

## The 2009 Agricultural Year

### General overview

1. The **2009 agricultural year** in the EU was characterised by a remarkable drop in agricultural income, which was mainly triggered by a fall in agricultural output prices combined with a slight decrease in the overall agricultural output volume. The volume of EU crop production decreased by 0.9% in 2009 as compared to 2008, and the output volume of the animal sector fell by 1%. Real agricultural producer prices decreased by 9.9% in 2009 as compared to 2008, reflecting 11.9% lower crop output prices and 8.2% lower animal product output prices. Within the crop sector, the prices for cereals (-25.2%) and industrial crops (-13.7%) showed the strongest downturn, while lower milk prices (-20.3%) particularly contributed to the decrease in animal product output prices. Agricultural input prices (in nominal terms) showed a moderate decrease of 5.2% (as compared to the remarkable increases seen over the previous years), mainly due to lower prices for feedstuffs (-13.8%) and energy/lubricants (-10.7%). Fertiliser prices increased even further (by 5.4%, after the substantial increase of 67.1% in 2008 as compared to 2007). Reflecting the previously discussed output and input price developments, the income estimates sent by Member States depict a remarkable decrease in agricultural income by 11.6% in real terms and per annual labour unit as compared to 2008 in the European Union as a whole. The actual range by country varies from -32.2 for Hungary to +7.8% for Malta. In 2009, EU agricultural exports in value terms amounted to 73.8 billion Euro, they were made up for 64% by processed final products. The overall value of EU agricultural exports decreased by 8%, with the strongest value drop recorded for exported raw commodities (-18%). The decrease in export value was particularly marked for wheat (grains) (-20% or 850 million Euro), wine & vermouth (-13% or 850 million Euro) and other cereals (-65% or 780 million Euro). Export values also fell for pork (-18%) and the product aggregate dairy products, milk and cream (-29%). Exports to Russia fell from 8.8 billion Euros in 2008 to 6.9 billion Euro in 2009, a drop of 21%. To the USA, a drop of 8% in EU agricultural exports was observed. Exports to China though increased by 20% and reached 2.1 billion Euros in 2009. The overall value of agricultural imports in 2009 as compared to 2008 dropped even more significantly as it went down by 12.9% reaching 76.9 billion Euros in 2009. EU imports in 2009 fell remarkably from Brazil (from 13.5 to 11.7 billion Euro or minus 13%), the US, with a drop of 24% (from 7.8 to 5.9 billion Euro) and Argentina (-28% from 8.1 billion Euro in 2008 to 5.8 billion Euro in 2009). As a consequence, the EU agricultural trade balance improved from a deficit of 8 billion Euros for 2008 to a deficit of 3 billion Euros for the year 2009.
2. The general **economic situation in the EU** appears to be beclouded. 2009 was a year of recession in Europe, the GDP drop in the EU is estimated at 4.1% in 2009 as compared to 2008. Only a slight (and uncertain) recovery is forecast for the years 2010 (+0.7%) and 2011 (+1.6%), while world output would bounce back stronger (+3.9% in 2010 and +4.3% in 2011). While the agricultural sector generally seems to be more resilient to economic crises than other sectors, it has faced 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 was more directly negatively affected in the higher value-added sectors (especially in the livestock and dairy sectors), the economic crisis was also 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 changed input/output price

relations, as well as in the upstream and downstream industries. Inflation pressures on consumer prices would continue to be prevalent, reflecting remarkably higher energy, capital and other food production and distribution costs. Overall consumer price inflation in 2009 is estimated at 1%, food price inflation at 0.9%. Within this general economic framework, EU and world trade growth are also estimated to have gradually decelerated. The US-Dollar continued its longer-term trend of depreciation vis-à-vis the Euro until the end of the first half of 2008. Then, it appreciated strongly (on the perceived height of the financial crisis), but continued to devalue in the second half of 2009.

### Overview on agricultural markets

3. The area cultivated under **cereals** in 2009/2010 stood at 58.9 million ha. It decreased by 1.4 million ha or by 2.2% compared with the relatively high 2008/2009 level. While the cereal area decreased by 1.7 million ha in the EU-15, it increased by 0.3 million ha to 23.1 million ha in the 12 New Member States of the EU. Climatic conditions have been generally favourable and have led to average yields for all arable crops.

Average yields of 5.0 t/ha (1.6% above the five-year average of 4.9 t/ha) led to a total cereal harvest estimated at 293.9 million t, which is 6.3% below the record high level of 2008/2009 (313.8 million t), but 1.7% above the five-year average (289.0 million t). The average yield reached 3.5 t/ha in the EU-12 (close to the five-year average) and 5.9 t/ha in the EU-15 (2.7% above the five-year average). Soft wheat, durum wheat, barley, oats and maize production decreased.

4. EU-27 **oilseed** area is estimated at 10.7 million ha in 2009/10. Total oilseed production would stand at 28.9 million t. This would represent an increase of 7% in comparison with 2008/2009 when oilseed production reached 27 million t. Average oilseed yields would reach 2.70 t/ha, slightly above the level of 2004/2005 of 2.68 t/ha.
5. **Protein crop and linseed** production would stand at 2.5 million t and 0.12 million t respectively.
6. **Rice** production was around 1.49 million t (milled equivalent), which means a 10.8% decrease compared to the previous marketing year. This decrease is the combined effect of the decrease of the sown area (from 423 000 to 414 000 ha) and the decrease of the yields (from 6.6 to 6.1 t/ha on average).

Rice consumption decreased by 8.4% (from some 2.58 to 2.36 million t in milled equivalent) compared to the previous year.

Rice stocks decreased by 18.6% and reached a level of 403 000 t till the end of the marketing year. The marketing year started and ended without public intervention stocks.

The decreasing consumption and stocks compensated for the production decrease, resulting in a decrease in the rice trade deficit. The milled equivalent rice imports decreased from 1.11 to 0.84 million t with a parallel export decrease from 127 000 to 104 000 t.

