

European Commission
Directorate-General for Agriculture

PROSPECTS FOR
AGRICULTURAL MARKETS
AND INCOME

2005 – 2012

Update for the EU-25

**Scenario analysis
on decoupling**

December 2005

NOTE TO THE READERS

This report updates and complements the medium-term perspectives published in July 2005.

The forecasts presented in this publication consist of a set of market and sector income projections 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 projections and analyses for the EU-25 have been mainly carried out on the basis of three 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 November 2005. Therefore it does not take into account the recent decisions adopted in the framework of the Doha Development Round of trade negotiations in Hong-Kong in December 2005 and the conclusions of the Council of the European Union from December 2005 on the 2007-2013 financial perspectives. Nor does it take into account the effects of the Avian influenza on the meat markets or the effects of the recently adopted reform of the sugar CMO. The analysis covers the period between 2005 and 2012.

EXECUTIVE SUMMARY

Market and income projections for the EU-25

This update of the prospects for agricultural markets and income has been established under a set of assumptions which are broadly in line with those used in the July 2005 report. In particular, **these do not take into account the recent decisions adopted in the framework of the Doha Development Round of trade negotiations in Hong-Kong in December 2005 and the conclusions of the Council of the European Union adopted in December 2005 in Brussels on the 2007-2013 financial perspectives** nor does it take into account the effect of the recently adopted sugar reform.

In the **cereals market** production in 2005 is expected to have fallen to around 250 mio t, but high stock levels from 2004 would continue to leave the cereal markets in a fragile situation over the next three years. The combined impact of high mandatory set-aside, the implementation of the single farm payment and moderate prospects for yield growth would limit production growth over the medium term. This would generate a gradual fall in stock levels which would also be supported by further gains on the domestic market and more favourable conditions on world markets.

Although the projected overall balance of the EU cereals market is positive **specific difficulties could arise** for coarse grains, in particular for barley, and **on a regional scope for soft wheat and maize** (linked to the situation of the landlocked new Member States of central Europe which may still be faced with infrastructure difficulties over the short to medium term).

Market perspectives for the EU **oilseed sector** are foreseen to be supported by productivity increases, favourable conditions on world markets and the increasing biodiesel demand in the EU. The production potential for non-food oilseeds, however, would remain constrained by the limitations of the Blair House agreement (with a maximum production of 1 mio t of soybean meal equivalent on set aside land). Despite the projected moderate increase in oilseed production, the EU will continue to remain a large net importer of oilseeds.

The medium-term perspectives for the **meat sector** are positive for poultry and pig meat markets, while beef meat production is expected to decline as a consequence of the CAP reform and strong competition from the world market. Overall per capita meat consumption is projected to increase by 2.2 % by 2012. It should be acknowledged that these relatively positive projections for the meat markets do not take into account any effects of the Avian influenza since December 2005 nor the potential dramatic impact that an **Avian influenza outbreak in the EU** could have on the EU markets, with disrupted production and consumptions patterns, trade flows and a pronounced effect on market prices.

Poultry and pig meat projections have been revised slightly downward compared to the July 2005 forecasts in view of the latest short-term expectations. Changes to the historical statistics of the new Member States have triggered a downward revision of beef and sheep and goat production projections. The latest available trade figures have lowered expectations of beef and poultry exports but raised the level of pig meat exports foreseen over the medium term.

The market balance for the major **dairy products** is expected to improve over the medium term, with increasing cheese production and consumption, but lower availabilities of butter and SMP. Revisions have also been carried out for the dairy sector projections based on updated short-term expectations.

Based on these market projections and the financial perspectives for the EU over the period 2005-2012 as originally proposed by the European Commission, the medium-term income projections display a rather favourable outlook as the EU-25 **agricultural income** would grow by 12.8 % between 2004 and 2012 in real terms and per labour unit.

If the outlook for EU agricultural markets and income over the next seven years appears relatively favourable, it clearly remains subject to some important uncertainties. The latter relate in particular to the outcome of the Doha Development Round of trade negotiations and to the risks linked to animal disease such as Avian Influenza, which could have far reaching implications for the future pattern of EU agricultural markets.

Decoupling scenario analysis: regional impact in 2012

The regionally-differentiated analysis of the EU-25 agricultural sector in 2012 under *status quo* policy implementation points out that total oilseed acreage and set-aside and fallow land would slightly increase, mainly at the expense of total cereal acreage. The largest amount of EU-25 cereal production in 2012 would be harvested in northern France, eastern England, north-western Germany, western Poland and Hungary. These regions would show shares of cereals in crop rotation of more than 50 % and yield levels of up to 10 t/ha.

The total EU-25 cattle herd is foreseen to decrease due to the quota-driven structural decline in dairy cow herd size, but also as a consequence of beef meat production abandonment mainly in the Member States which have fully decoupled their cattle premiums. In 2012, most of the EU-25 cattle herd would be located in the traditional dairy producing regions along the Atlantic bow and the North Sea coast and in south-eastern Germany and northern Italy. The biggest suckler cow herds would be found in Ireland, in the French regions Pays de la Loire, Bourgogne, Limousin, Auvergne and Midi-Pyrenees and in the Spanish regions Castilla y Leon and Extremadura. White meat production is expected to increase further, especially in Denmark, Spain, western Poland, northern Italy, in the French regions of Bretagne and Pays de la Loire and in the German regions of Weser-Ems and Münster.

Agricultural income per ha in 2012 would be particularly high in those regions specialised in high value adding permanent crops, fruit, vegetable and livestock production, such as Valencia and Murcia in Spain, Emilia-Romagna and Puglia in Italy and regions in the southern part of the Netherlands and in the northern part of Belgium. Producers throughout the EU-N10 regions would largely benefit from their integration into the Single Market and the implementation of the CAP.

The analysis of the differentiated impact of alternative decoupling scenarios show that the (*status quo*) policy implementation notified by the Member States already provides considerable benefits as regards the sectors' regional competitiveness, market orientation and income situation in comparison to a full coupling policy situation. However, additional benefits could be gained by decoupling to the full extent in line with current policy provisions. It is projected that full decoupling would raise the overall EU-25 agricultural income by 0.8 % by reducing the production and market distorting policy effects, thus enabling a more efficient

allocation of resources. Producers would furthermore benefit from greater market orientation in their production decisions and from higher prices which would broadly compensate lower levels of production. Most EU-25 regions would gain additional income thanks to a higher transfer efficiency of direct income support through full decoupling.

1. PROSPECTS FOR AGRICULTURAL MARKETS AND INCOME IN THE EUROPEAN UNION

Introduction

This chapter summarises the main results and underlying assumptions of medium-term projections for the markets of some key agricultural products and for the sector income in the European Union for the period 2005 - 2012. The results presented are based on data and other information available at the end of November 2005 and constitute an update of the medium-term projections published in July 2005¹. In particular the projections take into account the short-term developments foreseen for 2005 and 2006 on domestic and world markets.

These projections are established under a specific set of assumptions. The most important assumptions cover agricultural and trade policies, as well as the outlook for the macro-economic environment and for world agricultural commodity markets. 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 implementation of the **single farm payment** scheme as part of the Common Agricultural Policy (CAP) reform decisions² allows Member States to choose among different options, which will influence the degree of “decoupling” of the payments. Member States have communicated their preferred option and, based on this information, it has been estimated that in 2012 approximately 90 % of the budgetary transfers in the form of direct payments (including national envelopes and top-ups) for the arable crops, milk, beef and sheep sectors will be part of the single farm payment for the EU-25 as a whole. The rate would be higher for the milk (100 %) and arable crops (93 %) sectors than for beef and sheep sectors (78 % and 73 % respectively).
- (2) All transitional measures of the CAP in the **new Member States**, i.e. the phasing-in of direct payments as well as the top-up possibilities and the production quotas are expected to operate under the rules agreed upon in the 2002 Copenhagen summit. Eight out of the ten new Member States adopt the single area payment scheme, while Slovenia and Malta implement the current EU legislation on direct payments. From 2009 onwards the eight new Member States are assumed to adopt the regionalised system. Slovenia and Malta would implement the regionalised system from 2007 onwards. Enlargement to Romania and Bulgaria, foreseen for 2007, has not been taken into account in this publication in order not to prejudge the effective entry date for the two countries.
- (3) After a reduction to 5 % for the 2004/05 marketing year, the mandatory **set-aside rate** returned to the regulatory 10 % in 2005/06. The set-aside area is assumed to

¹ European Commission, Directorate-General for Agriculture *Prospects for Agricultural Markets and Income 2005 – 2012 for the EU-25*. July 2005. Brussels.

