher production costs. This would mainly result from a lower access to and higher cost of capital (in particular for the most capital intensive agricultural sectors, those with lowest margins and most fragile financial structure). Furthermore, lower asset prices may rapidly worsen farmers' equity and debt/equity ratio with important spill-over effects on the cost of capital.

These demand and supply-side effects could lead to a "price squeeze", i.e. a deterioration of the terms-of-trade of the agricultural sector. In this respect, the speed of adjustment of output and input prices (notably those related to energy and fertilisers) will be critical for the future profitability of the farm sector. Accordingly, the lower agricultural income induced by the aforementioned commodity price developments could be partially offset by the impact of lower oil prices on production costs. On the other hand, any budget constraints at Member State level that could limit co-financing of EU payments and/or 'top-ups' of direct payments in the Member States concerned could significantly deteriorate a fragile farm income situation.

## 2. ARABLE CROPS

The markets for cereals have shown exceptional developments in 2007/2008, with prices at record levels until spring 2008, followed by a rapid decline.

The surge in agricultural commodity prices resulted from a combination of structural and temporary factors. Structural factors such as global population growth, rising incomes in emerging economies and the development of new market outlets have contributed to a gradual rise in world demand. Global supply was unable to keep pace due to a slowdown in the growth of food crop grain yields and the characteristics of world agricultural markets which are thin and typically constrained by the seasonality of production. Moreover, increasing production costs, due inter alia to rising energy prices, spilled over on agricultural commodity prices.

The impact of these structural factors was amplified by large production shortfalls resulting from adverse weather conditions and trade restrictions imposed by several exporting countries. Exchange rate developments, growing speculative activity in the commodity derivative markets and the close relationship between agricultural and other commodity markets also affected agricultural commodity price developments. The contribution of these various factors varied between sectors. For example, changes in wheat and rice prices were largely attributable to supply-side factors while maize and soybean markets were mainly driven by a strong growth in global demand both for meat consumption and for industrial use.

Commodity prices have declined since spring 2008 to levels similar to or even below those before the price spikes, initially as the effect of some of the short-term drivers which amplified the increase in agricultural prices in the second half of 2007 diminished due to more favourable weather conditions, declining energy prices and lifting of export restrictions. Moreover, global supply has responded swiftly and strongly to higher prices, supported in the EU by a relaxation of production constraints in the CAP, notably the suspension of mandatory set-aside of arable land in 2008. For example, world wheat production is projected to have reached an all-time high in 2008 leading to a considerable decline in wheat prices.

In the EU the 2008 cereals harvest reached around 312 mio t in comparison with 258 mio t in 2007/2008, thanks to both a significant increase of the cultivated area (+5.3%) and higher yields due to favourable natural conditions. Part of the increase of cereal area (around 3.5 mio ha in comparison with 2007/2008) stemmed from the suspension of the compulsory set aside.

The price decline recently gained pace in the wake of the increased nervousness and uncertainty about the economic outlook and the general turbulence in the global financial system.

The medium-term projections depict a relatively positive outlook for the EU **cereal markets** thanks to the impact of the CAP reform, the moderate prospects for yield growth, the emerging bioethanol market, the continued gradual integration of the new Member States into the single market and favourable conditions on world markets.

The domestic use of cereals in the EU is notably projected to increase thanks to the growth in the emerging bioethanol and biomass industry in the wake of the initiatives taken by Member States in the framework of the biofuel directive, the biomass action plan and the recently adopted renewable energy directive.

These developments on the internal and external markets should all result in relatively balanced cereal markets over the medium term in the EU. However, these favourable

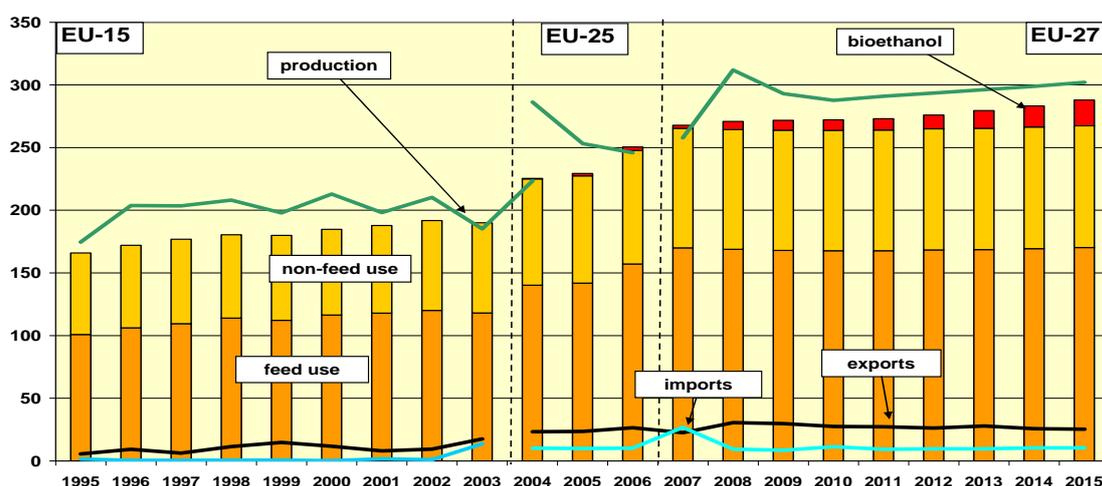
projections would remain subject to a number of uncertainties, most notably with regards to the future climatic conditions on the supply side and the development of the biofuel sectors in the EU and the US as well as the overall macroeconomic environment on the demand side.

Over the medium term, world and EU **cereal prices** are projected to recover to higher levels than seen in the last decade, but remain well below the levels attained during the recent price hike. Moreover, cereal prices are expected to exhibit greater fluctuations than observed over the past.

The continuously high and increasing maize demand in the US (77 mio t were utilised for bioethanol production in 2007/2008 and 91 mio t are projected for 2008/2009) should lead to a lasting change of relative prices in favour of coarse grains. This should particularly favour European barley and maize exports.

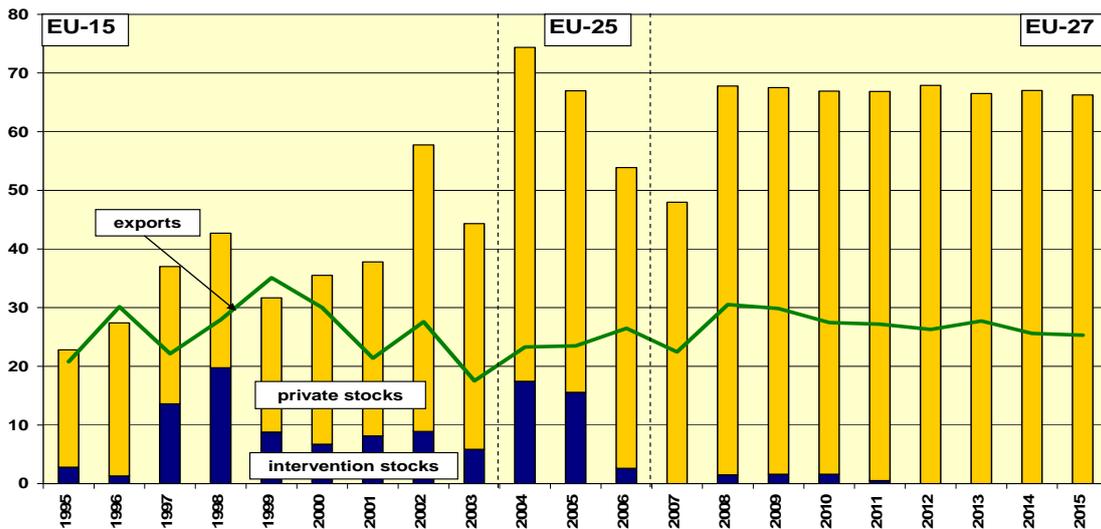
The phasing-out of intervention (except for bread making wheat and only up to 3 mio t at a guaranteed price) should lead to improved market orientation of grains production over the medium term and thus considerably reduce the risks of regional structural surpluses, most notably in the land-locked Member States of Central-Eastern Europe.

Graph 3 Cereals market developments (mio t), 1995-2015



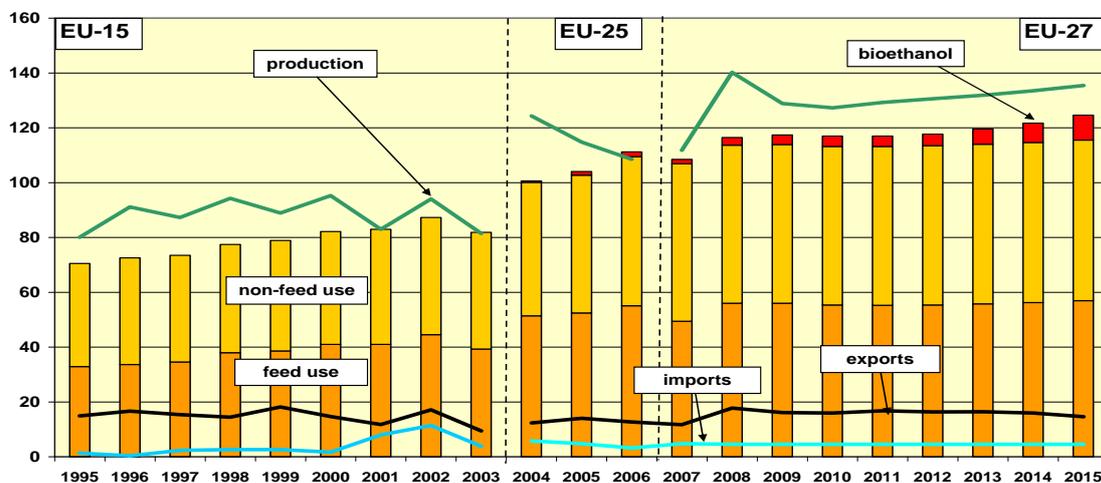
EU cereals production, after the peak of 2008/09 with more than 310 mio t, is projected to decline slightly over the next couple of years before growing over the medium term and reach just above 300 mio t by 2015. Domestic consumption of cereals is also projected to keep growing over the medium term, mainly driven by the rapid growth in bioethanol use, which is expected to more than double over the next six years and reach 20 mio t by 2015. Exports are projected to range between 25 and 30 mio t while imports should stabilize at around 10 mio t after the surge of 2007 when the EU was exceptionally a net importer of cereals. The bumper crop in 2008/09 made it possible to replenish somewhat cereals stocks, increasing from the remarkably low level of 48 mio t in 2007 to 68 mio t in 2008, i.e. around 25% of domestic consumption. Intervention stocks should increase only slightly to 1.6 mio t and are expected to be cleared over the next three years.