Paddy rice prices were well above the reference price level during the whole marketing year, developing in the range of 217-353% of the reference price at the

start of the marketing year and decreasing to 160-257% of the reference price by the end of the marketing year. A similar tendency could have been detected also for milled rice: after the significant price increase in the 2007/2008 marketing year, the EU market prices mainly decreased (by up to 52%) during the 2008/2009 marketing year.

7. 2009 appears to have been a memorable year for the **sugar** markets. World market prices have more than doubled during the year due to a major deficit situation expected in 2009/10, the second in a row.

According to the International Sugar Organization (ISO), global sugar production fell sharply by 12 million tonnes in 2008/09 to 152.5 million tonnes, of which 120 million tonnes was cane sugar (i.e. 79% of the total). Sugar consumption reached 164.1 million tonnes, thus 2008/09 resulted in a major global sugar deficit of 11.7 million tonnes.

With respect to the 2009/10 crop year the situation is expected to improve only moderately and sugar production would increase by 4.7 million tonnes to 157.1 million tonnes. Due to the economic crisis and high sugar prices, consumption would only grow by about 1.5% compared to the 10-year average of 2.6%. Demand is estimated to reach 166.6 million tonnes. Thus, 2009/10 would bring another deficit of about 9.4 million tonnes.

The final figures for EU sugar production indicate that in 2008/09 13.9 million tonnes of quota sugar and quota isoglucose were produced, plus an additional 2.9 million tonnes of out-of-quota sugar (of which 0.4 million tonnes would be carried forward to the 2009/2010 marketing year).

According to first forecasts for 2009/2010, production under quota would again reach 13.9 million tonnes. However, excellent weather conditions and increased sugar beet area would possibly lead to an out-of-quota sugar production above 4.5 million tonnes.

2009 was the last year of application of the temporary restructuring scheme. During the four years of its application (2006 - 2009), 5.77 million tonnes have been renounced of which 5.23 million tonnes sugar, 0.22 million tonnes isoglucose as well as the full inulin syrup quota of 0.32 million tonnes.

The total production quotas for 2009/2010 are 14.027 million tonnes of which 13.337 million tonnes for sugar and 0.69 million tonnes for isoglucose.

On the basis of the Community balance sheet the overall sugar and isoglucose consumption would be estimated at 16.5 million tonnes.

The 2008/2009 marketing year was the first year when exports of out-of-quota sugar were authorized. Commission Regulation (EC) No 924/2008 fixed the quantitative limit in accordance with Article 61 of Council Regulation (EC) No 1234/2007 at 0.95 million tonnes of sugar and 0.05 million tonnes of isoglucose.

For the 2009/2010 marketing year, the quantitative limit was fixed by Commission Regulation (EC) No 274/2009 at 1.35 million tonnes of sugar and 0.05 million tonnes of isoglucose.

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During 2008/2009, overall sugar exports reached 0.983 million tonnes. A further 0.928 million tonnes of sugar was exported in processed products.

Imports of sugar (including both white and raw sugar) amounted to 3.885 million tonnes in white sugar equivalent, whereas 0.547 million tonnes of sugar was imported in the form of processed products.

During 2008/2009 a total of 283 743 t of intervention sugar was sold, in particular on the Community market and under the most deprived people scheme. The remaining 34 944 tonnes of sugar intervention stocks on 30 September 2009 were allocated to the 2010 most deprived people scheme.

The final reduction of the institutional price took place on 1 October 2009 when the white sugar reference price was cut from 541 per tonne to 404 EUR per tonne.

The sugar market price gradually decreased towards the 2008/2009 reference price and reached about 555 EUR per tonne by the end of the 2008/2009 marketing year. The latest information for November 2009 shows a further decrease to 493 EUR per tonne.

8. Total **must** production for wine and grape juice in 2008/2009 remained at the very low level of production reached one year before. Estimates indicate a production of about 173 million hectolitres, of which 165 millions for vinification.

The market price of **table wines** without geographical indication at producer level suffered from high stock levels: Spanish red table wines were marketed at 2.6 € per hectograde (-10% compared to the same period of the last year), Italian red table wine at 2.7 € (-25%), whereas French red table wine increased at the end of the year up to 3.55 € (+10%) after a sharp collapse during the summertime (2.85 €). Quotations for white table wines are often based on insufficient volumes to be considered truly representative.

Exports as well as imports of wine decreased in volume by 2-3%. However exports in value increased by 14% to 6.187 billion Euros. In combination with the decrease of imports in value (-8%), the trade balance shows a positive result reaching 3.731 billion euros, an increase of 16% compared to 2007.

9. Overall, 2009 was a difficult year for EU **fruit and vegetables** producers, characterised by low prices and minimum investments. The usual price volatility in the sector was combined with the negative effect of the global economic crisis. Further, there were some difficulties with exports to Russia which is a main outlet for European fruit and vegetables. The results vary by product and by country.

EU production of peaches and nectarines in 2009 is estimated at about 4 million tons, a slight increase (+3%) compared to 2008. Producer prices were significantly lower on a year-on-year basis, due to the combination of relatively large supply, the global economic turndown and pressure from retailers to decrease prices. Particularly difficult was the market situation for canning peaches where prices often failed to cover the production costs. Some producers of peaches for processing in Greece and Spain are considering turning to fresh produce for better prices.

The EU apple crop in 2009 is estimated at 10.9 million tons, 5% less compared to the previous year, but still 6% over the average for the last three years. Production in Eastern Europe decreased considerably (due to a 19% drop in Poland's crop) while

that in Western Europe remained close to the 2008 level. The EU apple season started with very low prices, negatively affected by the remaining stocks from the 2008 crop, the presence of fruit from overseas, the heavy competition from summer fruit and the difficulties faced with exports to Russia. Particularly low were the prices of apples for processing, in many cases below production costs.

According to preliminary data, EU production of pears has bounced back to 2.5 million tons in 2009, 16% up compared to 2008 and 2% over the average for the last three years. The pear season started better than the apple one, favoured by the absence of carry-over stocks.