² It should be mentioned that the decisions to extend the scope of currently available instruments for rural development to promote food quality, meet higher standards and foster animal welfare and those relative to some specific sectors such as the nuts, dried fodder, starch potato, tobacco, olive oil, cotton and sugar sectors have not been incorporated in these market analyses.

remain fixed at that level for the rest of the period. For those new Member States which opted for the single area payment scheme, the set-aside obligations would only apply from 2009 onwards.

- (4) It is also assumed that all commitments taken within the **Uruguay Round Agreement on Agriculture** (URAA), regarding in particular market access and subsidised exports, will be fully respected. Thus, subsidised exports are expected not to exceed the annual URAA limits, whereas imports under current and minimum access are fully incorporated.

In addition, the URAA commitments are assumed to remain unchanged over the 2005-2012 period as no account has been taken of the recent decisions adopted in the framework of the Doha Development Round of trade negotiations in Hong-Kong in December 2005.

- (5) The **macro-economic environment** in the EU shows signs of a return to more robust economic growth. After reaching annual average GDP growth rates above 2% in 2004, economic activity has been more subdued this year with a growth rate of 1.5%. Growth is expected to return to potential at the beginning of 2006 and accelerate further to 2.4% in 2007 and 2.5% in 2008.

According to the short-term economic forecasts from the European Commission released in November 2005³, the recovery is underpinned by an acceleration in domestic demand, with a slight stimulus from export demand. This includes, more specifically, a relatively strong pick-up in the pace of investment expenditure and a more gradually recovery of private consumption.

Despite the stagnant GDP growth observed in the old Member States over the last few years, economic growth has remained strong in the new Member States. Expanding domestic consumption and improving economic conditions in the rest of Europe should result in an average growth rate of 3.9 % in the new Member States in 2005. Growth would accelerate further to 4.4% in 2007.

Table 1. Assumptions on macro-economic variables in the European Union, 2002 – 2012

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Population growth (in%)											
EU25	0.3%	0.4%	0.2%	0.3%	0.3%	0.3%	0.2%	0.2%	0.2%	0.2%	0.1%
of which EU15	0.4%	0.4%	0.3%	0.4%	0.4%	0.3%	0.3%	0.3%	0.2%	0.2%	0.2%
of which EUN10	-0.1%	0.0%	-0.9%	-0.2%	-0.2%	-0.2%	-0.2%	-0.2%	-0.2%	-0.2%	-0.2%
GDP growth (in%)											
EU25	1.1%	1.0%	2.4%	1.5%	2.1%	2.4%	2.5%	2.5%	2.5%	2.5%	2.5%
of which EU15	1.1%	0.9%	2.3%	1.4%	2.0%	2.2%	2.4%	2.4%	2.4%	2.4%	2.4%
of which EUN10	2.4%	3.7%	4.9%	3.9%	4.4%	4.4%	4.4%	4.4%	4.4%	4.4%	4.4%
Inflation (in%)											
EU25	2.1%	1.9%	2.1%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%
Exchange rate											
US\$/€	0.95	1.13	1.24	1.24	1.23	1.21	1.20	1.19	1.18	1.16	1.15

³ European Commission, Directorate-General for Economic and Financial Affairs. Economic Forecasts, Autumn 2005. To be published in *European Economy* No.5/2005.

The international environment should also remain supportive as, after a vigorous GDP growth of 5.9 % in 2004, the world economic growth would exceed 5% in 2005. It would then edge marginally lower in 2006 and slow down slightly to 4.6% in 2007.

There exists a number of downside risks to this macro-economic outlook, notably further oil price hikes, disorderly exchange rate adjustments and more subdued consumer confidence which, if confirmed, would weigh on private consumption growth and could also hold back investment plans. On the upside, private consumption could pick up pace more rapidly, boosted, *inter alia*, by the beneficial impact of structural reforms.

The medium-term prospects for economic growth in the EU should rely on an acceleration in domestic demand. The export oriented sectors should also benefit from the sharp growth projected for many emerging economies. In this respect, economic growth would remain rather stable over the medium term at 2.5 %, with growth rates in the new Member States exceeding 4 % per year on average while those in the old Member States would stagnate at 2.4 % over the projection period. Inflation is also assumed to remain stable over the medium-term at around 1.9 %.

The **\$/€ exchange rate**, which reached approximately 1.3 during the year 2004, depreciated somewhat in the first half of 2005, reaching 1.18 by the end of November 2005. The euro is assumed to return gradually to 1.15 against the US dollar, as the impact of the short-term factors contributing to the recent weakening of the US dollar (including the swiftly growing current-account and budget deficits in the US) may be expected to give way to more fundamental structural factors.

- (6) The medium-term outlook for **world agricultural markets** is foreseen to remain essentially supported by rising food demand driven by an improved macro-economic environment (with more broadly-based and sustainable growth), higher population, urbanisation and changes in dietary patterns, particularly in many emerging economies. World trade in agricultural commodities is expected to demonstrate sustained growth, as demand for food products should outpace production in many developing countries, while commodity prices are projected to display only moderate increases over the medium term.

After the low level recorded in 2004, world cereal prices are projected to recover over the medium term as supply adjusts to global demand growth, with wheat and maize prices reaching up to around 160 \$/t and 120 \$/t respectively by 2012/13. Oilseed prices are foreseen to display a certain stability over the forecast period, with soybean prices projected at 243 \$/t in 2012/13.

Meat markets are expected to show some stabilisation over the medium term, with world beef prices declining slightly after a short-term price surge due to trade disruptions related to sanitary crises. World dairy prices are expected to ease down somewhat after the strong increase of 2004, in line with projected rapid expansion of milk production in low-cost producing regions (such as Oceania), but to remain at relatively high level throughout the projection period.

Arable Crops

Prospects for cereal markets

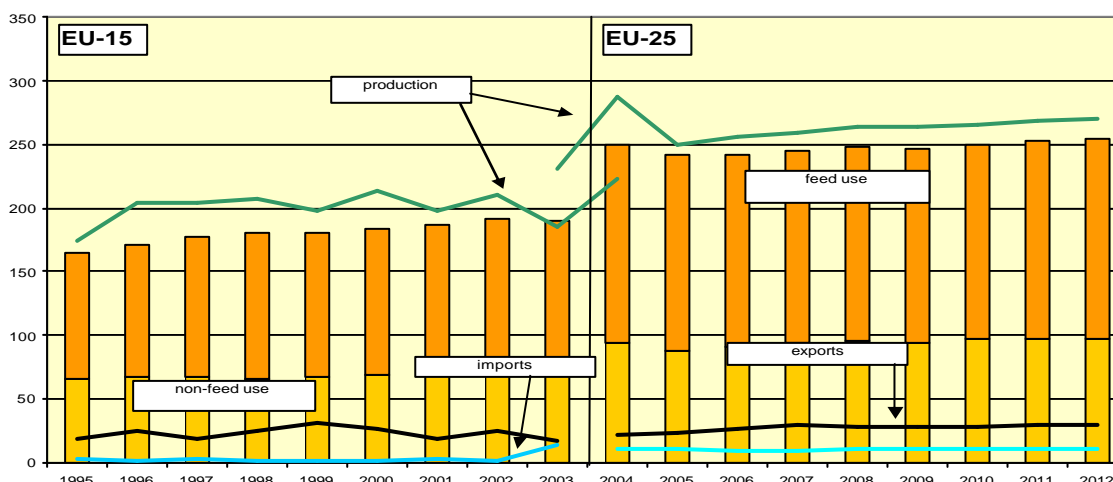
The medium-term projections depict an outlook for the EU cereal markets that would appear moderately positive for most EU cereals, with the noticeable exception of barley which would only gain competitiveness on domestic markets towards the end of the decade. However, the functioning of cereal markets in some producing regions could remain constrained by marketing inefficiencies. The latter could affect in particular the marketing of soft wheat and maize from land locked south eastern European countries. It is assumed that the market integration of these regions into the single market would gradually increase until 2008 alongside with improvements in infrastructure.