Graph 4 Developments in cereals stocks and exports (mio t), 1995-2015



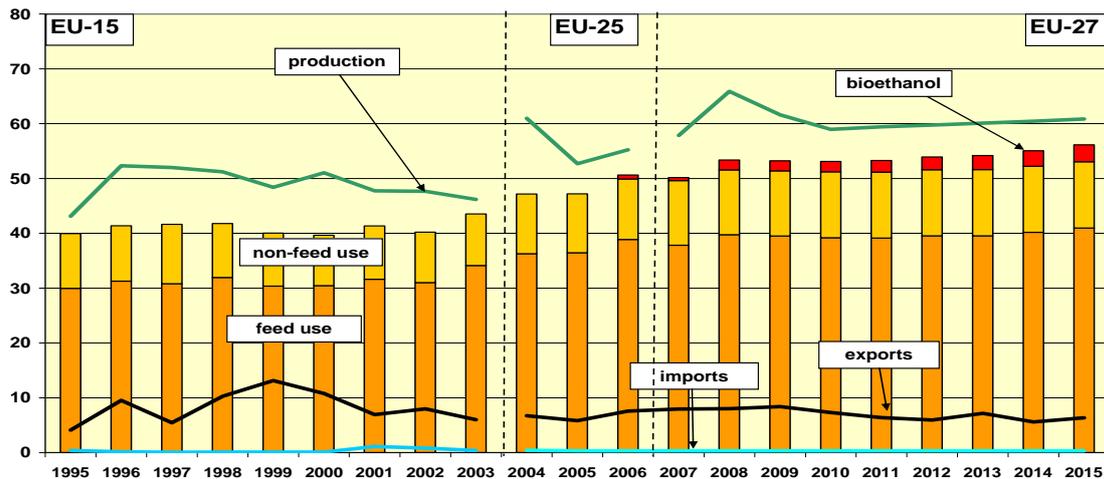
**Soft wheat**, which represents around 45% of total cereal production, is projected to reach 135 mio t by 2015. While more than 75% of soft wheat production originates from the EU-15, the new Member States exhibit a stronger growth (10% between 2010 and 2015 compared to 5% in the EU-15). Domestic consumption is almost equally shared between feed and food uses. Demand for bioethanol production, which currently represents around 3% of total consumption, is projected to increase its share to more than 7% (9 mio t) by the end of the projection period.

Graph 5 Soft wheat market developments (mio t), 1995-2015



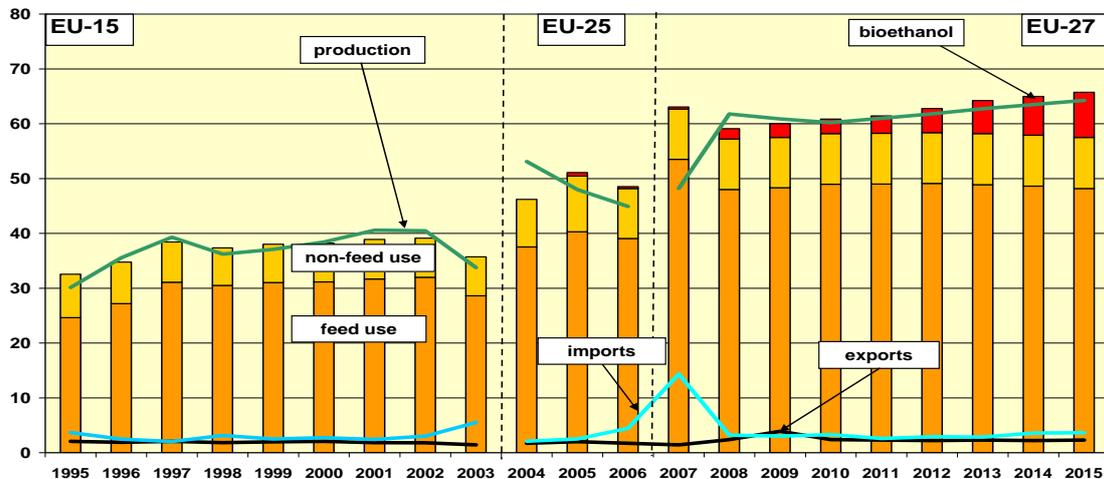
EU **barley** production is projected to show a slower growth compared to the other cereals, reaching just above 60 mio t by 2015. Domestic consumption, three quarters of which is destined for animal feed, is projected to grow at a faster pace. As a consequence exports and stocks are projected to decline slightly over the medium term.

Graph 6 Barley market developments (mio t), 1995-2015



Growing demand, partially due to the expanding use for bioethanol production, is projected to maintain a slight increase in the EU **maize** price, favouring maize production that is foreseen to increase over the medium term and reach 64 mio t by 2015, overtaking barley as the second cereal in the EU. Growing demand, also due to the expanding use for bioethanol production, is projected to keep the EU as slight net importer of maize over the medium term.

Graph 7 Maize market developments (mio t), 1995-2015



Market perspectives for the EU **oilseed** sector are foreseen to be supported by the increasing demand for biodiesel in the EU and the favourable perspectives projected for world markets. With stable oilseed production projected over the next seven years, the EU will continue to remain a large net importer of oilseeds over the medium term.

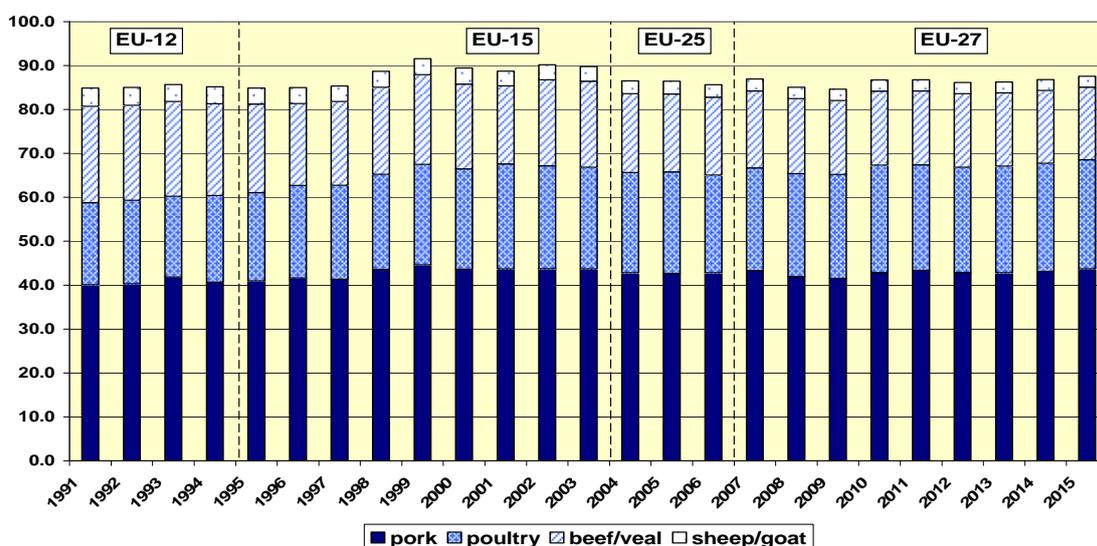
### 3. MEAT AND LIVESTOCK

Compared to cereals and dairy, meat markets exhibited only moderate price movements over 2007-2008. The slow adjustment of production and the effect of the 'pig cycle' in pig meat production prevented a rapid and full transmission of higher feed costs to producer prices leading to squeezed producer margins throughout most of 2007-2008. For poultry, the short production cycle and growing consumer preferences for poultry meat enabled the sector to increase prices in line with feed prices, dampening the effect of higher input costs. Beef prices exhibited a comfortable growth and remained firm until the last quarter of 2008. While decreasing feed prices from August 2008 eased cost pressure on meat producers, the weakening meat consumption and increasing difficulties in EU exports in the wake of the financial crisis and economic slowdown could put downward pressure on meat prices.

Whereas the short-term outlook for meat markets appear relatively difficult due to the aforementioned lower domestic demand and weakening export prospects for EU meat products, the medium-term projections are more favourable driven by the recovery and continuous increase in domestic consumption for poultry and pig meat.

**Total meat** production is projected to decline in 2008 and 2009 by 2.4% on aggregate compared to 2007 and return to an increasing path from 2010 onwards to exceed the 2007 level by 2.1% in 2015. Following a 24% increase in EU exports of meat to third countries in 2008 supported by export refunds, the economic and financial crisis would lead to a drop in world demand and difficulties in financing trade operations that should trigger a fall in EU exports in 2009. The depreciation of major exporting countries' currencies and the depreciation of the Russian Rubel would add to the aggravation of EU export potential. Furthermore, EU exports to its main destination, Russia, could face additional uncertainties with respect to future decisions by Russian authorities on the status of veterinary approvals of EU meat plants.

Graph 8 Total meat consumption developments (kg/capita), 1991-2015

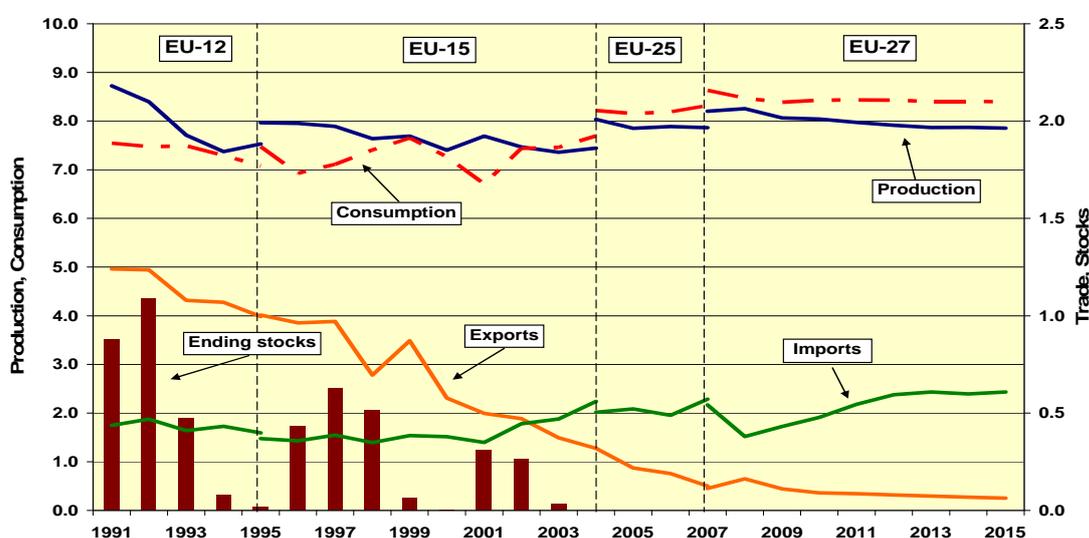


Over the medium term the status of the EU as net importer of beef, sheep and poultry meat would strengthen, while net exports in the pig meat sector are projected to decrease further, albeit at a lower rate. Total meat consumption fell considerably to 85.1 kg/capita in 2008 (-2.2% from 2007) as a likely consequence of high prices and low availabilities and a further, albeit slight decline could take place in the short term as a consequence of economic recession, but the medium term prospects remain positive with EU per capita consumption increasing to 87.6 kg in 2015 (+0.7% compared to

2007). Pig meat would remain the most preferred meat by EU consumers maintaining its current share of 50% in per capita consumption, followed by poultry that would increase its share to 28% (+1.5 p.p.) at the expense of beef and sheep meat whose share in total per capita consumption would decline by 1.2 p.p. and 0.3 p.p. respectively.

**Beef** producer prices reached record high levels in 2008 as a consequence of tight EU and import supplies, the latter due to non-compliance with EU traceability regulations in Brazil and government interventions in Argentina. Exports increased considerably in the first half of 2008 with the support of refunds and higher exports to Switzerland (following the implementation of the European Commission's strict import conditions for Brazilian beef by the Swiss authorities). The deterioration of EU demand and export potential in the light of the worsening macroeconomic environment and in parallel to the expectation that Brazil will gradually regain presence on the EU market, would trigger a downward pressure on EU beef prices, leading to a significant decline in EU beef production over the short term.