EU production of citrus fruit is forecasted to remain stable in 2009/10 at about 10.2 million tons with significant growth expected for Italy and Greece, while the production in Spain would fall. A decrease of production (-22%) is forecasted for lemons and grapefruits (-11%) whereas the production of the main citrus fruit, oranges, is expected to grow by 6%.

The tomato 2009 summer campaign was one of the most difficult ones in recent years. The producer prices were at very low levels, due to the global financial crisis, lower consumption, depreciation of the British Pound. At the same time also a higher production year-on-year in some of the Member States had its influence. The winter tomato campaign also started with low prices. An additional factor here is the competition from tomatoes imported from Morocco.

Initial estimates suggest higher production of potatoes in 2009 (most importantly in Belgium and France, but also in other major producing Member States) with significantly lower prices (up to 20-25% below the last year levels).

According to preliminary data, in 2009 EU imports of fresh or dried fruit and nuts decreased by 8% to about 12 million tons. As usual, bananas (-7%) and other tropical fruit (-5%) account for about half of the imported volumes. Imports of nuts remained stable.

Other products imported mainly to complement the EU seasonal production are citrus fruit (-13%), apples (-14%), table grapes (-6%), pears (+4%) and kiwis (-10%).

At the same time, EU exports of fresh or dried fruit and nuts increased to 2.9 million tons, 13% above the 2008 level. Exports of fresh apples increased to nearly 1.2 million tons (+36%), mainly due to the increase in Polish exports to Russia and Ukraine. A considerable increase is also observed in the export of citrus fruit (+5%), nectarines (+13%), kiwis (+26%) and melons (+9%), while exports of pears and table grapes dropped (by 8% and 20%, respectively).

In 2009, the EU imported about 2.3 million tons of fresh vegetables, 3% less compared to 2008. Main imported products are tomatoes (+11%), potatoes (-14%, mainly new potatoes), onions (-28%), sweet peppers (+1%), beans (-6%), carrots and turnips (+85%) and garlic (-9%). EU exports of fresh vegetables decreased to about 2.6 million tons, 4% below the 2008 level.

Leading export product are potatoes (+1%, seed and old potatoes), followed by onions (+14%), tomatoes (-25%), brassicas (-35%) and sweet peppers (+11%).

10. According to data submitted by producing countries, **olive oil** production in 2009 (marketing year 1 July 2008 to 30 June 2009) is estimated to have reached

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1,814 million tonnes (1 029 300 tonnes in Spain, 434 000 tonnes in Italy, 304 900 tonnes in Greece, 36 000 tonnes in Portugal, 7 000 tonnes in France, 2 900 tonnes in Cyprus and 500 tonnes in Slovenia). This quantity represents a 9.5% decrease to 2007/08. During the same period, olive oil prices decreased on average by 17.7% compared to the previous campaign. Regarding trade flows (including inward processing) and in comparison to 2007/08, imports decreased by 39% and reached 104 000 tonnes while exports totalled 467 300 tonnes which represents a decline by 6%.

11. As far as the EU **meat** sector is concerned, the long-term trend of decreasing cattle herds in the EU continued in 2009. In May/June 2009 as compared to May/June 2008, the number of cows decreased particularly in Spain, Poland, Italy and France. Cow de-stocking was particularly triggered by the relatively unfavourable profitability conditions in the dairy sector. Also, a decrease in the number of slaughter calves (mainly driven by de-stocking activities in France, Italy, Spain, Poland and Denmark) could be observed. The latter tendency was affected by the impact of the Blue Tongue Disease on intra-EU live animal trade and higher cattle feeding/finishing costs in 2008.

Reflecting the above discussed cattle herd developments, EU-27 beef and veal production in 2009 is expected to have decreased by around 2%. Beef and veal imports grew in 2009 by +9%, following a strong increase of deliveries from Uruguay and Argentina particularly, and from Australia and New Zealand. Moreover, imports from Brazil haven't yet fully recovered from past disruptions triggered by EU traceability regulation.

Contradicting last years' trend of increasing EU beef and veal exports, the latter decreased by a substantial 15% in 2009, mainly driven by a fall of exports of frozen beef to Russia. Not only did the overall export volume decrease, also the overall export value decreased by 6%. The remarkable fall of 30% in the overall up-take of licence applications for refunded exports during the period July-December 2009 should also be noted.

Given the decrease in domestic production, and despite the remarkable rise in imports and the reduction in exports, EU beef prices stayed at relatively high levels but lower than in 2008 throughout most of the year 2009.

Producer prices decreased from early-Spring (March) and kept stable during the summer months around the range of 310-311 Euros per 100 kg. Finally, during the last part of the year the price increased again to reach a value of 320 Euros per 100 kg carcass weight (around 143% of the applicable reference price). Also, steer, heifer and, cow prices have followed similar patterns over 2009. These price trends occurred regardless of an apparently weakening domestic beef and veal demand as a result of the economic recession and lower expenditure on most valuable beef cuts.

As far as the EU pig sector is concerned, structural adjustments at accelerated pace continued in 2009. At the end of the year 2008, the overall EU-27 pig herd was 4.2% smaller than one year before and sow numbers fell even by 6.4%. The data from major producing countries implies that this trend would remain valid in 2009.

Given these herd developments and considering the accelerated shift of piglet and pig production into bigger, more productive farms, EU pig meat production in 2009 is estimated to have fallen by 2.5% as compared to 2008.

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While feed costs remained relatively low and stable during 2009, the prices for pig carcasses were under pressure, which was especially visible in comparison with the relatively high prices of 2008. The 2009 EU average carcass price at 141 Euros/100 kg was 12 Euros/100 kg lower than the year before.

The duration of the observed decrease in EU pig meat prices seems to be influenced by the impact of the ongoing "economic and financial crisis" on domestic and international pig meat demand, on the financing of economic activities (including intra- and extra-EU-trade) and on exchange rate developments. Particularly the latter increasingly appear to be a major driving force for downward price pressure on the domestic pig meat market, whose balance is relatively dependent on smooth EU intra- and extra-trade flows. The devaluation of the Russian Rouble and an increasingly restrictive Russian meat import policy, the enhanced competition from North America on the Japanese pig meat market and, particularly, the devaluation of the currencies of major pig meat net importing New Member States are seen to contribute to the fact that domestic pig meat prices had (and still have) difficulties to recover.