Cereal yield growth until 2012 would show a more modest pattern than earlier projections suggested, with an average annual growth estimated at approximately 0.8 % between 2005 and 2012. In the past years, yield growth slowed down considerably and future increases in the intensive cereal production basins of the old Member States now appear more limited. However, maize yields should continue to increase substantially throughout the EU. Some scope for further yield increase are also expected in the new Member States, which are on average at roughly half of the yield levels of the old Member States.

The projected rise in cereal yields would more than offset the decline in cereal area and entail a gradual expansion in cereal production over the medium term. After a pronounced short-term fall in 2005 at 250 mio t due to drought in parts of the EU, the increase in mandatory set-aside and generally lower levels of yield, EU-25 cereal production would resume expanding to reach 271 mio t in 2012.

Domestic consumption of cereals would exhibit an 8.8 mio t increase over the projection horizon to stand slightly below 253 mio t in 2012. Cereal feed demand would continue to expand from 152 mio t in 2005 to 156 mio t in 2012. However, compared to the previous decade when feed use expanded by more than 20 mio t, the coming years would only exhibit a moderate growth. Industrial and human consumption would demonstrate a slight increase by 5 mio t until 2012.

Graph 1. Development in cereal markets in the EU (mio t), 1995-2012



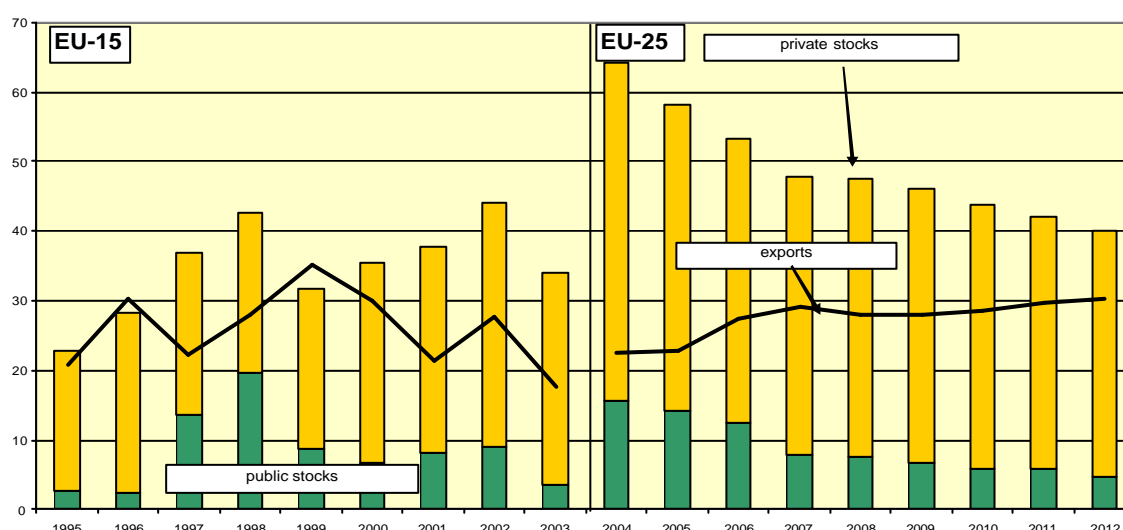
Several factors would contribute to this moderate growth in cereal feed use. First, the increase in feeding efficiency will continue, in particular in the new Member States, resulting in lower feed use per ton of meat and livestock products than seen in the past. The overall increase in white meat and egg production in the EU is also projected to be lower than in the last decade. Feed cereals gained competitiveness in the 1992 and 1999 reforms and largely replaced cereal substitutes. Future additional gains in cereal consumption in this respect appear more limited.

Over the medium term changing price relations would result in a significant change in the composition of cereal feed use. In the first half of the period soft wheat and regionally also maize would become more attractive in feed use, while barley would gain competitiveness in the second half of the period.

High levels of stock would continue to leave the cereal markets in a fragile situation over the next two years. During the first half of the projection period, the impact of higher mandatory set-aside and the implementation of decoupling would combine to limit production growth and, thanks to increasing exports, would generate a gradual fall in stock levels. Total cereal ending stocks would then stand at 40.1 mio t in 2012, some 18.1 mio t lower than in 2005.

In the short term most of the public stocks would consist of soft wheat, rye and maize. Rye public stocks would disappear by 2007. Soft wheat and maize stocks would be gradually reduced and disappear in 2008 and 2009 respectively. Barley would suffer from significant loss of competitiveness during that time and public stocks of barley would tend to accumulate. The competitiveness of barley would then improve, leading to a reduction in public stocks from 2009 onwards. Maize would significantly gain competitiveness in feed use after 2008 with the expected full integration of the land locked new Member States into the single market. Soft wheat would slightly lose competitiveness at the end of the period.

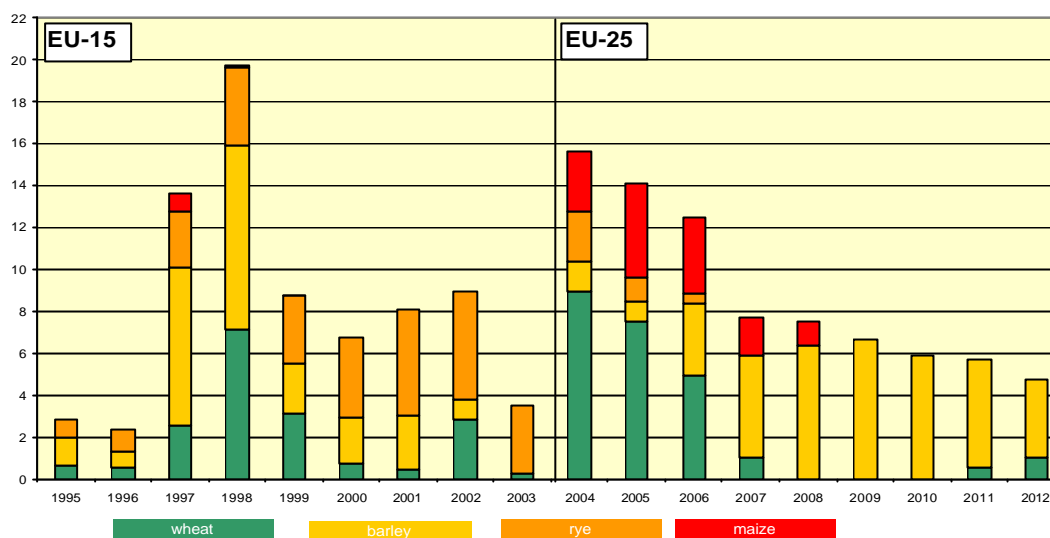
Graph 2. Development in cereal stocks and exports in the EU (mio t), 1995-2012



In summary, the medium-term prospects for cereal markets for the EU-25 should remain moderately positive as the impact of the CAP reform, moderate prospects for yield growth and the return to a high set-aside level should combine with more favourable conditions on world markets to gradually improve the balance of cereal markets after the record harvest of 2004. The assumed return to a weaker euro over the medium term should also help to restore

a moderate level of competitiveness for cereals. Specific difficulties could only arise for coarse grains, in particular for barley, and on a regional scope for soft wheat and maize.

Graph 3. Composition of public stocks in the EU (mio t), 1995-2012



The major oilseeds

The medium-term prospects for the EU oilseed market are expected to be supported by productivity increases, the favourable developments projected for world markets (fuelled by continuous positive trends for global demand of vegetable oil) and increasing demand for biodiesel in the EU. The recent growth in the use of rapeseed oil for biodiesel production has significantly increased the market potential for rapeseed in Europe. For the first time in 2005 the non-food use of rapeseed oil should become more important than the food use.

These developments should provide further incentives for increasing rapeseed production as well as for increasing imports of rapeseed oil as observed in recent years. This has led to a modest increase in producer prices for European farmers. However, demand for biofuel should become the most dynamic driver on the oilseed market and in particular on the rapeseed markets in Europe. Whereas these projections incorporate the most recent market trends, they only partially reflect the potential impact of the biofuel directive as the committed amount of future resources for the biofuel policies in the Member States remain to be clarified.