Graph 9 Beef meat market developments (mio t), 1991-2015



The medium-term outlook depicts a continuation of the long-term structural reduction of the cattle herd that – complemented by further impact of decoupling of beef and veal payments – would lead to a modest but continuous decline in beef production over the projection period to reach 7.9 mio t in 2015 (-4.3% from 2007). As consumption would exhibit a more modest decline (-2.7%), imports are expected to increase in order to fill the gap and reach 608 000 t by 2015<sup>3</sup>.

The EU **pig meat** sector entered into a recovery phase in the second half of 2008 from the difficult situation observed during 2007 and early 2008, characterised by a growing gap between production costs and pig producer prices. The availability of export refunds until early August 2008 supported a remarkable 29% increase in EU exports, with substantial growth in shipments to Russia, Ukraine and Asian destinations<sup>4</sup>.

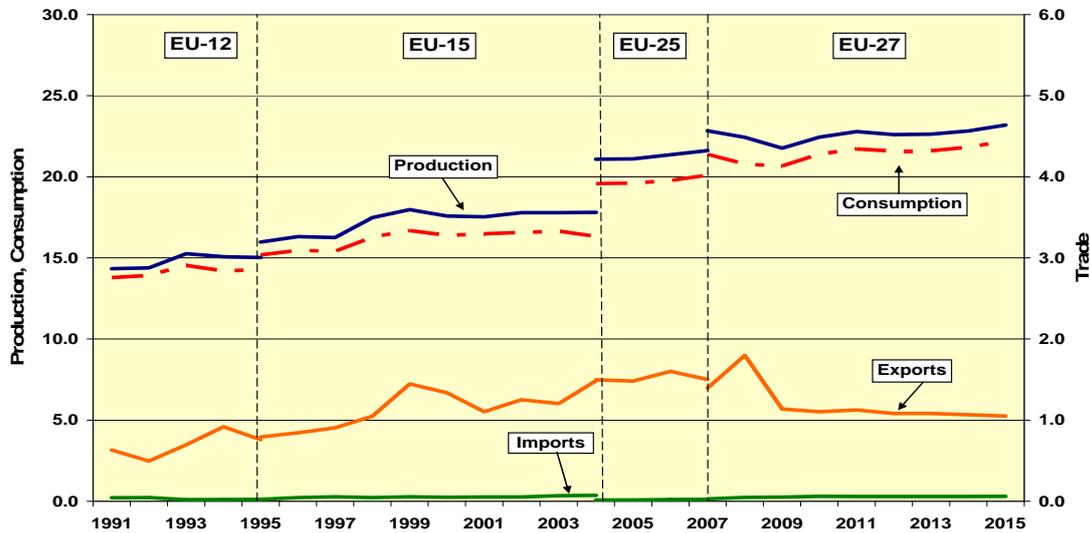
Pig meat production is projected to increase over the medium term by 1.7% (from 2007 to 2015), a slower pace than in the past decade due to the competition from poultry

<sup>3</sup> Assuming that Brazil will fully comply with EU traceability standards from 2010 onwards.

<sup>4</sup> As such, the Irish dioxin problem did not have serious implications on EU exports to third countries.

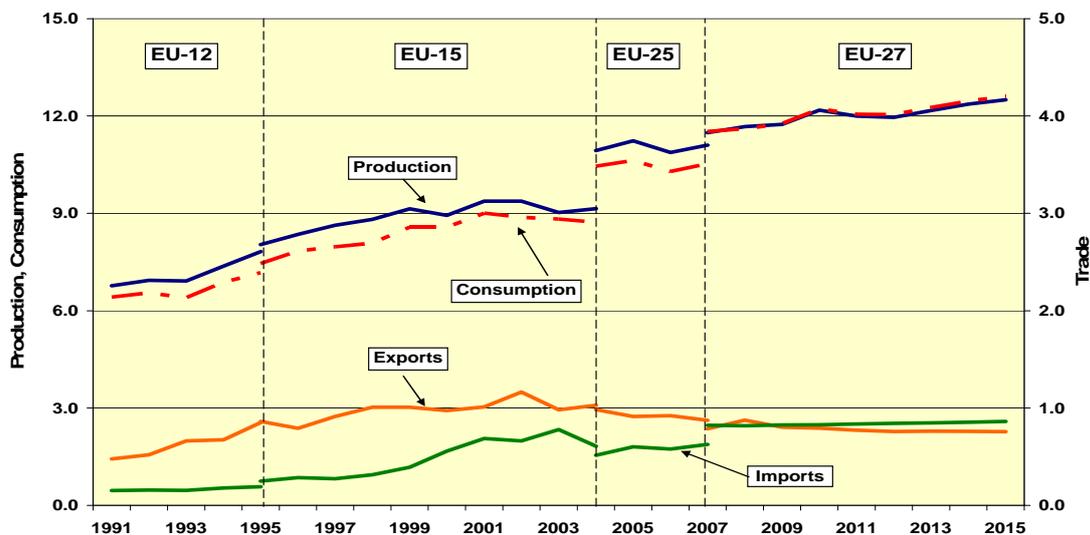
meat and firm feed prices<sup>5</sup>. Lower production, unfavourable currency movements<sup>6</sup> and the impact of global recession would lead to a sharp fall in extra-EU exports in 2009. Over the medium term extra-EU exports are projected to decline gradually due to increasing competition from low-cost producing countries and as the increase in EU consumption (+3.8%) would outpace production growth.

Graph 10 Pig meat market developments (mio t), 1991-2015



**Poultry** prices remained at a high level throughout 2008 despite the gradual decline in feed costs from August 2008. This enabled to maintain a positive margin for poultry producers. Following several years of decline, EU exports increased in 2008 with the support of refunds. On the other hand, imports declined slightly from their 2007 high level (following the trade agreements with Brazil and Thailand) making the EU a net exporter in 2008.

Graph 11 Poultry meat market developments (mio t), 1991-2015



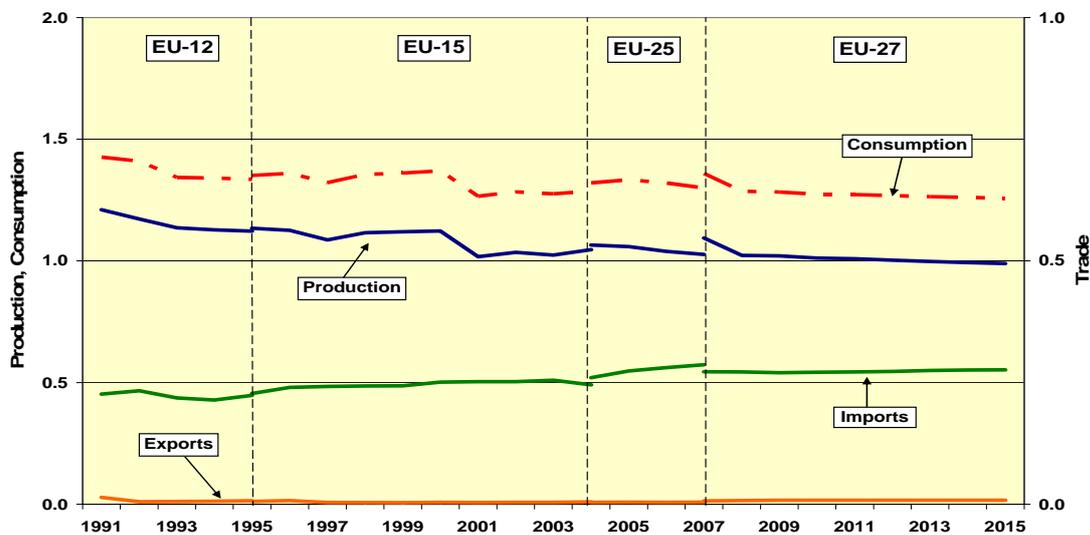
<sup>5</sup> However, compared to the 2005-2007 average, this translates into a production growth of 5%.

<sup>6</sup> The currency depreciation of major exporters and of the Russian Rubel is expected to constrain EU export potential.

The market outlook for poultry meat remains positive as competitive prices *vis-à-vis* other meats and strong consumer preference are projected to drive poultry production to 12.5 mio t by 2015 (+8.8%). Poultry consumption is projected to increase at the higher rate of 9.4% by 2015. Imports would grow moderately over the medium term, while EU exports are projected to exhibit a continuous decline returning the EU to its net importer status observed in 2007.

**Sheep and goat meat** production fell considerably in 2008 as a likely outcome of the Blue Tongue disease in major producing regions. Over the medium term, production is projected to decline gradually below 1 mio t by 2015 (-9.6% from 2007) in line with past long-term trends and the impact of decoupling of ewe premiums in the major producing countries. Imports are expected to increase at a modest rate over the medium term in order to meet domestic demand, which is projected to decline at a slightly lower rate (-7.5%) than production.

Graph 12 Sheep and goat meat market developments (mio t), 1991-2015

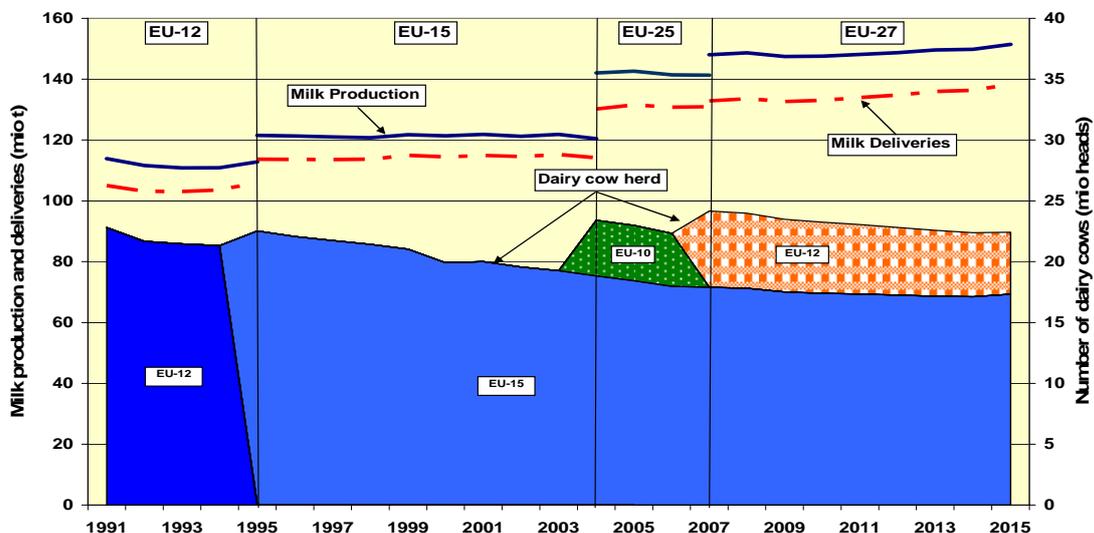


#### 4. MILK AND DAIRY PRODUCTS

The dairy sector underwent a significant price boom in processed commodities in 2007 with the EU market prices of butter and SMP peaking during the August-October period (increasing by 73% and 54% respectively compared to the same month in 2006). The price increase for value-added dairy products followed with some delay, with cheese prices reaching their highest during the winter months of 2007 at +44% for Cheddar. The price surge resulted from a combination of structural drivers (e.g. a steady rise in global demand) and more importantly, short-term factors such as adverse climatic conditions affecting milk supply (Australia and EU) and restrictive export policies of some global suppliers (India and Argentina). World market prices of dairy commodities reached exceptional heights over the same period (SMP +129%, butter +112% and cheddar +80%) enabling the EU to slash export refunds to zero for all dairy products. EU intervention stocks for butter were sold out and all disposal aids for butter, casein production and animal feed were reduced to zero. As the high commodity prices were transmitted into higher milk producer prices, EU milk production exhibited strong growth in the final months of the 2007/2008 quota year.