EU pig meat exports to third countries (which were supported by refunds for fresh and frozen pig carcasses and cuts) increased by a substantial 34% in 2008. However, exports started to weaken at the end of 2008, and in 2009, EU pig meat exports remained 12% down on 2008, but 25% higher than in 2007. In 2009 as compared to 2008, the exports of fresh and frozen pig meat to third countries dropped by 19%.

The contraction of EU pig meat exports concerned in particular shipments to Japan (-50 500 tonnes or -21%), Hong-Kong (-49 000 tonnes or -11%) and South Korea (-20 500 tonnes or -18%). On these markets, the EU lost exports of fresh and frozen pig meat. Exports to China increased (31 000 tonnes or +21%), but this positive development mainly concerned fats and offal, which are lower valued pig products. Expressed in value terms, total EU pork exports to third countries decreased by nearly 510 million Euros (-12%).

On a year-on-year basis, total pork and live pig exports to Russia decreased only slightly (-1%) to 761 000 tonnes, as a 74% increase in live pig exports was recorded (with effect from 1 January 2010, the import duty on live pigs to Russia increased from 5% to 40%). Fresh and frozen pig meat exports to Russia were down 40 000 tonnes or 15% in 2009. .

Pig meat imports into the EU remained at 52 000 tonnes in 2009, 14% down on 2008. EU imports of fresh and frozen pig meat decreased by 32%. Switzerland and Chile combined accounted for 65% of EU imports.

Following the reduction in production and the slow-down in domestic demand on both a volume and a value basis, EU pig meat consumption in 2009 would have further decreased by 1.2%, with additional pressure for pig meat market prices resulting from the general consumer preference shifting towards lower-price marketing channels and lower product prices at the point of sale.

In 2009 as compared to 2008, EU poultry meat production decreased slightly (-0.3%).

Poultry meat imports are expected to have decreased by 3.2% in 2009 (however, coming from a relatively high import level in 2008), with processed poultry meat and poultry meat preparations successively gaining import market shares at the expense of poultry carcasses; a development, which is also reflected in the increasing unit values

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of EU poultry meat imports from third countries). While the quantities the EU imported poultry meat from Brazil and Thailand fell (-5% for both of them), imports from Chile increased in 2009 as compared to 2008.

EU poultry meat exports to third countries are estimated to have increased by 3.3% in 2009 as compared to 2008, with higher export volumes having been delivered to Hong Kong (+51%) and Malaysia (+27%)

Refunded poultry meat exports (mainly to the Middle East) remained stable.

In line with a stable availability due to only minor changes in domestic production and in the overall trade balance, EU poultry meat consumption in 2009 is estimated to have decreased only slightly.

EU sheep meat production is estimated to have continued to decrease by a significant 3.6% in 2009, mainly resulting from partial decoupling of direct payments, structural change accompanied by production abandonment, a lower output recorded in Spain and France, probably stemming from higher mortality and lower productivity rates following the outbreaks of the Blue Tongue Disease but also due to reduced production in the UK and Ireland.

Sheep meat prices developed at comparably high levels throughout the year 2009, reflecting a situation of limited supplies. The EU average price of light lamb in 2009 was 639 Euros/100 kg carcass weight (+5.3% as compared to 2008). The average price of heavy lamb amounted to 448.5 Euros/100 kg carcass weight (+4.9% as compared to 2008).

Regarding trade, sheep meat imports in 2009 remained at comparable levels as in the year before at 239 000 tonnes, with New Zealand, Australia and Uruguay all using 98% of their import quotas.

In 2009 as compared to 2008, EU sheep meat consumption is estimated to have fallen by 3.3%, following both tight supplies, relatively high prices and a weakening domestic demand.

12. When compared to 2008, EU **milk** deliveries followed a mixed pattern over 2009, with an initial decline of 1.6% in the first quarter (Q1), followed by an increase of 1.8% in Q2 and a return to a declining trend in Q3 at -0.5%. It is estimated that deliveries have remained below the 2008 level in Q4, despite the recovery of dairy commodity markets and the subsequent increase in the farm gate milk price. On the whole, EU deliveries to dairies are estimated to have declined by 0.4% to the level of 133.4 million t in 2009. Compared to the marginal decline in the EU-15 (-0.1%), milk deliveries in the EU-12 have decreased by 2.7%, driven by a 10% fall in the EU-2. EU milk production is assumed to have declined to 147.9 million t (-0.7%).

The May 2009 census indicated a considerable reduction in the size of the EU dairy herd that is estimated to stand at 23.7 million heads at the end of 2009, corresponding to a reduction of 2.1%. On the other hand, the average yield per dairy cow is estimated to have increased to 6.155 kg (+1.5%).

The rate of quota utilisation has declined further with the 2008/09 quota year concluding with a net undershoot for EU deliveries quota of 5.7 million t (or -4%) with both EU-15 and EU-12 falling below their respective quota levels to -3.2% and -8.6% respectively (driven by the huge decrease in the EU-2). Even so, five Member

States (AT, IT, LU, NL and CY) have delivered milk in excess of their respective quotas at an aggregate level of around 550 thousand tonnes that are subject to surplus levy payments.

The EU weighted average farm gate milk price displayed a heavy reduction of 21% between January and May 2009 in line with the earlier reduction in dairy commodity prices. The EU farm gate milk price remained below 25€/100 kg between April and July. It displayed a steady growth between June-November 2009, exceeding the rate of the 'usual' seasonal trend, driven by the increase in dairy commodity prices. The November weighted EU average price of 28.1€/100kg corresponds to an increase of almost 16% from the 2009 low in May, but remains 14% below the price paid in November 2008 and 28% below the peak price of November 2007. First estimates for the December 2009 EU price depict a levelling off at the November level. Despite this increase, the estimated average EU milk price for 2009 (at 26.2€/100kg) remains well below the 2008 and even the 2007 levels (by 24% and 17% respectively). On the other hand, the estimated 2009 annual average of input costs remained slightly higher (9%) than the 2007 level. Moreover the estimated 2009 input costs were significantly higher than the 2004-2006 average: by 22% in the EU-15 and 32% in the EU-10.