Total oilseed area of rapeseed, sunflower seed and soybean bottomed out in 2002 at 6.6 mio ha before increasing to 7 mio ha in 2004 (of which 0.5 mio ha as non-food oilseeds on set aside land). In 2005 oilseed area stabilised slightly above 7 mio ha of which 0.9 mio ha of oilseeds on set aside land. The very favourable medium-term perspectives on the oilseed markets should lead to a steady increase in harvested area to 8.2 mio ha by 2012. The non-food oilseed area is expected to slightly decline to 0.8 mio ha in 2012 due to the constraints imposed by the Blair House agreement (with a maximum of 1 mio t of soybean meal equivalent).

Total oilseed production stood at 20.4 mio t in 2005. It is estimated to increase to 27 mio t in 2012 supported by the expansion in oilseed area and the strong growth in rapeseed yields. While sunflower and soybean seed production appears relatively stable, rapeseed would account for most of the growth. Non-food oilseed production on set-aside land would also

expand slightly from 2.8 mio t in 2005 to 3.1 mio t in 2012. Any further increases of non-food oilseed production on set aside land is constrained by the Blair House agreement which is projected to limit the total oilseed production potential of the EU, thus leading to increasing imports of oils and seeds.

Domestic demand is foreseen to expand by a further 9.6 mio t to stand at 48.8 mio t in 2012 (mainly for rapeseed, followed by soybeans). This increase of domestic use would be mainly supported by the growing biodiesel demand.

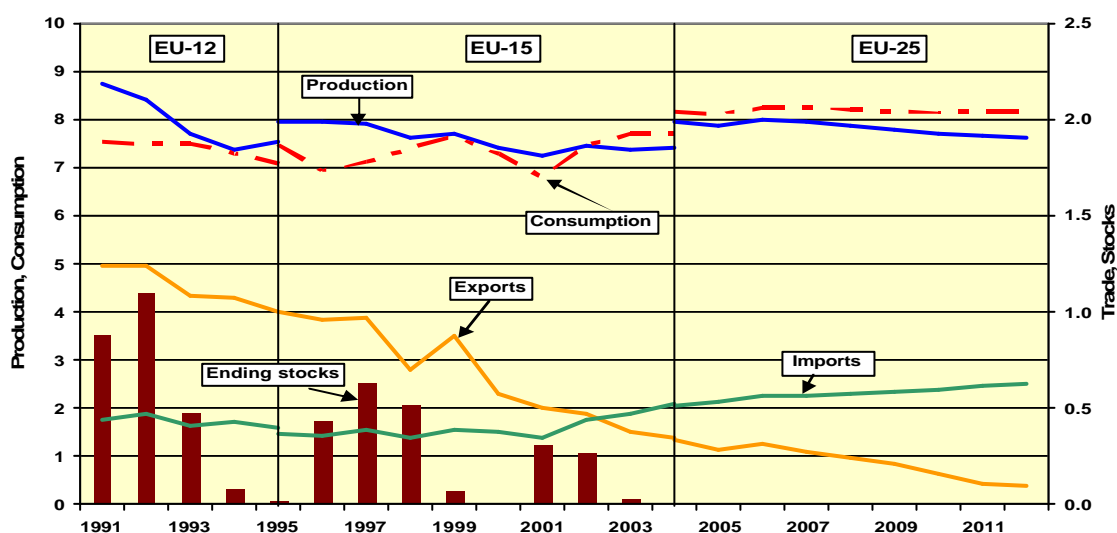
Meat and livestock

Beef and veal

Beef production increased slightly in 2004 due to higher end-of-year slaughtering in the Member States that started applying decoupling from 2005. An expected marginal decrease in 2005 is projected to be followed by a short-term increase with the phasing out of the Over Thirty Months Scheme (OTMS) in the UK from the beginning of 2006 and a limited destocking of breeding animals linked to the introduction of decoupling of beef direct payments. The latter –combined with a slight increase in cereal feed prices- is expected to have a significant impact on the beef sector by reducing the incentives toward an intensive beef production system and production from unprofitable production systems. As a result beef production is expected to decrease over the medium term to around 7.6 mio t in 2012, a reduction of 4 % from 2004.

Beef consumption is projected to stagnate over the medium term. In the new Member States the potential increase -fuelled by rising income levels- would be broadly offset by the sustained price increase and the low consumer preference for beef meat.

Graph 4. Outlook for the EU beef market (mio t), 1991-2012



A relatively steady demand and a tight domestic supply are expected to result in firm prices over the projection period, attracting more imports entering at full duty, notably high-quality beef cuts from South America. Total beef imports are expected to reach 0.6 mio t by the end of the projection period. Extra-EU-25 exports will be more and more constrained by low domestic availability and lower competitiveness and -after a possible slight increase in 2006

due to temporarily increased availabilities linked to the end of the OTM in the UK- exports are projected to continue their declining trend, falling below 100 000 t by 2012.

Pig meat

The slight decrease in EU-25 pig meat production in 2004-2005 is forecast to be followed by a steady increase over the medium term driven mostly by internal and external demand. EU-25 pig meat production is projected to reach around 22 mio t by 2012.

Pig meat is likely to remain favoured by consumers as –following a slight decrease observed in 2004-2005- per capita pork consumption is projected to increase from 43.4 kg/year in 2004 to 44.0 kg/year by 2012, with a marked increase in the new Member States.

The strong increase in extra-EU-25 pig meat exports of 2004 is expected to be followed by a return to more normal exports levels in 2005. Over the medium term there is scope for a slight increase in extra-EU-25 exports, while the intra community trade is projected to show stronger developments.

Poultry

Poultry production gradually recovered from the impact of avian flu in the Netherlands during spring 2003 and reached 11 mio t in 2004. The medium-term outlook for poultry production remains relatively positive as competitive prices with respect to other meats, strong consumer preference and increased use in food preparations should continue to play in favour of poultry. Per capita consumption is projected to increase from around 23 kg/year in 2004 to about 24.6 kg/year by 2012, with a stronger growth in the new Member States, where it should benefit from a growing consumer preference.

It should be acknowledged that these relatively positive projections for the poultry market do not take into account any effects of the Avian influenza since December 2005 nor the potential dramatic impact that an Avian influenza outbreak in the EU could have on the EU meat markets, with disrupted production and consumptions patterns, trade flows and a pronounced effect on market prices.

Extra-EU-25 poultry exports are projected to stagnate in line with strong competition on the world markets by low cost producers and unfavourable US\$/€and Brazilian Real/€exchange rates. Poultry imports are assumed to resume growing over the longer term, with increased imports of frozen fillets and mainly cooked and processed poultry meat.

Consumption eggs

The prospects for the EU egg production appear moderately positive. Like poultry, egg production recovered from the avian flu in the Netherlands in 2003. Production of eggs reached 6.3 mio t in 2004 and is expected to further increase to 6.7 mio t in 2012 benefiting from increasing demand as well as lower feed costs particularly in the first half of the projection period. Consumption would expand from 6.2 mio t in 2004 to 6.5 mio t in 2012. Per capita consumption would increase from 13.5 kg/capita in 2004 to 13.9 kg/capita in 2012. Exports would develop between 0.2 and 0.3 mio t over the medium term.

Sheep and goat meat

After the limited increase recorded in 2004 sheep and goat meat production and per capita consumption are expected to follow a slight downward trend over the medium term, in line with past long-term trends and taking into account the potential impact of decoupling of ewe premiums in the major producing countries. Sheep and goat meat imports are foreseen to broadly stagnate at the level of existing TRQs or increase slightly in response to a somewhat better use of market access commitments granted to some third countries.