However, commodity prices have declined throughout 2008, in two consecutive steps. A first decline occurring over the first semester of 2008 linked to increased supply in reaction to the price surge, followed by a further downward pressure with the deepening of the financial crisis, causing EU prices of bulk commodities to approach intervention price levels in November 2008. Cheese prices are following with a delay, but are expected to fall further in the wake of lower demand as a consequence of the economic slowdown. The pronounced decline in commodity prices during the last quarter of 2008 is expected to induce a substantial fall in the milk producer price in 2009. EU milk production grew only marginally in 2008 despite the 2% quota increase decided for the 2008/09 quota year and the relatively favourable milk price paid to producers over the calendar year. As EU and global demand growth for value added dairy commodities is projected to remain constrained by the negative effects of economic recession on disposal income, milk prices are foreseen to remain at depressed levels. This should lead to a contraction in EU milk production over the short term such that the 2008/09 and 2009/10 quota years should end with an increasing level of net undershoot for EU deliveries quota.

Graph 13 Milk production, deliveries and dairy herd developments, 1991-2015



The bleak economic outlook is expected to put the EU dairy markets under pressure such that the utilisation of market support measures appears to be unavoidable in order to balance the markets. In 2009 intervention buying-in could reach 70 thousand t for butter and 120 thousand t for SMP, i.e. above the quantities at guaranteed buying-in prices for both products. In addition, refunds would be required to support EU exports of dairy commodities.

EU milk production would recover over the medium term displaying a gradual growth over the phasing-out period for milk quotas, while remaining constantly below the quota level in total. Milk production is projected to exceed the 2007 level by 2.3% in 2015 at 151 mio t, but EU-12 supply is foreseen to decline to 27 mio t (-4.2%) driven by a steady decrease in subsistence production. On the other hand, the proportion of milk delivered to dairies is foreseen to expand over the medium term, particularly in the EU-12 (+6.7%), leading to a 4% increase in milk available for processing by 2015 to the level of 138 mio t. The EU dairy herd is projected to fall from 24.2 mio heads in 2007 to around 22.4 mio animals by 2015.

#### *Impact of the Health Check decisions in the dairy sector*

In the Health Check of the CAP it has been decided to increase milk quotas by five times 1% in 2009, 2010, 2011, 2012 and 2013, with Italy receiving the full 5% increase in 2009. Quotas are abolished in 2015. In addition, the fat adjustment coefficient is reduced from 0.18 to 0.09, which, based on recent fat correction patterns, could lead to an additional production of around 1.2 mio t of milk per annum.

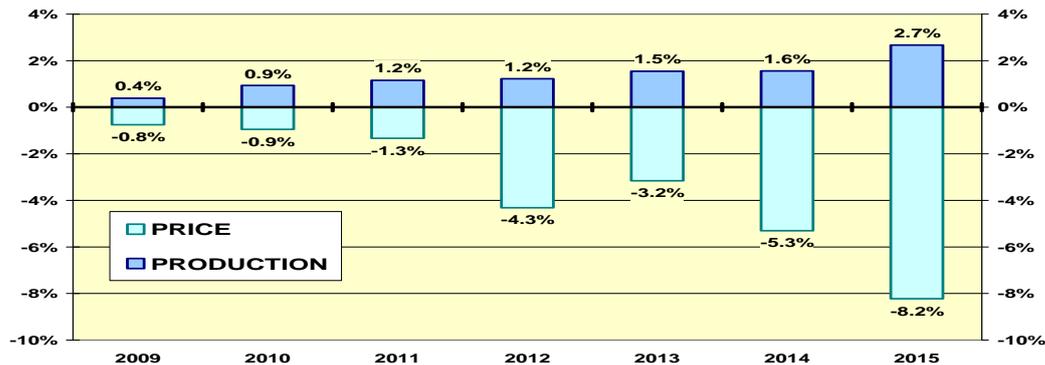
The increase in milk production over the **phasing-out period** would remain well below potential, exceeding the 'no health check' baseline level by 1.6% in 2014, with milk price falling 5.3% below the 'no health check' scenario level. The slow response to quota increase is a result of economic recession, which is projected to trigger lower demand for dairy products. This will subsequently lead to a significant increase in intervention stocks for butter and SMP and a sharp fall in the milk producer price. Furthermore, evidence from the impact of the 2008/09 quota increase indicates that the response of milk production at the aggregate EU level remains fairly modest, despite a significantly higher average producer price for milk. The impact on milk deliveries to dairies would follow the path of milk production, exceeding the 'no health check' scenario level by 1.6% in 2014. The EU producer milk price is projected to stand considerably below the high level attained during the second half of 2008 throughout the baseline period as the slow de-stocking of intervention stocks would maintain bulk commodity prices near the effective intervention price level. As a consequence, the impact of additional quotas on milk production would remain limited at the aggregate EU level.

As such, under the current macroeconomic assumptions and resulting market environment, the **abolition of milk quotas** in 2015 would not have a significant impact with regard to milk production and milk price at the aggregate EU level. When compared to 2014, milk production is projected to increase by 1.1% in 2015 with a slightly higher increase in milk deliveries to dairies at 1.4%, while the average EU milk price would display a marginal decrease of 0.1%.

With respect to dairy commodities, the quota abolition would lead to an increase in the production of higher value-added products compared to the 'no health check' scenario, responding to both domestic as well as external demand growth. Under the current projections (with quota abolition) cheese consumption and exports are

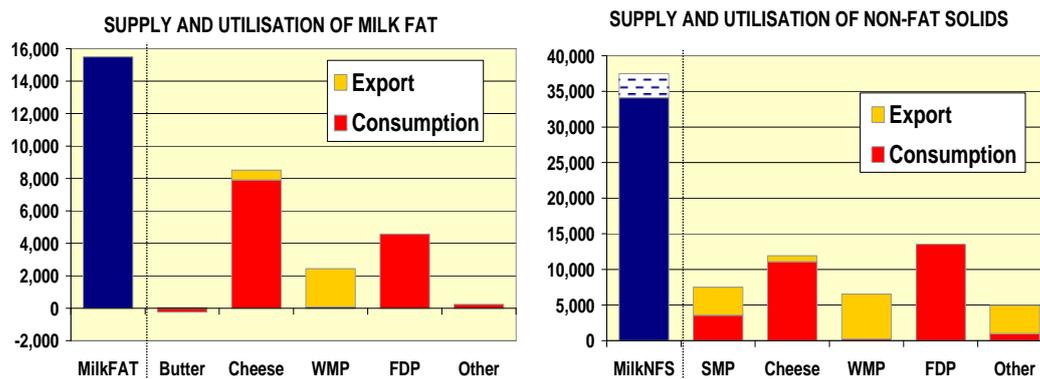
projected to be higher by 3.5% and 4.8% respectively (with a 3.6% increase in cheese production) **in 2015 compared to the 'no health check' scenario**. As regards bulk commodities, WMP and SMP production would increase by 12.8% and 5.8% respectively, while butter production would be hardly affected. Domestic consumption of SMP would exceed the 'no health check' level by 5.3% in 2015, while consumption of butter and WMP would be less affected at -0.1% and +0.8% respectively. Exports would be higher by 68.4% for SMP and 26.2% for WMP by 2015, while butter exports would only grow modestly (+2.1%).

Graph 14 Impact of quota increase on milk production and price, 2009-2015, in % deviation from the "no Health Check scenario"



The following Graph presents the *impact of quota abolition on the supply and utilisation of milk fat and non-fat solids* in 2015, in comparison to the 'no health check' scenario. In terms of milk fat, the higher milk deliveries due to quota abolition would lead to an additional 15,495 tons of milk fat available for processing, of which 13,080 tons (84%) would be used for value-added commodities (cheese and fresh dairy products) and mainly for domestic consumption. WMP production would account for most of the remaining milk fat utilisation with exports accounting for 15% of the additional milk fat supply.

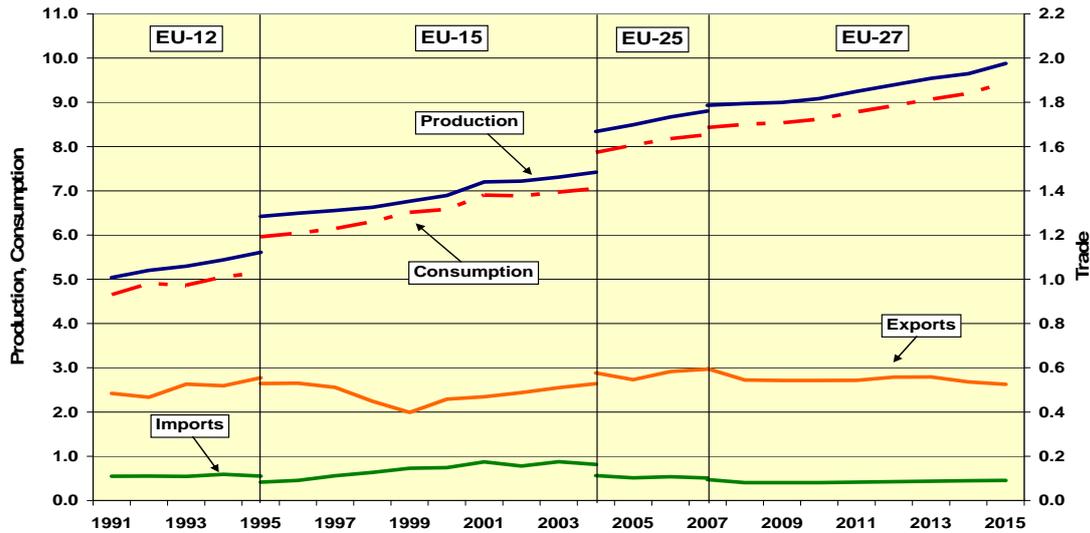
Graph 15 Impact on milk fat and non-fat solids (NFS) in 2015 compared to the 'no health check' scenario (expressed in tons)



Non-fat solids would exceed the 'no health check' level by 37,482 tons of which 3,367 tons attributable to de-stocking from intervention stocks (dashed area). From the additional 34,115 tons coming from increased production, value-added output would account for 75% and almost entirely for domestic consumption. SMP and WMP production would account for 12% and 19% respectively, with a large proportion aimed at export markets.