The farm-gate milk price has been observed to follow the commodity price trends with a lag of around three months, which implies that changes in the EU weighted average milk price could remain stable (i.e. less volatile) during the beginning months of 2010, but subject to 'usual' developments linked to the seasonal pattern of production.

Cheese production stagnated in 2009 as a direct consequence of the financial crisis and the economic recession through their impact on demand. EU production is estimated at 8.68 million t for 2009, corresponding to a slight decrease of 0.4% with a more pronounced decline in the EU-12 (-2%). While EU exports have recovered over the second semester and are expected to reach 570 thousand t, even exceeding the 2008 level by 2.7%, domestic consumption remained slightly below the 2008 level (-0.7%).

The 2009 prospects for milk deliveries and fat use in other dairy products indicate a 2% decline in EU butter production for 2009 to 2.1 million t with output falling drastically in the autumn months, providing justification for the steep increase in the butter price over the September-December period. While the re-activation of export refunds has supported EU exports, export volumes remained below the 2008 level by an estimated 5% (at 146 thousand t). Domestic consumption showed a marginal increase of 0.3%.

While intervention stocks quickly reached levels well beyond the 30 thousand t limit at guaranteed prices and significant quantities were bought in through the tendering procedure from March to May 2009, the supply pressure on the butter market has gradually eased with the sharp reduction in butter output from August onwards. Intervention stocks stood at 77 thousand t by the end of 2009 while private stocks were gradually reduced to 38 thousand t.

The prospects for milk deliveries and protein use in other dairy products should result in an increase in EU SMP production for 2009 to 951 thousand t (+10.1%), which is less pronounced than foreseen in the October Report. EU exports picked up considerably in the final months of 2009 resulting in annual exports exceeding the

2008 level by 20% (at 215 thousand t). Despite the low prices over most of the year EU demand is estimated to have remained limited at around 637 thousand t.

EU intervention stocks of SMP quickly reached levels above the limit at the guaranteed buying-in price and continued growing in the second quarter and throughout the summer months. Intervention stocks stood at 258 thousand t at the end of 2009 of which around 150 thousand t attributable to the de-stocking of commercial stocks carried over from 2008.

As WMP production is highly dependent on export opportunities, and with Oceania managing an increased export share in world exports compared to 2008, EU production declined in 2009, intensified by the assumed de-stocking of private industry stocks carried over from 2008. WMP output in 2009 is estimated at 790 thousand t (-10%) with domestic use<sup>1</sup> (including stocks) falling to 333 thousand t (-16%). Despite the availability of export refunds and higher world demand, extra-EU exports dropped by 5% to 457 thousand t (section 3.8 provides additional information on the 2009 world market development).

In terms of utilisation of whole milk, the production of fresh dairy products accounts for a significant share of around 28% of total EU-27 dairy products with drinking milk and cream for direct consumption being the most important individual products. In terms of product weight, drinking milk and acidified milk are the most relevant products on the dairy market.

Production in 2009 showed a further decline (-0.4%) driven by lower drinking milk production (-0.8%) and cream output (-0.7%). On the other hand yoghurts and other fresh<sup>2</sup> products displayed an increase of 0.6% each. Following the 0.4% decline in 2008 explained by the high price environment, per capita consumption of fresh dairy products as a whole declined by an additional 0.6% as a consequence of the economic crisis.

In 2009 the production of concentrated milk appears to have remained stable, but casein and whey powder have displayed significantly lower production levels, falling by 23% and 5% respectively.

### Agricultural income

13. The estimates of farm income developments in 2009 provided by Eurostat on the basis of information sent by Member States in March 2010 show an average decrease of 11.6% in the income from agricultural activities (measured in real terms, as factor income per annual work unit) compared to 2008 for the European Union as a whole. The decrease in agricultural income results from a reduction in **agricultural labour input** (-2.3%), and a fall in **real agricultural income** (-13.6%). This decrease in EU-27 **real agricultural income** in 2009 is itself the result of a decrease in the **agricultural output value at basic prices** in real value terms (-10.9%, mainly reflecting lower output values of animal products (-17.6%), particularly milk, and crops (-13%)), and a fall in the real value of agricultural **intermediate consumption** (-9.2%). Slight decreases in **fixed capital consumption** (-0.2%) and **taxes paid on production** (-2.4%) contributed to lower production costs, while a 0.9% decrease in

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<sup>1</sup> Calculated as a residual from annual production(+), imports(+) and exports(-) and thus including stock changes(+/-).

<sup>2</sup> Other fresh products include buttermilk, drinks with a milk base (e.g. chocolate milk) and other milk-based products, such as ice cream and desserts.

**other subsidies** paid reduced the level of revenues obtained by the agricultural sector in 2009. Agricultural income per worker in 2009 was below the 2008 levels in **twenty-one** Member States. The largest decreases were observed in Hungary (-32.2%), Luxembourg (-25.5%) and Ireland (-23.6%), while the largest increases were recorded in Malta (+7.8%), Denmark (+4.3%) and Finland (+2.6%).

14. The structural decline in the **agricultural labour force** input is assessed at -2.3 % in 2009 as compared to 2008 for the whole EU. This moderate reduction constitutes a slow down compared to the early 2000s. The highest reduction in agricultural labour input was recorded in Bulgaria (-9.4%), Slovakia (-9%), Estonia (-6.9%), Latvia (-5%) and Sweden (-4%). Agricultural labour input increased in the UK (+1.8) and (slightly) in Hungary (+0.8%).