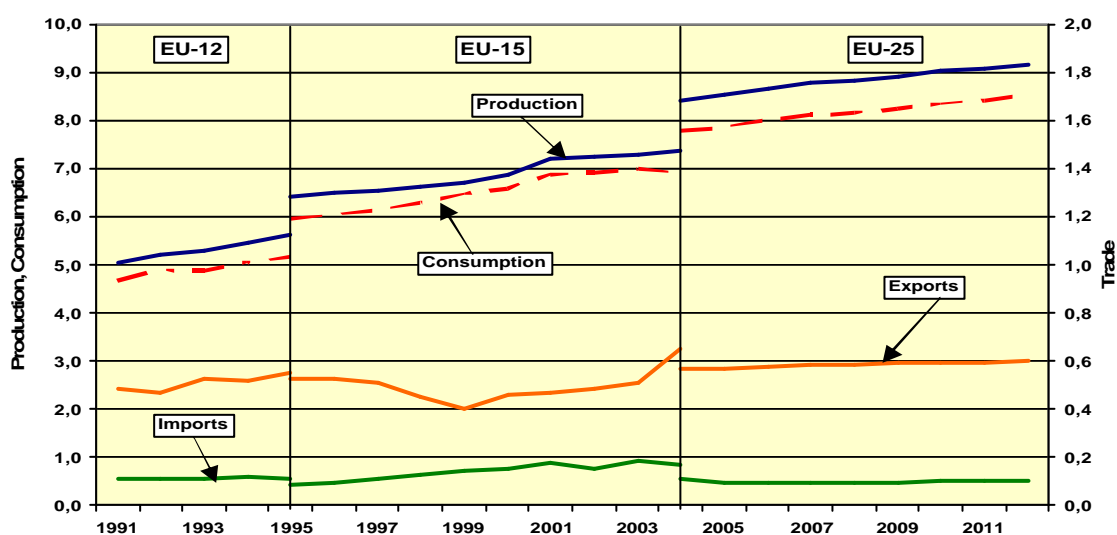
Milk and dairy products*Milk*

Milk production in the EU-25 is expected to broadly follow the evolution of the milk reference quantities over the projection period, with total production slightly exceeding 145 mio t by 2012. Milk deliveries are assumed to fully respect the milk reference quantities in line with increasing quotas as from 2006. Assuming a further increase in milk yields of around 1.6 % per year on average over the forecast period, the EU-25 dairy herd is projected to decline from 23.4 mio heads in 2004 to around 21.1 mio animals by 2012.

Cheese

After a marked increase in 2004 (+1.9 %), cheese production is expected to increase further over the medium term by almost 9 % altogether. EU-25 per capita consumption is projected to rise from 17.0 kg in 2004 to 18.3 kg in 2012, with a significant growth of 32.3% in the new Member States.

Graph 5. Outlook for the EU cheese market (mio t), 1991-2012



The steady growth in domestic consumption is expected to absorb most of the projected increase in cheese production, limiting somewhat the growth in cheese exports, which are projected to stabilise slightly below 600 000 t.

Butter

After a limited increase in 2005, EU-25 butter production is expected to resume declining over the medium term in response to lower market and intervention prices. The quota increases decided for the period 2006/07-2008/09 are not expected to change this downward trend as the production of other dairy products is assumed to absorb most of the additional deliveries.

Projections for per capita consumption are set at around 3.9 kg in 2012, compared to the current level of about 4.2 kg (3.8 kg in the new Member States), i.e. -1 % per year on average, in line with the expected reduction of the aid to butter consumption in the framework of the implementation of the 2003 CAP reform.

The projected balance sheet for butter shows that the decreasing production resulting from the lower attractiveness of butter should ease somewhat the pressure on intervention stocks, which are expected to continue to decline in the next few years.

Skimmed milk powder

After a short-term interruption in its declining trend, production and consumption of SMP should resume decreasing over the medium term as growing production of higher value-added dairy products would absorb an increasing share of EU milk. The projections suggest a strong reduction in SMP production from 1.1 mio t in 2004 to around 0.9 mio t by 2012.

The decline in availability in 2004 and 2005 has allowed to sell out of intervention stocks almost 194 000 t of SMP, leaving intervention stocks nearly empty. Over the medium term the reduction in production should outpace the slow decrease in consumption, thus constraining exports (with no intervention stocks).

Agricultural income

The medium-term projections for income display a rather favourable outlook as EU-25 agricultural income would grow by 12.8 % between 2004 and 2012 in real terms and per labour unit. However, this overall gain would mask marked differences between EU-15 (+6 %) and the new Member States (+50 %).

The medium-term scenario for the EU-15 exhibits a rise in the value of oilseeds (fuelled by volume increases), poultry and pork (supported by volume and price increases), that would outweigh the decline in the value of milk production triggered by the fall in milk prices (as a result of the implementation of the reduction in price support in the milk sector as part of the 2003 CAP reform). The resulting growth in gross value added of the whole EU-15 agricultural sector would be further strengthened by the projected increase in the value of fruit and vegetables.

In the new Member States the value of crop production would gradually return to its 2004 level by 2012 mainly as a result of increasing maize and oilseed values. The medium-term scenario for the animal sector exhibits a declining trend in beef and milk values, in line with the assumed continuation of the on-going restructuring. The resulting decline in gross value added would be more than compensated by the sharp rise in the funds granted to agricultural producers in the form of direct payments, national top-ups and rural development funds

(estimated on the basis of the original EU Commission proposals for the 2007-2013 financial perspectives). The agricultural labour input in the EU-N10 countries is assumed to fall by 4 % on annual average over the next decade in line with the restructuring of the agricultural sector boosting the rise in agricultural income expressed per labour unit.

Table 2. Outlook for agricultural income for EU-25, 2003 – 2012

	2003	2004	2006	2007	2008	2009	2010	2011	2012
Factor income in nominal terms									
EU-25	93.5	100	102.7	100.9	104.0	101.9	104.7	104.5	104.7
EU-15	96.6	100	101.6	99.8	101.5	99.6	101.9	102.0	102.2
EU-N10	56.4	100	115.9	114.2	134.2	129.2	137.6	133.9	134.2
Labour input									
EU-25	102.9	100	94.9	92.2	89.5	86.9	84.4	82.0	79.6
EU-15	101.2	100	95.6	93.4	91.3	89.2	87.1	85.1	83.2
EU-N10	106.0	100	93.6	89.9	86.3	82.8	79.5	76.4	73.3
Agricultural income in real terms per labour unit									
EU-25	90.8	100	104.3	103.5	107.7	106.6	110.6	111.5	112.8
EU-15	95.4	100	102.5	101.2	103.3	101.9	104.7	105.3	106.0
EU-N10	53.2	100	117.9	118.0	141.2	138.0	149.3	147.6	150.3

2. DECOUPLING SCENARIO ANALYSIS : REGIONAL IMPACT IN 2012

With the previous chapter giving an overview on the medium-term development of agricultural markets and income at aggregated EU-25 level, the chapter on hand is dedicated to complementary regionally differentiated analyses focussing on the year 2012.

In doing so, first of all a look at forecasted land use, livestock production and income situation in 2012 shall be taken. An accordingly developed picture of the future is greatly shaped by the implementation of the latest reforms of the Common Agricultural Policy adopted in 2003⁴ which redesigned agricultural support.

The Single Farm Payment – the core element of the newly reformed CAP – aims first and foremost at improving the sector's market orientation, allocation of production, transfer efficiency and income stability. As far as policy implementation is concerned, Member States follow different approaches to adjust their systems of direct payments. All in all it can be expected that until the year 2012 around 90 % of the total amount of direct payments is granted in the form of decoupled income support, whereas the figures for milk, arable crops, beef and sheep meat add up to 100 %, 93 %, 78 % and 73% respectively.

The European Commission is continuously monitoring the implementation and functioning of the Single Farm Payment as well as the contribution of the instrument to achieve the economic, social and environmental objectives of the CAP. In this regard, the chapter at hand aims at providing an estimate of the impact of alternative implementation scenarios of the SFP on the EU-25 agricultural sector in 2012 by comparing the projected situation under the *status quo* policy implementation (as notified by Member States) with two alternative scenarios: full decoupling and full coupling of direct payments in line with the provisions of the current legislation.

2.1. Reference scenario: *status quo* policy implementation

Starting point of the scenario analysis for the year 2012 is the so called reference situation, in which the implementation of the reformed CAP is incorporated according to the notifications transmitted by the Member States. As it was already mentioned above, it is expected that 90 % of the total amount of EU-25 direct payments are decoupled. As far as the arable crop sector is concerned, only France and Spain grant an amount of 25 % of the direct support in the form of coupled payments. Ireland, the UK, Germany, Luxembourg, Italy and Greece have additionally chosen to fully decouple direct income transfer in the beef and sheep sectors⁵. The EU-N10 countries are assumed to apply the fully decoupled regionalised payment scheme plus national “top-ups” in 2012.