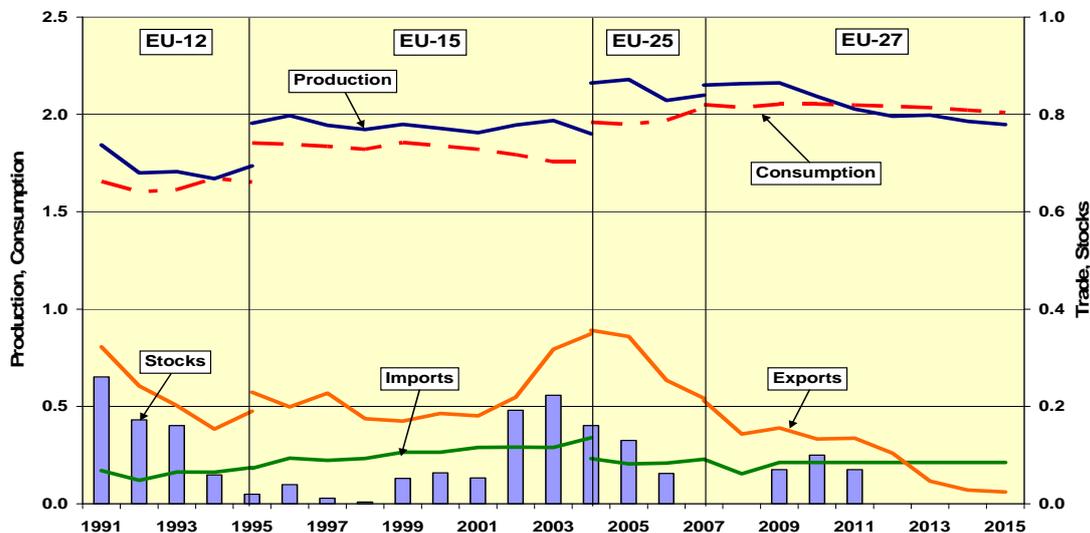
The short-term prospects for **cheese** and value-added fresh dairy products markets are forecast to be determined by constrained EU and world demand. However, medium-term demand prospects should remain favourable allowing EU cheese production to return to a stable growth from 2011 onwards to reach 9.9 mio t by 2015 (exceeding the 2007 level by 11%). This growth would be driven by continued strong consumption and production increase in the EU-12. Exports are foreseen to expand slightly following the short-term decline, but the growth in domestic consumption would absorb most of the increase in cheese production, leading to a steady drop in exports in the last years of the projection period.

Graph 16 Cheese market developments (mio t), 1991-2015



Driven by a contracting demand, **butter and skimmed milk powder** prices declined to intervention buying-in levels by the end of 2008 leading to the accumulation of private stocks for both products. EU and world demand is expected to remain weak over the short term making intervention an attractive outlet for bulk products. The re-activation of export refunds should support EU exports, but low demand and strong competition from lower-priced exporters are foreseen to limit EU export potential for butter and SMP over the near and medium term.

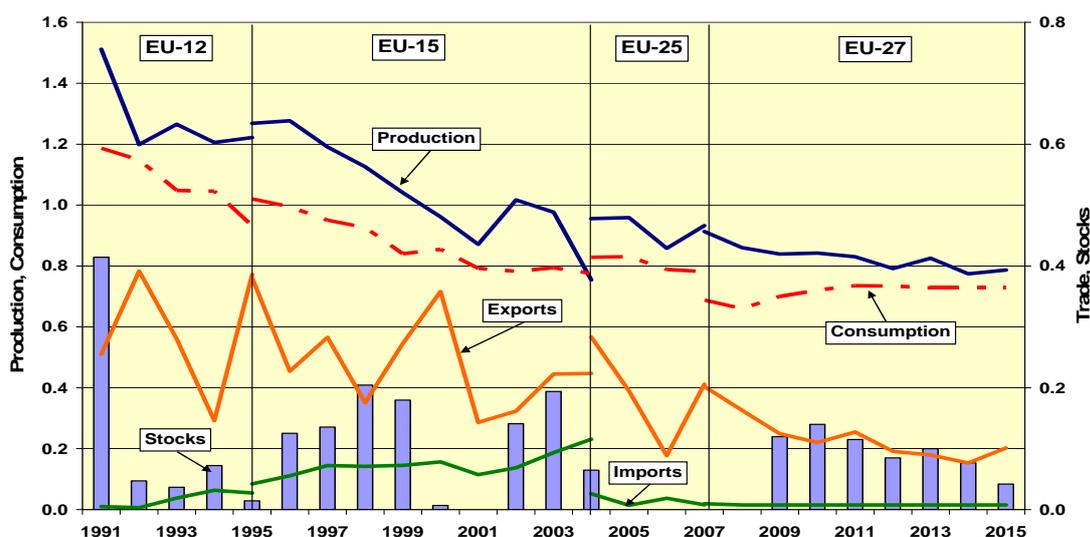
Graph 17 Butter market developments (mio t), 1991-2015



The medium-term developments for bulk dairy products depict a steady decline in output due to the increasing use of milk for the production of higher value added dairy commodities and depressed price levels throughout the 'intervention de-stocking period'. EU butter production is foreseen to decline to 1.9 mio t by 2015. Consumption is projected to decrease at a lower rate enabling a complete de-stocking of intervention storage by 2012 and leading to declining butter exports over the medium term.

SMP production is projected to decline by 14% to reach 787 thousand t by 2015, but intervention stocks would not be emptied over the projection period as EU demand is foreseen to remain limited and strong competition from lower cost exporters would render EU exports less attractive.

Graph 18 SMP market developments (mio t), 1991-2015



## 5. AGRICULTURAL INCOME

The medium-term perspectives for the income of the agricultural sector have been compiled on the basis of the medium-term projections for the main agricultural markets and of the economic accounts for agriculture, which constitute the statistical basis of the income measure<sup>7</sup>.

Whereas the medium-term changes in the price and volume components of the arable crops and most animal sectors have been established in line with the market projections, those of the other agricultural sectors –mainly fruit, vegetables, wine and olive oil- have been assumed to follow historical trends.

The subsidy component of agricultural income has been established on the basis of:

- the estimated direct payments for the period 2008-2015 (single payment scheme and other direct payments as provided following the Health Check decisions);

<sup>7</sup> Agricultural income is defined as the factor income of the agricultural sector (formerly the net value added at factor cost), expressed in real terms and per annual work unit.

- the rural development component from the EAFRD as adopted for the 2007-2013 period for the EU-27. Only the current transfers to agricultural producers as other subsidies on production have been accounted for in the income calculation (thus excluding all the capital grants and investment aids as well as the support to operators outside agriculture). Member States have been assumed to fully use the rural development funds available to them (including the co-financing component of rural development funds);
- the main provisions of the Act of Accession regarding direct payments for the EU-10 and EU-2 (progressive introduction, SAPS and the complementary national direct payments (CNDPs or “top-ups”)) have been accounted for. The possibility for financing the CNDP from the national budget or from co-financing with rural development EU funds has also been taken into account where relevant. In this context Member States respect the upper limit on the financial envelopes.

On the basis of these hypotheses, the projections for income display a recovery from the 2008 decline over the medium term to exceed the high 2007 level by 7.5% in 2015 in real terms and per labour unit. However, this overall gain would mask marked differences between EU-15 and the EU-12.

The fall in real agricultural income in 2008 results mainly from the strong and significant deterioration of the terms of trade of the agricultural sector in the EU as the cost of production rose by 11% on average in real terms driven by the sharp growth in the real prices of feeding stuffs, energy, fertilisers and seeds (estimated at 10%, 13%, 48% and 4% respectively). The rise in production cost is estimated to have more than offset the significant growth in the value of agricultural output (of around 4%). This strong decline should be examined in the light of the sustained income growth recorded over the last two years, notably in 2007.

Table 2 Outlook for agricultural income, 2006-2015

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Factor income in nominal terms</b>										
EU-27	93.2	100.0	96.8	99	105.5	101.1	95.4	96.2	100.8	103.3
EU-15	93.3	100.0	95.5	96.4	100.9	95.7	90.0	90.3	93.9	95.1
EU-12	92.4	100.0	104.7	115.0	132.3	132.9	126.5	130.3	141.6	151.3
<b>Labour input</b>										
EU-27	105.3	100.0	97.9	95.0	92.2	89.6	87.0	84.4	82.0	79.6
EU-15	103.2	100.0	97.8	95.6	93.4	91.2	89.1	87.1	85.1	83.1
EU-12	107.3	100.0	97.9	94.5	91.2	88.0	84.9	81.9	79.1	76.3
<b>Agricultural income in real terms per labour unit</b>										
EU-27	90.6	100.0	95.4	98.4	105.5	101.9	97.0	98.6	104.2	107.5
EU-15	92.4	100.0	95.0	96.2	101.0	96.2	90.9	91.5	95.5	97.1
EU-12	89.1	100.0	97.4	108.3	125.8	127.3	122.2	126.9	139.0	149.8

Relative to the EU-12, agricultural income in the EU-15 would show a more moderate development over the period 2007-2015. In terms of agricultural output, the short-term decline will be followed by a continuous increase driven by the increasing value of crops and meat production and supported by the expected continuation of the growth in the value of fruit and vegetables. On the other hand, the evolution of input costs particularly that of energy, fertilizer and feed costs will result in a further decline of EU factor income over 2011 and 2012, driven by the impact of the assumed increase in crude oil price. The reduction in total agricultural labour input for EU-15 is assumed to stabilise at the historical trend of around 2.3% per year on average over the projection

period. Consequently, agricultural income in real terms and per labour unit (i.e. full-time equivalent), is projected in 2015 to be 2.9% lower than the 2007 level.

Agricultural income in the EU-12 is foreseen to display a more pronounced picture with agricultural income steadily rising to exhibit a 49.8% increase by 2015 driven by higher value of agricultural production and supported by a continuous rise in the funds granted to agricultural producers in the EU-12 (with the available funds being directed to the agricultural sector in the form of direct payments and national top-ups and rural development funds, which would aim at facilitating and promoting the restructuring and modernisation of the agricultural sector and the rural areas<sup>8</sup>). The agricultural labour input in the EU-12 countries is assumed to fall by 3.5% on annual average over the forecast period in line with the restructuring of the agricultural sector. This rapid fall in labour force would boost the rise in agricultural income: whereas farm income in real terms would show an increase of 14.3% over 2007-2015, it would expand by 49.8% by 2015 when expressed per labour unit.

The contribution of the EU-12 to the overall EU-27 farm income (in real terms) would increase from 2008 but nevertheless remain rather limited at around 19% in 2015, in line with the low productivity levels in these Member States.

## 6. UNCERTAINTIES

As the outlook for EU agricultural markets and income presented in this publication is based on a number of assumptions regarding future economic, market and policy developments, it remains subject to a number of uncertainties.

The **economic outlook** in particular faces great uncertainty as it is subject to a number of (mainly downside) risks that could alter the scenario assumed for these market projections. These risks include the length and breadth of the crisis and the scale of the negative feedback-loop between the financial and real sectors of the economy and the ensuing impact on the real economy. Existing global imbalances could trigger disruptive exchange-rate developments and trade-distorting policy measures cannot be ruled out. A further deterioration of the economic outlook would alter the current projections with its impact on asset values, access to credit and energy prices. On the other hand, lower growth prospects could lead to a further decline in inflation rates with positive impact on real disposable income as well as lower input costs.

**Other factors** such as future changes in agricultural and trade policies as well as the outcome of the current Doha Development Round of trade negotiations, the policies on renewable energy, the path of technological change and future climatic conditions could also have far reaching implications for the future pattern of EU agricultural markets.

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<sup>8</sup> In this framework it should be mentioned that these projections do not fully take into account the multiplier effect of the funds granted as capital transfers on the future growth of the rural and agricultural economies.