Changes in nominal farmgate prices in the EU-27 in 2009 and 2008 (%)

	Crop output		Animal output		Total output	
	2008/07	2009/08 (p)	2008/07	2009/08 (p)	2008/07	2009/08 (p)
EU-27	0%	-13%	8%	-10%	3%	-11%
Belgium	3%	-10%	4%	-9%	3%	-9%
Bulgaria	-5%	-18%	13%	-7%	2%	-13%
Czech Republic	-15%	-17%	5%	-15%	-7%	-15%
Denmark	-13%	-17%	8%	-11%	-1%	-13%
Germany	2%	-16%	8%	-15%	5%	-15%
Estonia	-20%	-8%	12%	-17%	-4%	-12%
Ireland	-1%	-10%	6%	-18%	4%	-15%
Greece	-1%	-4%	5%	1%	1%	-2%
Spain	3%	-7%	3%	-4%	3%	-6%
France	-4%	-10%	9%	-8%	1%	-9%
Italy	3%	-11%	6%	-8%	4%	-9%
Cyprus	-	-	-	-	-	-
Latvia	-6%	-24%	8%	-21%	0%	-22%
Lithuania	-3%	-27%	10%	-20%	2%	-22%
Luxembourg	24%	-6%	8%	-17%	13%	-12%
Hungary	-14%	-14%	15%	-4%	-5%	-9%
Malta	1%	13%	5%	2%	3%	10%
Netherlands	-5%	-8%	6%	-13%	0%	-9%
Austria	-8%	-6%	11%	-13%	1%	-9%
Poland	-2%	-13%	2%	4%	1%	-5%
Portugal	1%	-5%	9%	-5%	4%	-5%
Romania	12%	-10%	19%	16%	14%	-2%
Slovenia	-10%	-12%	9%	-10%	-1%	-11%
Slovakia	-16%	-13%	2%	-3%	-7%	-5%
Finland	0%	-17%	10%	-5%	5%	-10%
Sweden	-9%	-15%	16%	-10%	3%	-11%
United Kingdom	15%	-12%	25%	2%	19%	-3%

(p) provisional - Source: Eurostat.

Changes in nominal purchase prices for agricultural inputs in the EU-27  
in 2009/2008 (p) (%)

	Seeds	Energy	Fertilisers	Plant protection	Veterinary expenses	Feedingstuffs	Other goods/services	TOTAL INPUT
EU27	-2,3	-10,9	6,2	2,5	3,4	-12,7	1,5	-4,8
EU15	-2,5	-13,5	5,4	2,7	2,9	-13,0	1,2	-5,2
NMS12	-1,2	-3,6	9,7	1,9	6,7	-11,6	3,5	-3,1
Belgium	-1,7	-10,5	-27,8	5,0	3,5	-9,6	-2,2	-5,9
Bulgaria	7,2	5,0	15,2	0,9	6,1	-14,1	6,9	0,5
Czech Republic	-12,9	-13,3	6,2	4,0	4,8	-12,4	-1,4	-6,2
Denmark	1,0	-10,0	0,0	0,0	3,0	-25,0	0,0	-12,1
Germany	-13,0	-16,0	20,0	1,0	6,0	-20,0	1,0	-8,8
Estonia	-9,2	-6,3	7,7	7,0	0,4	-18,2	6,2	-10,0
Ireland	5,4	-17,4	12,7	2,2	2,2	-13,0	4,5	-7,1
Greece	-2,4	-20,9	-27,5	3,0	2,8	-15,7	-3,9	-10,1
Spain	6,9	-20,5	40,0	4,0	2,5	-6,2	0,7	1,7
France	-5,0	-12,8	-12,3	1,9	1,2	-10,5	7,9	-6,4
Italy	1,0	-7,9	-5,0	2,7	2,9	-8,3	0,2	-4,1
Cyprus	3,1	2,3	1,2	3,7	0,8	1,6	4,3	2,4
Latvia	-17,0	-7,0	-13,4	13,8	5,0	-20,1	-10,0	-11,4
Lithuania	-12,6	-25,8	-24,0	1,2	-3,9	-17,9	0,0	-15,0
Luxembourg	-6,1	-27,1	-33,4	5,1	-0,7	-7,3	0,0	-8,2
Hungary	-1,0	-5,0	-10,0	4,0	9,0	-17,0	5,0	-5,4
Malta	9,1	-9,8	5,5	19,1	2,2	-10,1	11,3	-4,4
Netherlands	-4,0	-2,5	-15,0	-2,0	2,5	-14,6	1,0	-4,3
Austria	3,6	-17,5	19,3	13,9	3,4	-9,0	0,8	-3,7
Poland	11,1	-1,3	30,6	-4,8	3,0	-14,8	0,7	-3,8
Portugal	1,0	-13,6	-11,0	-1,1	0,9	-9,3	3,5	-4,4
Romania	2,6	-4,5	5,1	13,7	12,0	-2,6	7,0	1,5
Slovenia	3,5	-16,8	-21,0	4,9	3,0	-15,6	3,2	-11,1
Slovakia	4,5	6,2	3,5	6,4	1,2	2,3	-0,5	3,3
Finland	-12,2	-20,2	-27,2	12,4	2,8	-12,8	0,8	-10,6
Sweden	-1,3	-7,9	-21,0	8,1	-16,2	-11,7	0,5	-5,6
United Kingdom	-20,6	-10,2	-15,2	0,8	0,6	-10,0	4,9	-5,6

(p) provisional – Source: Eurostat.