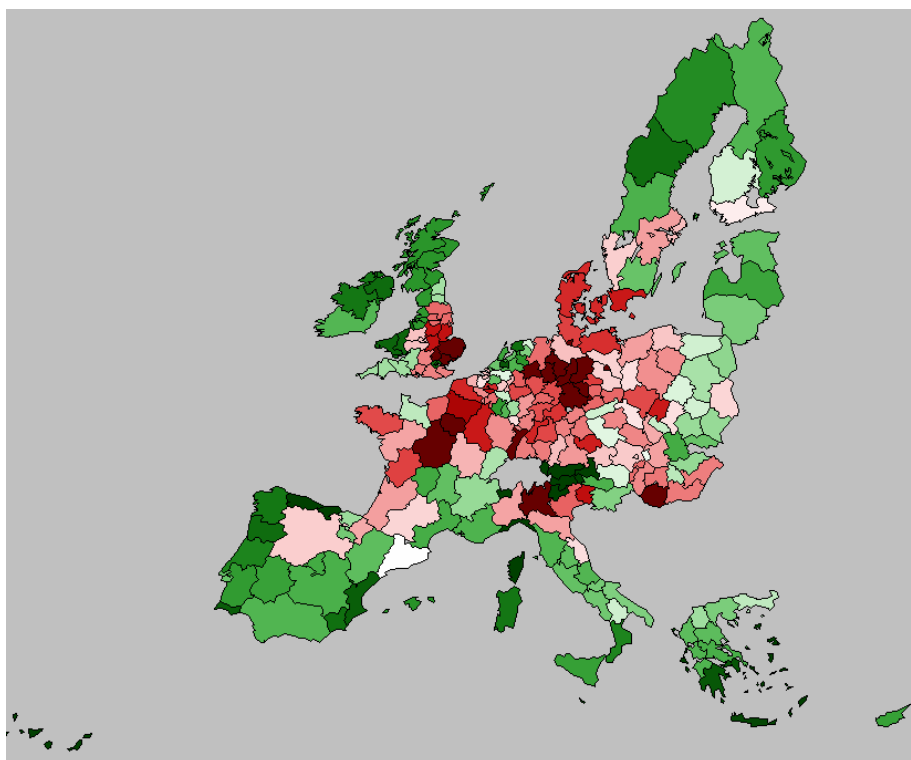
As regards the agricultural land allocation in the reference situation in 2012, model results show that overall EU-25 cereal acreage would amount to 50.0 mio ha, whereas the absolute

⁴ Besides the successive implementation of the different CAP reform packages and the integration of the EU-N10 into the CAP and the Single Market, the macro-economic conditions, the trade policy environment, weather conditions and international market developments should also determine the medium-term prospects of the EU-25 agricultural sector.

⁵ However, the UK, Greece and Italy apply “Article 69” with regard to their national envelopes.

figures for EU-15 and EU-N10 would account for 34.5 and 15.5 mio ha respectively. Map 1 presents the cereal production volume proportional to the total agricultural area for EU-25 NUTS-II regions. Thus it naturally appears that cereal production per ha agricultural area is particularly high in regions with relatively high shares of cereals in crop rotation and relatively high yields. Especially in western Poland, in Hungary, in Denmark, in parts of north-western Germany and in northern France the share of cereals in crop rotation is surpassingly high exceeding 50 %. The highest yields are reached in parts of western and eastern Germany, in eastern England, in southern Belgium and northern France. In these regions, yields vary between around 9 and 10 t/ha.

Map 1: Reference situation 2012: regional cereals production in EU-25 (in t/ha of agricultural area)

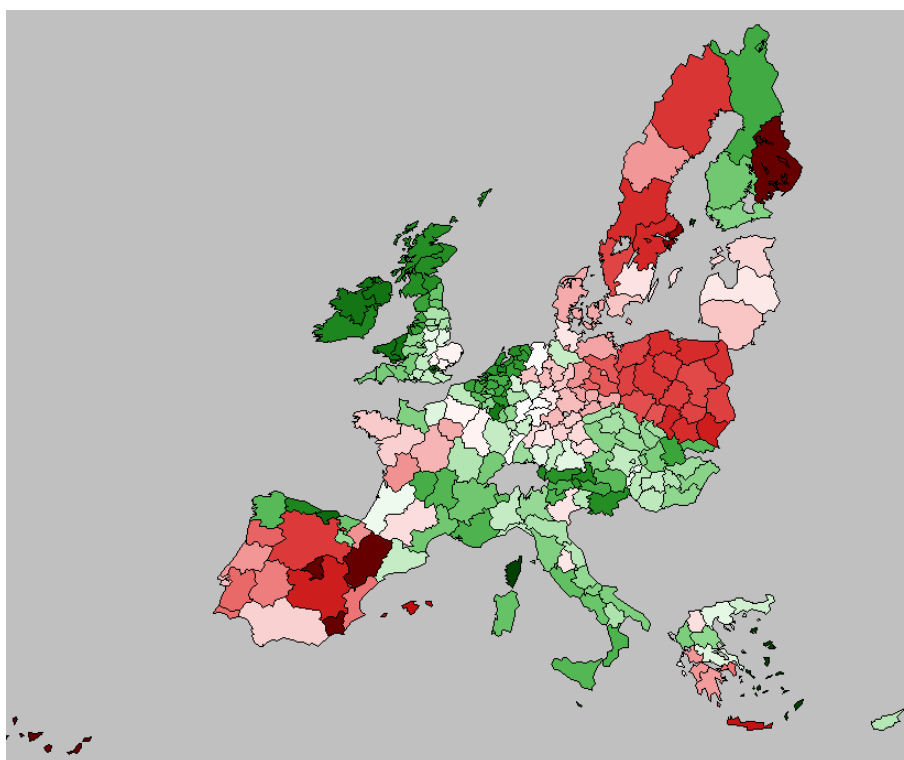


Note: From dark green over white to dark red: 0.1 to 1.7 to 5.2 t/ha of agricultural area.

Through the introduction of the Single Farm Payment and the reduction in the overall level of support in the cereal sector, it is expected that until 2012 set aside and fallow land would rise mainly at the expense of total cereal acreage - as land with low profitability would move out of production. Map 2 shows the share of set-aside and fallow land⁶ in crop rotation in the reference situation in 2012. Polish, Swedish and some Spanish regions would have the highest shares of set-aside and fallow land in their total agricultural area, varying between 12 and 29 %. Concerning absolute figures, large French, Spanish and Polish regions as well as Latvia and Lithuania would have relatively high amounts of set-aside and fallow land.

⁶ The category “set-aside and fallow land” includes obligatory and voluntary set-aside, fallow land as well as non food oilseed on set-aside land.

Map 2: Reference situation 2012: regional share of set aside and fallow land in crop rotation in EU-25 (in %)



Note: From dark green over white to dark red: 1 to 8 to 29 %.