**Table A.4 Soft wheat market projections for the European Union, 2006-2015 (mio t)**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Usable production</b>	<b>117.2</b>	<b>111.7</b>	<b>140.2</b>	<b>128.8</b>	<b>127.3</b>	<b>129.2</b>	<b>130.6</b>	<b>131.9</b>	<b>133.5</b>	<b>135.4</b>
of which EU-15	90.8	86.2	104.1	97.9	96.6	98.2	99.0	99.7	100.7	101.7
EU-10	17.7	20.2	24.1	22.0	21.5	21.8	22.2	22.6	23.1	23.8
EU-2	8.7	5.3	12.0	9.0	9.1	9.2	9.4	9.5	9.7	9.9
<b>Consumption</b>	<b>115.7</b>	<b>108.4</b>	<b>116.4</b>	<b>117.4</b>	<b>117.0</b>	<b>117.0</b>	<b>117.7</b>	<b>119.5</b>	<b>121.7</b>	<b>124.6</b>
of which food and industrial	52.4	52.5	52.6	53.0	52.9	53.0	53.1	53.3	53.4	53.6
of which feed	56.8	49.4	56.0	56.0	55.4	55.3	55.4	55.7	56.2	56.9
of which bioenergy	1.7	1.6	2.8	3.5	3.8	3.8	4.2	5.5	7.0	9.1
of which EU-15	97.0	90.3	97.5	98.5	98.3	98.3	98.8	100.2	102.0	104.5
EU-10	13.2	12.8	13.6	13.3	13.2	13.2	13.3	13.4	13.6	13.8
EU-2	5.5	5.3	5.4	5.5	5.5	5.5	5.7	5.9	6.1	6.3
Imports	3.2	4.8	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5
Exports	12.7	11.6	17.8	16.1	16.0	16.7	16.3	16.4	15.9	14.6
Beginning stocks	27.7	19.7	16.2	26.7	26.6	25.4	25.4	26.5	26.9	27.4
Ending stocks	19.7	16.2	26.7	26.6	25.4	25.4	26.5	26.9	27.4	28.0
of which intervention	0.2	0.0	0.1	0.2	1.6	0.5	0.0	0.0	0.0	0.0
of which EU-15	0.0	0.0	0.0	0.0	0.7	0.0	0.0	0.0	0.0	0.0
of which EU-10	0.2	0.0	0.1	0.2	0.9	0.5	0.0	0.0	0.0	0.0
of which EU-2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

**Table A.5 Barley market projections for the European Union, 2006-2015 (mio t)**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Usable production</b>	<b>56.5</b>	<b>57.8</b>	<b>65.9</b>	<b>61.6</b>	<b>59.0</b>	<b>59.4</b>	<b>59.7</b>	<b>60.1</b>	<b>60.4</b>	<b>60.9</b>
of which EU-15	46.9	47.4	53.7	50.9	48.1	48.5	48.6	48.8	49.0	49.2
EU-10	8.3	9.4	10.0	9.1	9.2	9.3	9.5	9.6	9.8	10.0
EU-2	1.3	1.0	2.2	1.6	1.6	1.6	1.6	1.6	1.6	1.6
<b>Consumption</b>	<b>51.6</b>	<b>50.1</b>	<b>53.4</b>	<b>53.2</b>	<b>53.1</b>	<b>53.3</b>	<b>53.9</b>	<b>54.2</b>	<b>55.0</b>	<b>56.1</b>
of which food and industrial	9.3	9.1	9.2	9.2	9.3	9.4	9.4	9.4	9.5	9.5
of which feed	38.9	37.8	39.7	39.5	39.2	39.1	39.5	39.5	40.1	40.9
of which bioenergy	0.7	0.5	1.8	1.8	1.9	2.1	2.3	2.6	2.8	3.1
of which EU-15	41.9	39.5	42.5	42.5	42.3	42.5	43.0	43.1	43.9	44.8
EU-10	8.2	8.6	8.8	8.6	8.6	8.7	8.8	8.9	9.0	9.1
EU-2	1.5	2.0	2.0	2.1	2.1	2.1	2.1	2.2	2.2	2.2
Imports	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Exports	7.6	7.9	8.0	8.4	7.3	6.4	5.9	7.1	5.6	6.3
Beginning stocks	14.2	11.8	11.9	16.7	17.0	15.9	16.0	16.2	15.2	15.4
Ending stocks	11.8	11.9	16.7	17.0	15.9	16.0	16.2	15.2	15.4	14.1
of which intervention	0.1	0.0	0.7	1.0	0.0	0.0	0.0	0.0	0.0	0.0
of which EU-15	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
of which EU-10	0.1	0.0	0.8	1.0	0.0	0.0	0.0	0.0	0.0	0.0
of which EU-2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

**Table A.6 Maize market projections for the European Union, 2006-2015 (mio t)**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Usable production</b>	<b>55.5</b>	<b>48.2</b>	<b>61.8</b>	<b>60.9</b>	<b>60.2</b>	<b>61.0</b>	<b>61.8</b>	<b>62.7</b>	<b>63.5</b>	<b>64.2</b>
of which EU-15	33.6	36.6	40.4	38.6	36.9	37.2	37.6	38.0	38.2	38.5
EU-10	11.3	7.5	12.6	12.0	11.8	12.0	12.2	12.4	12.6	12.8
EU-2	10.6	4.2	8.8	10.3	11.5	11.8	12.1	12.4	12.7	12.9
<b>Consumption</b>	<b>59.3</b>	<b>63.1</b>	<b>59.1</b>	<b>60.0</b>	<b>60.8</b>	<b>61.4</b>	<b>62.8</b>	<b>64.2</b>	<b>65.0</b>	<b>65.7</b>
of which food and industrial	8.7	8.7	8.8	8.8	8.8	8.8	8.9	8.9	8.9	8.9
of which feed	49.9	53.5	48.0	48.3	48.9	49.0	49.1	48.9	48.6	48.2
of which bioenergy	0.3	0.4	1.9	2.5	2.7	3.2	4.4	6.0	7.0	8.2
of which EU-15	39.5	42.6	40.1	41.3	41.8	42.4	43.6	44.6	45.2	45.9
EU-10	7.8	8.8	8.3	8.1	8.2	8.2	8.2	8.3	8.3	8.3
EU-2	11.9	11.6	10.7	10.7	10.8	10.8	11.0	11.3	11.4	11.6
Imports	4.4	14.3	3.2	3.0	3.3	2.6	2.9	2.8	3.6	3.6
Exports	1.7	1.4	2.4	3.9	2.4	2.3	2.2	2.3	2.2	2.3
Beginning stocks	16.7	15.6	13.7	17.1	17.1	17.3	17.2	16.9	16.0	15.9
Ending stocks	15.6	13.7	17.1	17.1	17.3	17.2	16.9	16.0	15.9	15.8
of which intervention	2.2	0.0	0.7	0.4	0.0	0.0	0.0	0.0	0.0	0.0
of which EU-15	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
of which EU-10	2.2	0.0	0.7	0.4	0.0	0.0	0.0	0.0	0.0	0.0
of which EU-2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

**Table A.7 Total oilseed market projections for the European Union, 2006-2015 (mio t)**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Usable production</b>	<b>22.5</b>	<b>22.2</b>	<b>25.1</b>	<b>24.6</b>	<b>24.5</b>	<b>24.5</b>	<b>24.4</b>	<b>24.6</b>	<b>24.9</b>	<b>24.8</b>
of which EU-15	14.6	15.1	15.4	15.4	15.3	15.4	15.3	15.4	15.6	15.6
EU-10	4.7	5.4	6.1	5.8	5.8	5.8	5.8	5.9	6.0	6.0
EU-2	3.3	1.7	3.6	3.3	3.3	3.3	3.3	3.3	3.3	3.3
<b>Consumption</b>	<b>38.6</b>	<b>39.2</b>	<b>42.5</b>	<b>41.2</b>	<b>41.5</b>	<b>42.6</b>	<b>43.1</b>	<b>43.6</b>	<b>44.3</b>	<b>45.1</b>
of which bioenergy	8.3	9.2	12.4	16.0	16.3	16.6	17.1	17.6	18.2	18.5
of which EU-15	33.2	34.3	36.4	35.4	35.7	36.8	37.3	37.8	38.4	39.1
EU-10	3.4	3.8	4.5	4.3	4.3	4.3	4.3	4.3	4.3	4.4
EU-2	2.0	1.1	1.6	1.5	1.5	1.5	1.5	1.5	1.6	1.6
Imports	16.1	18.0	19.0	17.3	18.0	19.2	19.6	20.1	20.5	21.3
Exports	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Beginning stocks	8.7	7.7	7.8	8.5	8.2	8.3	8.5	8.6	8.7	8.9
Ending stocks	7.7	7.8	8.5	8.2	8.3	8.5	8.6	8.7	8.9	9.0

**Table A.8 Area under arable crops and set-aside in the EU, 2006-2015 (mio ha)**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Cereals</b>	<b>57.2</b>	<b>56.6</b>	<b>60.2</b>	<b>59.6</b>	<b>59.3</b>	<b>59.4</b>	<b>59.5</b>	<b>59.5</b>	<b>59.6</b>	<b>59.5</b>
of which EU-15	34.9	34.7	37.2	37.0	35.6	35.6	35.7	35.8	35.8	35.8
EU-10	15.6	15.5	16.0	15.6	15.9	15.9	15.9	15.9	15.9	15.8
EU-2	6.7	6.4	7.0	6.9	7.8	7.8	7.8	7.9	7.9	7.8
Soft wheat	21.9	22.0	23.5	23.2	23.5	23.6	23.7	23.7	23.7	23.7
Durum wheat	3.0	2.9	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Barley	13.6	13.6	14.4	14.3	13.3	13.2	13.1	13.1	13.1	13.0
Maize	8.5	8.0	9.0	8.8	9.5	9.5	9.6	9.6	9.7	9.7
Rye	2.6	2.6	2.7	2.7	2.7	2.7	2.7	2.8	2.8	2.8
Other cereals	7.5	7.5	7.7	7.6	7.3	7.3	7.3	7.3	7.3	7.3
<b>Oilseeds</b>	<b>9.5</b>	<b>10.2</b>	<b>10.4</b>	<b>10.4</b>	<b>10.3</b>	<b>10.2</b>	<b>10.1</b>	<b>10.2</b>	<b>10.2</b>	<b>10.2</b>
of which EU-15	5.4	5.7	5.8	5.9	5.8	5.8	5.8	5.8	5.9	5.8
EU-10	2.1	2.5	2.6	2.5	2.5	2.5	2.4	2.5	2.5	2.5
EU-2	2.0	2.0	2.0	2.0	2.0	1.9	1.9	1.9	1.9	1.9
Rapeseed	5.1	6.4	6.3	6.3	6.3	6.2	6.2	6.3	6.4	6.3
Sunseed	3.9	3.4	3.8	3.8	3.7	3.7	3.7	3.6	3.6	3.6
Soyabeans	0.5	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
<b>Sugar beet</b>	<b>1.7</b>	<b>1.7</b>	<b>1.5</b>							
<b>Protein crops</b>	<b>1.2</b>	<b>1.0</b>	<b>0.8</b>	<b>0.8</b>	<b>0.8</b>	<b>0.8</b>	<b>0.8</b>	<b>0.8</b>	<b>0.7</b>	<b>0.6</b>
<b>Flax and Hemp</b>	<b>0.2</b>									
<b>Silage (1)</b>	<b>4.5</b>	<b>4.4</b>	<b>4.4</b>	<b>4.5</b>	<b>4.5</b>	<b>4.5</b>	<b>4.4</b>	<b>4.4</b>	<b>4.4</b>	<b>4.4</b>
<b>Total selected arable crops</b>	<b>74.2</b>	<b>74.2</b>	<b>77.6</b>	<b>77.0</b>	<b>76.6</b>	<b>76.6</b>	<b>76.6</b>	<b>76.7</b>	<b>76.6</b>	<b>76.3</b>
Uncultivated land (2)	7.0	6.9	4.4	5.1	5.1	5.0	5.0	5.0	5.0	5.0
<b>Total</b>	<b>81.2</b>	<b>81.1</b>	<b>82.0</b>	<b>82.0</b>	<b>81.7</b>	<b>81.7</b>	<b>81.7</b>	<b>81.7</b>	<b>81.6</b>	<b>81.3</b>