Nominal output price indices for agricultural products over the period  
2000–2009 (p) in the EU-27 (2005 = 100)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
EU-27	:	:	:	:	:	100	105	115	118	105
Belgium	118	121	105	105	102	100	105	109	113	102
Bulgaria	97	106	98	97	97	100	104	123	125	109
Czech Republic	106	113	108	104	107	100	102	117	109	92
Denmark	102	109	99	96	99	100	105	115	114	100
Germany	105	110	105	102	100	100	104	119	125	106
Estonia	76	87	89	83	94	100	105	120	115	101
Ireland	95	97	95	95	98	100	105	117	121	103
Greece	91	95	96	106	97	100	98	106	107	105
Spain	90	94	92	97	96	100	99	107	110	104
France	100	104	100	107	99	100	106	116	117	107
Italy	97	102	103	108	104	100	103	108	113	102
Cyprus	:	:	:	:	:	100	:	:	:	:
Latvia	78	86	82	85	95	100	114	135	134	105
Lithuania	105	109	96	91	93	100	104	126	128	100
Luxembourg	100	101	100	106	100	100	103	110	124	109
Hungary	98	103	108	110	102	100	109	133	127	115
Malta	101	108	105	95	98	100	105	120	124	136
Netherlands	97	104	102	102	98	100	107	112	112	102
Austria	97	102	98	100	99	100	105	115	116	106
Poland	96	99	94	95	105	100	105	119	120	114
Portugal	100	102	99	101	101	100	103	108	112	107
Romania	45	64	75	90	104	100	106	121	138	136
Slovenia	93	101	101	104	102	100	106	118	117	105
Slovakia	102	110	109	106	105	100	104	113	105	99
Finland	99	100	99	99	99	100	102	114	120	108
Sweden	102	104	104	105	100	100	104	118	121	108
United Kingdom	90	97	94	99	101	100	105	115	137	133

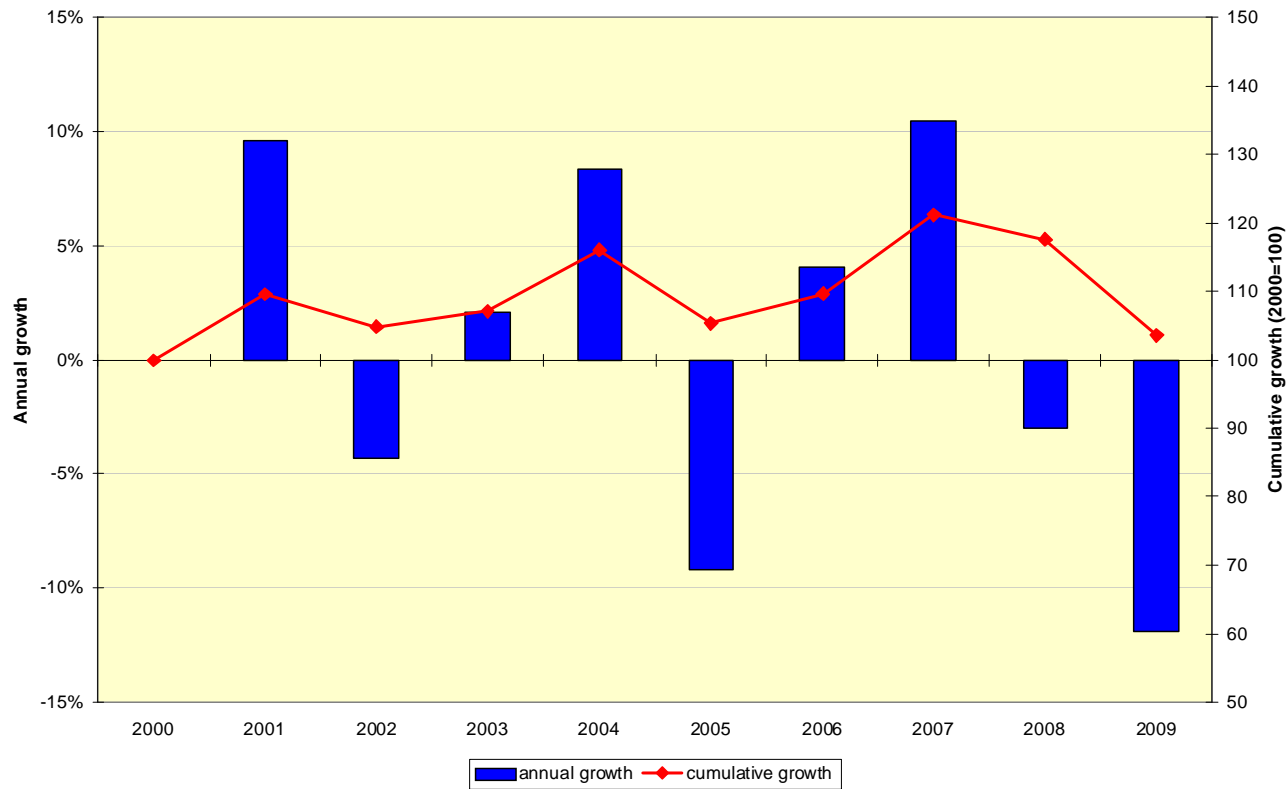
(p) provisional – Source: Eurostat

**Indices of nominal agricultural inputs prices over the period 2000-2009 (p) in EU-27 Member States for which data was available (2005 = 100)**

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Belgium	94	96	96	101	101	100	106	116	133	125
Bulgaria	:	:	:	:	:	100	103	114	130	131
Czech Republic	95	99	97	96	102	100	101	106	116	109
Denmark	90	95	96	95	98	100	102	111	130	114
Estonia	:	:	:	:	96	100	106	116	128	115
Greece	82	84	87	90	96	100	104	111	123	110
Spain	92	94	94	95	98	100	103	111	128	130
Cyprus	:	:	:	:	:	100	107	116	126	129
Latvia	76	77	77	80	85	100	110	125	148	131
Lithuania	:	:	:	:	:	100	116	125	161	137
Luxembourg	89	93	94	95	100	100	103	109	119	110
Hungary	79	88	88	93	100	100	106	119	137	130
Malta	95	95	95	94	96	100	103	109	129	123
Netherlands	90	95	95	97	99	100	106	114	123	118
Austria	:	:	:	:	:	100	102	108	118	114
Romania	:	:	:	:	:	100	:	:	135	137
Slovenia	75	83	86	91	99	100	103	112	132	118
Slovakia	98	107	96	102	105	100	103	108	118	122
Finland	91	93	93	95	97	100	104	108	125	112
Sweden	87	91	93	95	98	100	103	110	125	118
United Kingdom	:	:	:	:	:	100	104	114	140	132

(p) provisional – Source: Eurostat.