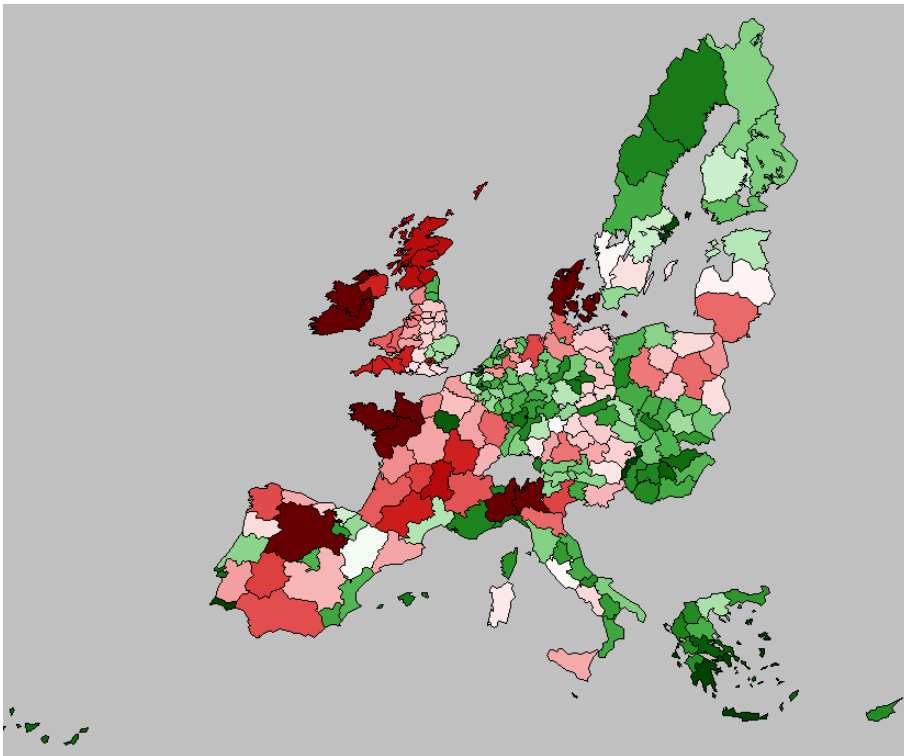
Total EU-25 oilseed acreage in 2012 is estimated to be 7.3 mio ha, thereof 4.8 mio ha rapeseed. Over the medium term, rapeseed acreage should expand significantly, mainly due to productivity increases and favourable developments projected for both the world markets and internal renewable energy demand. Rapeseed area is expected to generally rise in the Baltic States and in western Poland as well as in the whole northern part of the EU-15 with the exception of Ireland and Scandinavian countries conditional on climate.

With regard to livestock production, the projections indicate that EU-25 cattle herd would slightly decrease to 88.1 mio animals until 2012. The forecasted reduction is mainly driven by the structural decline in the dairy cow herd size, but also by the successive phasing-out of beef meat activities in the Member States which have fully decoupled their direct payments in the course of the CAP reform implementation. Specialised regions in Spain, France, Belgium, the Netherlands and Austria, keeping most of their cattle premiums coupled, are expected to expand their cattle fattening herd over the medium term. Map 3 presents the regional cattle herd sizes in the EU-25 in the reference situation in 2012. Most of the EU-25 cattle herd would be located in the classical dairy producing regions along the Atlantic bow and the North Sea coast and in south-eastern Germany and northern Italy. The biggest suckler cow herds would be found in Ireland, in the French regions Pays de la Loire, Bourgogne, Limousin, Auvergne and Midi-Pyrenees and in the Spanish regions Castilla y Leon and Extremadura.

White meat production is assumed to further increase but at a lower rate than in the past decade. EU-25 countries are expected to produce 21.9 mio t of pig meat and 11.7 mio t of poultry meat in 2012, whereas the contribution of EU-N10 in total pig and poultry meat production is 3.5 mio t and 2.2 mio t respectively. Until 2012, production is projected to increase significantly in Spain, Denmark, Belgium, Poland, Hungary, Czech Republic and in

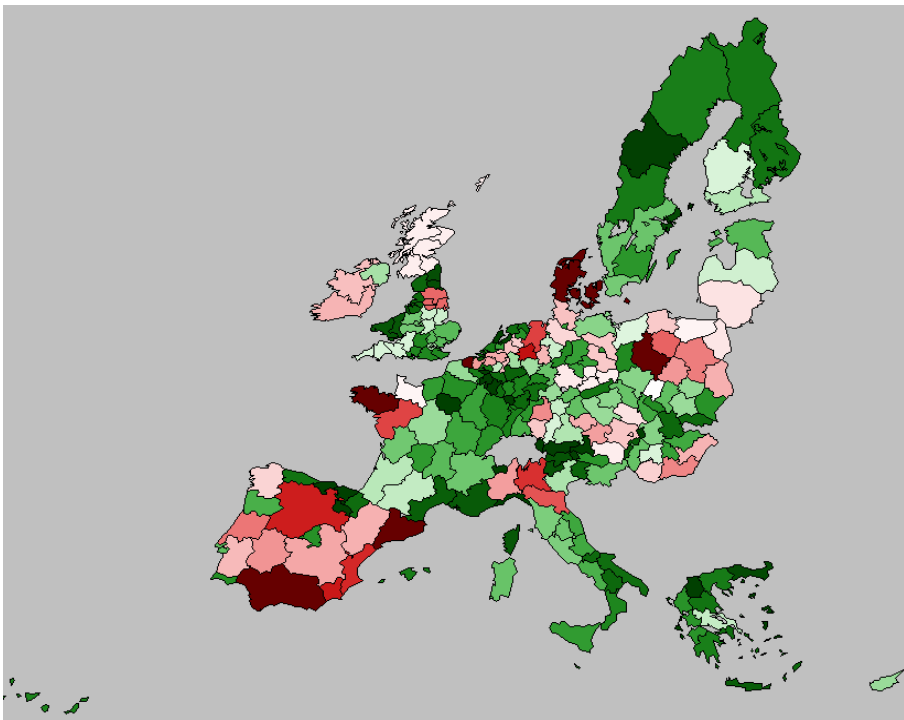
intensive livestock regions of France and Germany. Map 4 gives an overview of the regional pig herd sizes in the EU-25 in the reference situation 2012.

Map 3: Reference situation 2012: regional cattle herd sizes in EU-25 (in heads)



Note: From dark green over white to dark red: 0.003 to 0.3 to 3.4 mio heads.

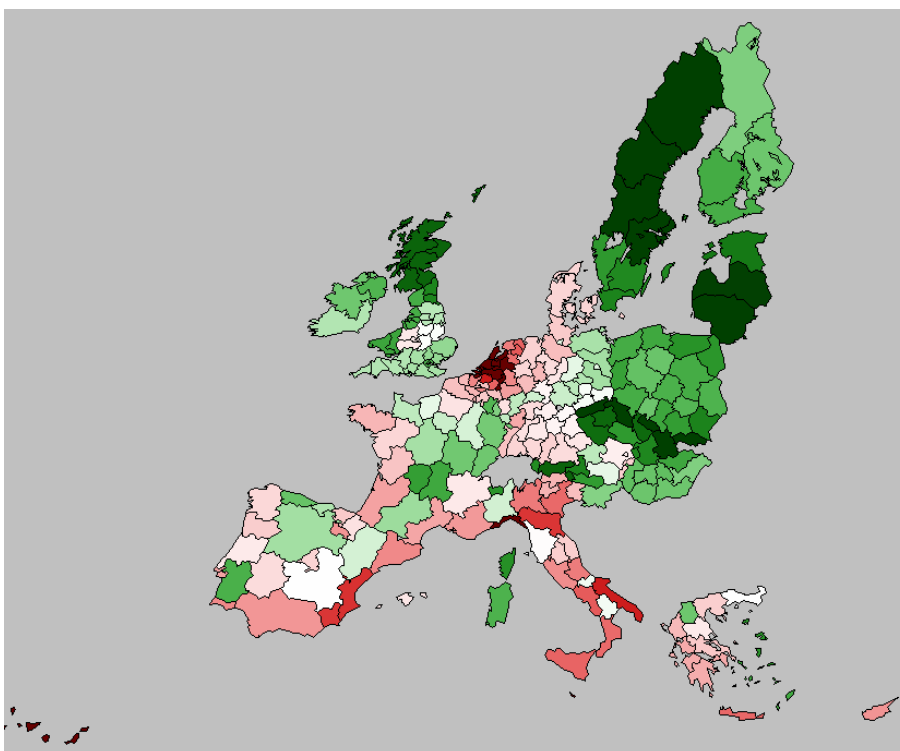
Map 4: Reference situation 2012: regional pig herd sizes in EU-25 (in heads)



Note: From dark green over white to dark red: 0.003 to 1 mio to 16.9 mio heads.

Highlighting the key economic aspect of agriculture in the reference scenario 2012, Map 5 gives an overview on the sector income⁷ per ha earned in European NUTS-II regions. Overall agricultural income is relatively high in regions with high value adding permanent crop, fruit, vegetable and livestock production such as Valencia and Murcia in Spain, Emilia-Romagna and Puglia in Italy and regions in the southern part of the Netherlands and in the northern part of Belgium. Agricultural income in the EU-N10 countries would average 340 €/ha in 2012. The strong increase in regional agricultural income per ha in EU-N10 until 2012 is largely driven by the integration into the Single Market and by the implementation of the CAP implying a sharp rise in funds granted to agricultural producers in form of direct payments and national “top-ups”.