(1) excluding grass silage

(2) includes land on set-aside until 2007

**Table A.9 Beef/veal market projections for the EU-27, 2006 – 2015 ('000 t cwe)**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Gross Indigenous Production</b>	<b>8 180</b>	<b>8 245</b>	<b>8 293</b>	<b>8 102</b>	<b>8 078</b>	<b>8 010</b>	<b>7 951</b>	<b>7 906</b>	<b>7 908</b>	<b>7 891</b>
of which EU15	7 226	7 275	7 304	7 123	7 090	7 054	7 015	6 971	6 981	6 971
of which EU12	953	970	988	979	988	956	936	934	927	920
<b>Live Imports</b>	<b>1</b>									
<b>Live Exports</b>	<b>48</b>	<b>44</b>	<b>41</b>	<b>37</b>						
<b>Net Production</b>	<b>8 133</b>	<b>8 203</b>	<b>8 253</b>	<b>8 065</b>	<b>8 041</b>	<b>7 973</b>	<b>7 914</b>	<b>7 869</b>	<b>7 871</b>	<b>7 855</b>
<b>Import</b>	<b>619</b>	<b>541</b>	<b>379</b>	<b>431</b>	<b>478</b>	<b>546</b>	<b>594</b>	<b>608</b>	<b>599</b>	<b>608</b>
<b>Exports</b>	<b>186</b>	<b>113</b>	<b>162</b>	<b>110</b>	<b>90</b>	<b>86</b>	<b>79</b>	<b>73</b>	<b>68</b>	<b>63</b>
<b>Consumption</b>	<b>8 566</b>	<b>8 631</b>	<b>8 470</b>	<b>8 386</b>	<b>8 429</b>	<b>8 433</b>	<b>8 430</b>	<b>8 404</b>	<b>8 403</b>	<b>8 400</b>
<b>Per Capita Consumption</b>	<b>17.4</b>	<b>17.5</b>	<b>17.1</b>	<b>16.9</b>	<b>16.9</b>	<b>16.8</b>	<b>16.8</b>	<b>16.7</b>	<b>16.6</b>	<b>16.5</b>
of which EU15	20.0	20.3	19.8	19.5	19.6	19.5	19.4	19.2	19.2	19.1
of which EU12	7.9	6.9	6.6	6.6	6.5	6.5	6.5	6.5	6.5	6.6
<b>Ending stocks (Intervention)</b>	<b>0</b>									

**Table A.10 Pig meat market projections for the EU-27, 2006 – 2015 ('000 t cwe)**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Gross Indigenous Production</b>	<b>21 977</b>	<b>22 874</b>	<b>22 509</b>	<b>21 825</b>	<b>22 514</b>	<b>22 861</b>	<b>22 676</b>	<b>22 697</b>	<b>22 899</b>	<b>23 258</b>
EU15	18 148	19 054	18 959	18 557	19 070	19 154	18 886	18 867	19 010	19 340
EU12	3 828	3 820	3 550	3 268	3 445	3 708	3 790	3 830	3 889	3 918
<b>Live Imports</b>	<b>0</b>									
<b>Live Exports</b>	<b>44</b>	<b>36</b>	<b>70</b>	<b>71</b>						
<b>Net Production</b>	<b>21 933</b>	<b>22 838</b>	<b>22 439</b>	<b>21 754</b>	<b>22 443</b>	<b>22 790</b>	<b>22 605</b>	<b>22 626</b>	<b>22 828</b>	<b>23 187</b>
<b>Import</b>	<b>105</b>	<b>30</b>	<b>46</b>	<b>50</b>	<b>60</b>	<b>60</b>	<b>60</b>	<b>60</b>	<b>60</b>	<b>60</b>
<b>Exports</b>	<b>1 411</b>	<b>1 394</b>	<b>1 799</b>	<b>1 136</b>	<b>1 104</b>	<b>1 126</b>	<b>1 083</b>	<b>1 083</b>	<b>1 066</b>	<b>1 052</b>
<b>Consumption</b>	<b>20 626</b>	<b>21 374</b>	<b>20 786</b>	<b>20 669</b>	<b>21 400</b>	<b>21 725</b>	<b>21 582</b>	<b>21 602</b>	<b>21 822</b>	<b>22 195</b>
<b>Per Capita Consumption</b>	<b>42.0</b>	<b>43.3</b>	<b>41.9</b>	<b>41.5</b>	<b>42.9</b>	<b>43.3</b>	<b>42.9</b>	<b>42.8</b>	<b>43.1</b>	<b>43.7</b>
of which EU15	42.3	43.9	42.6	41.9	43.3	43.7	43.1	42.9	43.1	43.8
of which EU12	40.9	41.0	39.6	40.0	41.2	41.9	42.1	42.5	43.1	43.5
<b>Ending stocks (aided private st</b>	<b>0</b>	<b>100</b>	<b>0</b>							

**Table A.11 Poultry meat market projections for the EU-27, 2006 – 2015 ('000 t cwe)**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Gross Indigenous Production</b>	<b>11 235</b>	<b>11 487</b>	<b>11 671</b>	<b>11 740</b>	<b>12 181</b>	<b>11 995</b>	<b>11 960</b>	<b>12 175</b>	<b>12 367</b>	<b>12 502</b>
of which chicken meat	8 800	9 059	9 216	9 299	9 788	9 487	9 393	9 632	9 825	9 954
of which EU15	6 273	6 584	6 708	6 758	7 093	6 881	6 807	6 964	7 099	7 178
of which EU12	2 527	2 475	2 508	2 541	2 695	2 605	2 587	2 668	2 726	2 776
of which other poultry	2 435	2 428	2 454	2 442	2 394	2 508	2 566	2 543	2 541	2 549
<b>Import</b>	<b>734</b>	<b>824</b>	<b>817</b>	<b>826</b>	<b>828</b>	<b>836</b>	<b>842</b>	<b>848</b>	<b>855</b>	<b>863</b>
<b>Exports</b>	<b>865</b>	<b>786</b>	<b>877</b>	<b>804</b>	<b>792</b>	<b>773</b>	<b>759</b>	<b>762</b>	<b>760</b>	<b>758</b>
<b>Net Trade</b>	<b>130</b>	<b>- 38</b>	<b>60</b>	<b>- 23</b>	<b>- 35</b>	<b>- 63</b>	<b>- 83</b>	<b>- 86</b>	<b>- 95</b>	<b>- 105</b>
<b>Consumption</b>	<b>11 105</b>	<b>11 526</b>	<b>11 611</b>	<b>11 763</b>	<b>12 217</b>	<b>12 058</b>	<b>12 042</b>	<b>12 261</b>	<b>12 462</b>	<b>12 607</b>
<b>Per Capita Consumption</b>	<b>22.6</b>	<b>23.4</b>	<b>23.4</b>	<b>23.6</b>	<b>24.5</b>	<b>24.1</b>	<b>23.9</b>	<b>24.3</b>	<b>24.6</b>	<b>24.8</b>
of which chicken meat	17.8	18.6	18.6	18.9	19.8	19.1	18.9	19.2	19.5	19.7
of which EU15	16.4	17.0	17.1	17.3	18.4	17.4	17.0	17.4	17.7	17.9
of which EU12	23.0	24.3	24.4	24.8	25.1	25.8	26.3	26.5	26.6	26.7
of which other poultry	4.8	4.8	4.8	4.8	4.7	4.9	5.1	5.1	5.1	5.2

**Table A.12 Sheep/Goat meat market projections for the EU-27, 2006–2015 ('000 t cwe)**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Gross Indigenous Production</b>	<b>1 127</b>	<b>1 097</b>	<b>1 025</b>	<b>1 023</b>	<b>1 014</b>	<b>1 011</b>	<b>1 006</b>	<b>1 000</b>	<b>996</b>	<b>992</b>
EU15	1 024	997	929	924	915	912	907	901	896	891
EU12	103	100	96	99	99	99	99	100	100	101
	0	0	0	0	0	0	0	0	0	0
<b>Live Imports</b>	<b>0</b>									
<b>Live Exports</b>	<b>5</b>	<b>3</b>								
<b>Net Production</b>	<b>1 123</b>	<b>1 094</b>	<b>1 022</b>	<b>1 021</b>	<b>1 011</b>	<b>1 009</b>	<b>1 003</b>	<b>998</b>	<b>993</b>	<b>989</b>
<b>Import</b>	<b>274</b>	<b>272</b>	<b>272</b>	<b>270</b>	<b>271</b>	<b>272</b>	<b>273</b>	<b>275</b>	<b>276</b>	<b>276</b>
<b>Exports</b>	<b>4</b>	<b>7</b>	<b>7</b>	<b>8</b>						
<b>Consumption</b>	<b>1 393</b>	<b>1 359</b>	<b>1 286</b>	<b>1 283</b>	<b>1 274</b>	<b>1 273</b>	<b>1 268</b>	<b>1 264</b>	<b>1 261</b>	<b>1 257</b>
<b>Per Capita Consumption</b>	<b>2.8</b>	<b>2.8</b>	<b>2.6</b>	<b>2.6</b>	<b>2.6</b>	<b>2.5</b>	<b>2.5</b>	<b>2.5</b>	<b>2.5</b>	<b>2.5</b>
of which EU15	3.3	3.2	3.1	3.0	3.0	3.0	3.0	2.9	2.9	2.9
of which EU12	0.9	0.9	0.9	0.9	0.9	0.9	0.8	0.8	0.8	0.8