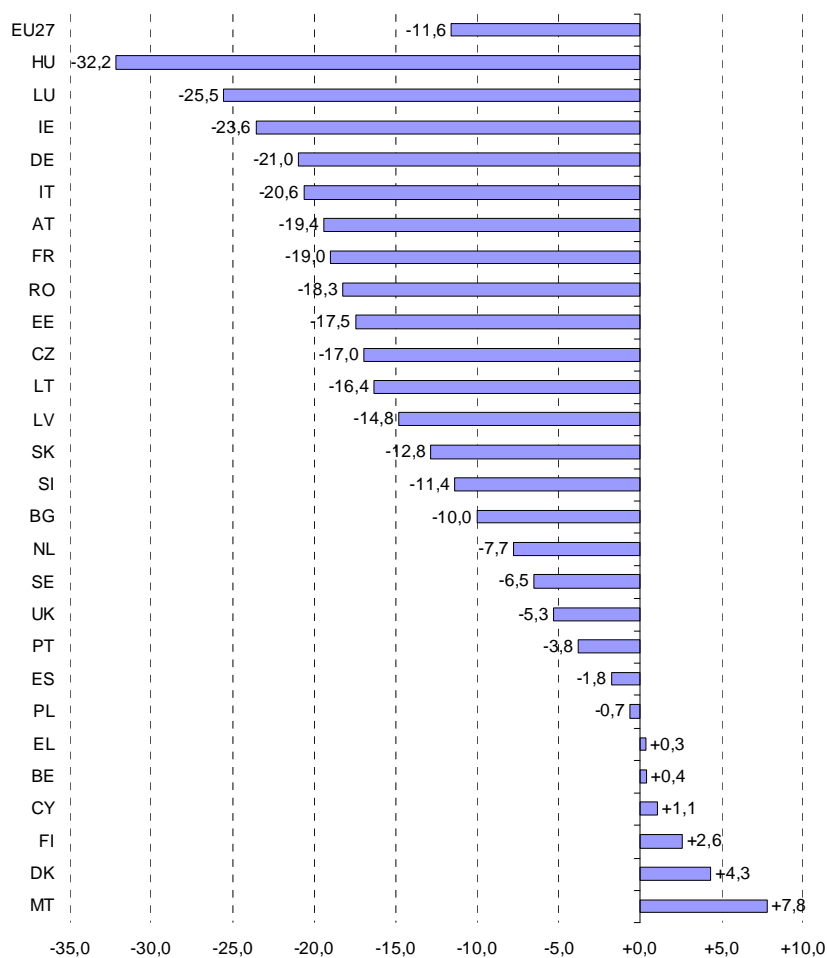
Development of agricultural income in the EU-27 over the period 2000–2009 (p), in terms of annual change (%) and cumulative growth (2000=100)



(p) provisional – Source: Eurostat.

## The 2009 Agricultural Year

### Development of agricultural income in the EU-27 Member States in 2009 (p) (% change versus 2008)



(p) provisional – Source: Eurostat

## The 2009 Agricultural Year

**Development of agricultural income in the EU-27 Member States over the period 1998–2009 (p) (2005 = 100)**

	1998	2003	2004	2005	2006	2007	2008	2009
<b>BE</b>	113,6	106,2	108,2	100,0	120,3	129,5	92,5	92,9
<b>BG</b>	:	86,4	84,5	100,0	96,0	98,5	152,2	136,9
<b>CZ</b>	:	59,2	93,2	100,0	102,7	118,6	123,5	102,5
<b>DK</b>	84,6	88,2	99,3	100,0	104,9	104,0	54,4	56,7
<b>DE</b>	70,5	75,4	111,9	100,0	108,6	134,4	127,6	100,8
<b>EE</b>	50,7	57,6	94,8	100,0	101,1	143,5	113,7	93,8
<b>EL</b>	118,5	103,4	98,2	100,0	98,4	103,8	96,6	96,9
<b>ES</b>	106,4	123,1	113,2	100,0	95,5	107,4	103,8	101,9
<b>FR</b>	117,8	106,8	105,2	100,0	111,8	124,0	110,7	89,6
<b>IE</b>	78,5	75,6	80,1	100,0	84,1	94,2	87,5	66,8
<b>IT</b>	118,0	113,8	114,6	100,0	96,3	94,2	95,4	75,7
<b>CY</b>	:	98,7	96,6	100,0	90,4	91,3	86,7	87,7
<b>LV</b>	:	57,6	96,0	100,0	130,7	134,9	115,7	98,5
<b>LT</b>	:	58,7	92,5	100,0	89,0	133,4	123,5	103,3
<b>LU</b>	120,0	99,3	99,3	100,0	96,0	104,1	90,4	67,3
<b>HU</b>	:	65,1	98,3	100,0	111,9	114,8	146,2	99,2
<b>MT</b>	:	99,4	96,9	100,0	97,5	93,8	87,8	94,6
<b>NL</b>	133,1	108,6	101,1	100,0	122,6	121,2	98,6	90,2
<b>AT</b>	81,8	97,5	102,4	100,0	110,3	124,4	119,1	96,0
<b>PL</b>	:	58,5	110,2	100,0	110,4	134,3	127,2	126,4
<b>PT</b>	90,8	98,4	108,8	100,0	104,3	100,0	103,8	99,8
<b>RO</b>	:	121,2	175,2	100,0	99,3	76,8	112,3	91,8
<b>SI</b>	64,4	64,5	99,5	100,0	97,4	109,5	98,3	87,1
<b>SK</b>	80,9	82,9	107,3	100,0	122,1	128,9	143,4	125,1
<b>FI</b>	60,0	89,8	86,7	100,0	98,6	106,0	89,3	91,6
<b>SE</b>	93,7	105,7	91,8	100,0	113,6	134,4	128,2	119,8
<b>UK</b>	88,4	108,4	101,1	100,0	104,8	111,9	144,7	137,0
<b>EU27</b>	:	<b>101,6</b>	<b>110,1</b>	<b>100,0</b>	<b>104,2</b>	<b>115,3</b>	<b>112,8</b>	<b>99,8</b>

(p) provisional – Source: Eurostat.