**Table A.13 Overall meat market projections for the EU-27, 2006 – 2015 ('000 t cwe)**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Gross Indigenous Production</b>	<b>42 519</b>	<b>43 704</b>	<b>43 498</b>	<b>42 691</b>	<b>43 787</b>	<b>43 877</b>	<b>43 593</b>	<b>43 778</b>	<b>44 170</b>	<b>44 643</b>
of which EU15	32 672	33 910	33 900	33 362	34 167	34 001	33 614	33 704	33 986	34 380
of which EU12	7 412	7 366	7 143	6 888	7 227	7 368	7 412	7 532	7 642	7 714
<b>Live Imports</b>	<b>1</b>									
<b>Live Exports</b>	<b>97</b>	<b>84</b>	<b>114</b>	<b>111</b>						
<b>Net Production</b>	<b>42 424</b>	<b>43 622</b>	<b>43 384</b>	<b>42 580</b>	<b>43 677</b>	<b>43 767</b>	<b>43 482</b>	<b>43 668</b>	<b>44 059</b>	<b>44 533</b>
<b>Import</b>	<b>1 732</b>	<b>1 668</b>	<b>1 514</b>	<b>1 578</b>	<b>1 637</b>	<b>1 714</b>	<b>1 768</b>	<b>1 790</b>	<b>1 790</b>	<b>1 807</b>
<b>Exports</b>	<b>2 466</b>	<b>2 300</b>	<b>2 845</b>	<b>2 058</b>	<b>1 994</b>	<b>1 993</b>	<b>1 929</b>	<b>1 926</b>	<b>1 901</b>	<b>1 880</b>
<b>Net Trade</b>	<b>734</b>	<b>632</b>	<b>1 331</b>	<b>480</b>	<b>357</b>	<b>278</b>	<b>160</b>	<b>136</b>	<b>112</b>	<b>73</b>
<b>Consumption</b>	<b>41 690</b>	<b>42 890</b>	<b>42 153</b>	<b>42 100</b>	<b>43 319</b>	<b>43 488</b>	<b>43 322</b>	<b>43 531</b>	<b>43 947</b>	<b>44 460</b>
of which EU15	25 462	26 338	25 697	25 457	26 123	26 383	26 212	26 167	26 323	26 647
of which EU12	5 162	5 067	4 888	4 923	5 023	5 091	5 111	5 148	5 207	5 250
<b>Per Capita Consumption</b>	<b>84.9</b>	<b>87.0</b>	<b>85.1</b>	<b>84.6</b>	<b>86.7</b>	<b>86.8</b>	<b>86.1</b>	<b>86.3</b>	<b>86.8</b>	<b>87.6</b>
of which BEEF/VEAL	17.4	17.5	17.1	16.9	16.9	16.8	16.8	16.7	16.6	16.5
of which SHEEP/GOAT	2.8	2.8	2.6	2.6	2.6	2.5	2.5	2.5	2.5	2.5
of which PIGMEAT	42.0	43.3	41.9	41.5	42.9	43.3	42.9	42.8	43.1	43.7
of which POULTRY	22.6	23.4	23.4	23.6	24.5	24.1	23.9	24.3	24.6	24.8
of which EU15	65.7	67.5	65.5	64.6	65.9	66.2	65.5	65.1	65.2	65.8
of which EU12	49.9	49.0	47.3	47.8	48.8	49.5	49.7	50.1	50.7	51.2

**Table A.14 Consumption egg market projections for the EU-27, 2006 – 2015 (mio t)**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Usable production</b>	<b>6.9</b>	<b>6.8</b>	<b>6.9</b>	<b>6.8</b>	<b>6.9</b>	<b>6.9</b>	<b>7.1</b>	<b>7.1</b>	<b>7.1</b>	<b>7.2</b>
of which EU-15	5.3	5.5	5.5	5.5	5.5	5.5	5.6	5.6	5.6	5.6
EU-10	1.0	1.1	1.2	1.2	1.2	1.2	1.2	1.2	1.3	1.3
EU-2	0.5	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
<b>Consumption</b>	<b>6.7</b>	<b>6.7</b>	<b>6.8</b>	<b>6.8</b>	<b>6.9</b>	<b>6.9</b>	<b>6.9</b>	<b>6.9</b>	<b>6.9</b>	<b>7.0</b>
of which EU-15	5.3	5.2	5.3	5.3	5.4	5.4	5.4	5.4	5.4	5.5
EU-10	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
EU-2	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Imports	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exports	0.2	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2

**Table A.15 Milk production, deliveries and dairy herd in the EU-27, 2006 – 2015**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Total production (mio t)</b>	<b>148.1</b>	<b>148.0</b>	<b>148.7</b>	<b>147.4</b>	<b>147.5</b>	<b>148.2</b>	<b>148.7</b>	<b>149.6</b>	<b>149.8</b>	<b>151.4</b>
of which EU15	119.6	119.7	120.2	119.4	119.6	120.4	121.3	122.2	122.5	124.3
of which EU12	28.5	28.3	28.5	28.1	27.9	27.8	27.4	27.5	27.3	27.1
<b>Deliveries (mio t)</b>	<b>132.6</b>	<b>132.9</b>	<b>133.6</b>	<b>132.7</b>	<b>133.1</b>	<b>134.0</b>	<b>134.8</b>	<b>135.9</b>	<b>136.4</b>	<b>138.2</b>
of which EU15	113.9	114.1	114.6	113.8	114.1	114.9	115.9	116.8	117.1	119.0
of which EU12	18.8	18.8	19.0	18.8	18.9	19.1	18.9	19.1	19.2	19.2
<b>Delivery ratio (in %)</b>	<b>89.6</b>	<b>89.8</b>	<b>89.9</b>	<b>90.0</b>	<b>90.2</b>	<b>90.4</b>	<b>90.6</b>	<b>90.8</b>	<b>91.0</b>	<b>91.3</b>
of which EU15	95.2	95.3	95.3	95.4	95.4	95.5	95.5	95.6	95.6	95.7
of which EU12	65.9	66.3	66.8	67.1	67.9	68.6	68.9	69.7	70.3	70.8
<b>Fat content (in %)</b>	<b>4.04</b>	<b>4.04</b>	<b>4.04</b>	<b>4.04</b>	<b>4.05</b>	<b>4.05</b>	<b>4.05</b>	<b>4.05</b>	<b>4.05</b>	<b>4.05</b>
<b>Protein content (in %)</b>	<b>3.34</b>	<b>3.36</b>								
<b>Milk yield (kg/dairy cow)</b>	<b>6093</b>	<b>6124</b>	<b>6200</b>	<b>6277</b>	<b>6346</b>	<b>6426</b>	<b>6520</b>	<b>6629</b>	<b>6693</b>	<b>6753</b>
of which EU15	6654	6690	6745	6817	6880	6941	7033	7121	7154	7173
of which EU12	4501	4509	4623	4693	4763	4864	4928	5069	5196	5325
<b>Dairy cows (mio heads)</b>	<b>24.3</b>	<b>24.2</b>	<b>24.0</b>	<b>23.5</b>	<b>23.2</b>	<b>23.1</b>	<b>22.8</b>	<b>22.6</b>	<b>22.4</b>	<b>22.4</b>
of which EU15	18.0	17.9	17.8	17.5	17.4	17.3	17.2	17.2	17.1	17.3
of which EU12	6.3	6.3	6.2	6.0	5.9	5.7	5.6	5.4	5.3	5.1

**Table A.16 Cheese market projections for the EU-27, 2006 – 2015 ('000 t)**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Total production</b>	<b>8 926</b>	<b>8 932</b>	<b>8 969</b>	<b>8 997</b>	<b>9 082</b>	<b>9 246</b>	<b>9 395</b>	<b>9 542</b>	<b>9 646</b>	<b>9 879</b>
of which EU15	7 727	7 745	7 768	7 795	7 857	7 974	8 104	8 211	8 288	8 512
of which EU12	1 199	1 187	1 201	1 202	1 225	1 272	1 292	1 330	1 358	1 367
<b>Imports</b>	<b>101</b>	<b>94</b>	<b>81</b>	<b>81</b>	<b>81</b>	<b>83</b>	<b>85</b>	<b>87</b>	<b>89</b>	<b>91</b>
<b>Exports</b>	<b>586</b>	<b>596</b>	<b>545</b>	<b>542</b>	<b>543</b>	<b>543</b>	<b>558</b>	<b>558</b>	<b>536</b>	<b>525</b>
<b>Total consumption</b>	<b>8 441</b>	<b>8 430</b>	<b>8 506</b>	<b>8 536</b>	<b>8 620</b>	<b>8 785</b>	<b>8 923</b>	<b>9 071</b>	<b>9 199</b>	<b>9 445</b>
<b>Per capita consumption (kg)</b>	<b>17.3</b>	<b>17.2</b>	<b>17.2</b>	<b>17.2</b>	<b>17.3</b>	<b>17.6</b>	<b>17.8</b>	<b>18.0</b>	<b>18.2</b>	<b>18.7</b>
of which EU15	19.1	18.9	18.9	18.9	19.0	19.2	19.2	19.4	19.4	19.8
of which EU12	10.5	10.8	10.9	10.8	11.1	11.5	12.2	12.9	13.5	14.1

**Table A.17 Butter market projections for the EU-27, 2006 – 2015 ('000 t)**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Total production</b>	<b>2 076</b>	<b>2 151</b>	<b>2 158</b>	<b>2 163</b>	<b>2 092</b>	<b>2 028</b>	<b>1 991</b>	<b>1 996</b>	<b>1 964</b>	<b>1 949</b>
of which EU15	1 883	1 891	1 911	1 928	1 870	1 815	1 792	1 799	1 777	1 775
of which EU12	193	260	247	235	222	213	199	197	187	174
<b>Imports</b>	<b>90</b>	<b>91</b>	<b>62</b>	<b>85</b>						
<b>Exports</b>	<b>241</b>	<b>212</b>	<b>143</b>	<b>156</b>	<b>133</b>	<b>135</b>	<b>104</b>	<b>46</b>	<b>28</b>	<b>24</b>
<b>Total consumption</b>	<b>2 047</b>	<b>2 050</b>	<b>2 036</b>	<b>2 053</b>	<b>2 054</b>	<b>2 048</b>	<b>2 042</b>	<b>2 035</b>	<b>2 021</b>	<b>2 009</b>
<b>per capita consumption (kg)</b>	<b>4.18</b>	<b>4.17</b>	<b>4.13</b>	<b>4.14</b>	<b>4.13</b>	<b>4.10</b>	<b>4.07</b>	<b>4.05</b>	<b>4.01</b>	<b>3.97</b>
of which EU15	4.73	4.72	4.67	4.67	4.64	4.61	4.57	4.53	4.48	4.43
of which EU12	2.15	2.14	2.10	2.15	2.16	2.16	2.16	2.17	2.16	2.16
<b>Ending Stocks</b>										
of which private	37	81	121	90	50	10	10	10	10	10
of which intervention	63	0	0	70	100	70	0	0	0	0
<b>Stock changes</b>	<b>-121</b>	<b>-19</b>	<b>40</b>	<b>39</b>	<b>-10</b>	<b>-70</b>	<b>-70</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Table A.18 SMP market projections for the EU-27, 2006 – 2015 ('000 t)**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Total production</b>	<b>866</b>	<b>913</b>	<b>860</b>	<b>839</b>	<b>843</b>	<b>830</b>	<b>792</b>	<b>825</b>	<b>774</b>	<b>787</b>
of which EU15	694	726	698	675	687	678	640	676	631	651
of which EU12	172	186	162	164	155	153	151	149	143	137
<b>Imports</b>	<b>21</b>	<b>10</b>	<b>8</b>							
<b>Exports</b>	<b>85</b>	<b>202</b>	<b>163</b>	<b>125</b>	<b>110</b>	<b>127</b>	<b>96</b>	<b>90</b>	<b>77</b>	<b>101</b>
<b>Total consumption</b>	<b>783</b>	<b>688</b>	<b>660</b>	<b>700</b>	<b>720</b>	<b>736</b>	<b>734</b>	<b>728</b>	<b>728</b>	<b>729</b>
of which EU15	715	602	571	607	623	638	638	634	635	637
of which EU12	67	86	88	93	97	97	96	94	93	92
<b>Ending Stocks</b>	<b>95</b>	<b>128</b>	<b>173</b>	<b>195</b>	<b>215</b>	<b>190</b>	<b>160</b>	<b>175</b>	<b>152</b>	<b>117</b>
of which private	95	128	173	75	75	75	75	75	75	75
of which intervention	0	0	0	120	140	115	85	100	77	42
Stock changes	20	33	45	22	20	-25	-30	15	-23	-35