Map 5: Reference situation 2012: regional agricultural income per ha in EU-25 (in €/ha of agricultural area)



Note: From dark green over white to dark red: -200 to 1.000 to 11.000 €/ha agricultural area.

2.2. Alternative scenarios: full decoupling and full coupling

In the following section, the above-discussed medium-term perspectives for the EU-25 agricultural sector are examined under two alternative scenarios: full decoupling and full coupling of direct payments.

In the framework of this analysis, the full decoupling scenario assumes that EU-15 countries decouple their direct payments to the maximum extent in line with the current legislation. For the EU-N10, the fully decoupled regionalised payment scheme remains unchanged.

⁷ Measured as gross value added plus premiums in real terms and per hectare agricultural area. Rural development funds are not included.

In contrast, the full coupling scenario assumes that both EU-15 and EU-N10 countries couple their direct payments to the maximum extent in line with the effective CAP provisions. With regard to the flexible regulation in the arable crops and in the beef sector, Member States are assumed to “couple” as follows: Italy, Greece, Portugal and Austria would keep 40 % of the durum wheat premium coupled, whereas all other countries would opt for a 25 % coupling of the arable crop premium. Concerning the beef sector, Denmark, Germany, Italy, Sweden and Finland are assumed to retain 75 % of the special premium for adult male bovines coupled. The Netherlands and the EU-N10 would fully couple the slaughter premiums for adult cattle and calves. All other countries keep 100 % of the suckler cow premium and the maximum amount of the slaughter premiums⁸ coupled. In both scenarios, market measures remain unchanged.

2.2.1 Full decoupling

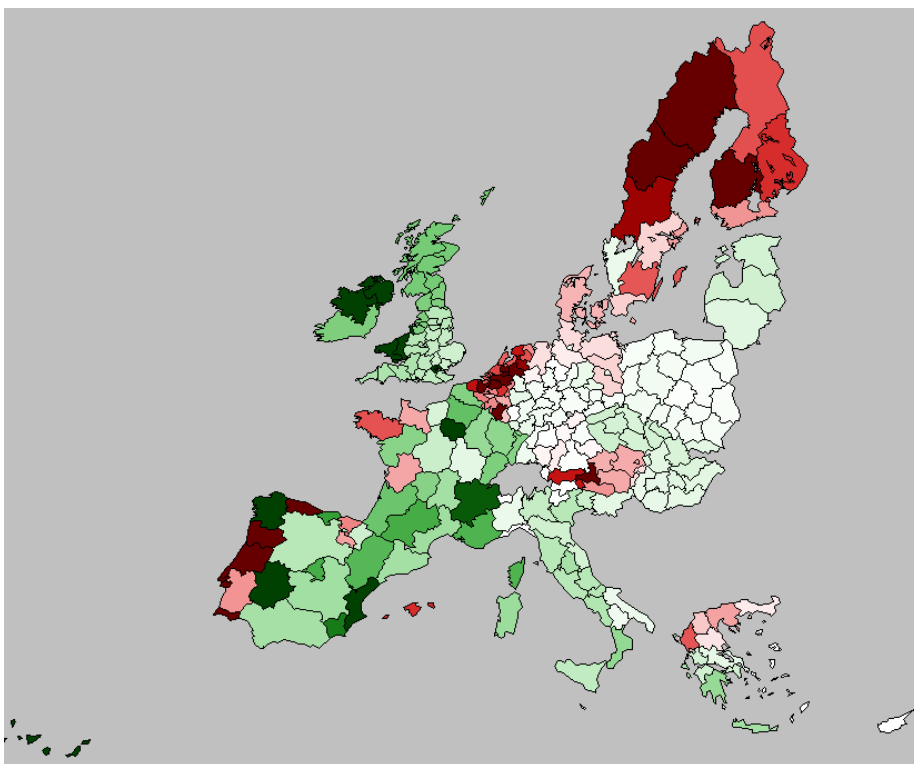
In comparison to the reference scenario, full decoupling of direct payments in 2012 would not lead to major changes regarding total EU-25 cereal and oilseed acreage as well as set aside and fallow land, because direct payments for arable crops have been already fully decoupled in the framework of the current policy implementation, only with the exception of France and Spain keeping 25 % of arable crop payments coupled. As a consequence, as Map 6 shows, total cereals acreage would particularly decline in French and Spanish regions due to full decoupling in 2012. However, cereal acreage would also drop in Ireland, the UK and Italy, countries where fodder acreage would expand thanks to the higher profitability of beef production⁹. A different reaction would be observed in the Benelux countries, in Portugal, Austria and Scandinavia, where total cereal acreage would increase thanks to a favourable development of cereal prices and the substitution of fodder on arable land by cereals.

Regarding livestock production, full decoupling would lead to a decrease of 1.8 % in total EU-25 cattle herd to 86.5 mio animals. Total cattle herd would particularly decline in countries with coupled cattle premiums in the reference situation, like France, Spain, Portugal, Austria, the Benelux and Scandinavian countries (Map 7). In Germany, where cattle premiums have already been fully decoupled in the reference situation, total cattle herd size would also decline, although only slightly by 0.9 %. This negative trend would not be reversed by a 4.6 % increase in German suckler cow herd. In Ireland, the UK, Italy and in the EU-N10, where cattle premiums have also been fully decoupled in the reference situation, full decoupling applied in the whole EU-25 would lead to a stabilisation or even a slight increase in total cattle herd size due to a more favourable price environment. EU-25 pig and poultry meat production would hardly be affected by full decoupling as these policy changes would neither directly nor indirectly influence these two sectors significantly.

⁸ The maximum coupling rates of the slaughter premiums are in this case 40 % and 100 % for adult bovines and calves respectively.

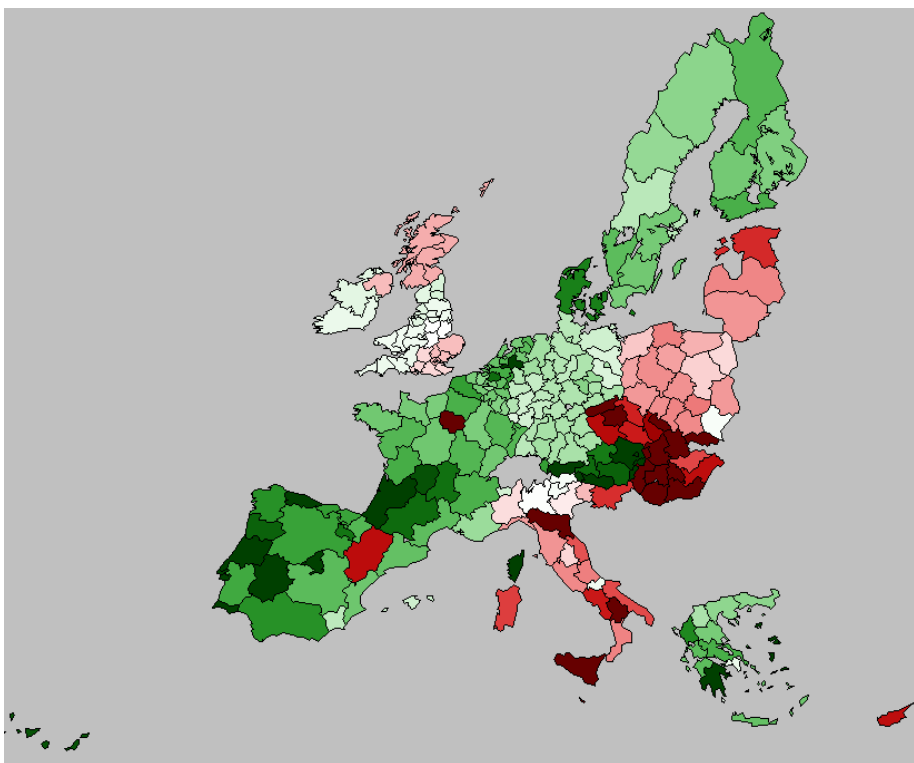
⁹ In Italy, additional acreage would also be dedicated to vegetables and permanent crops.

Map 6: Full decoupling 2012: regional change of cereal acreage in EU-25 in comparison to the reference situation (in %)



Note: From dark green over white to dark red: -3 % to 0 % to 1 % change.

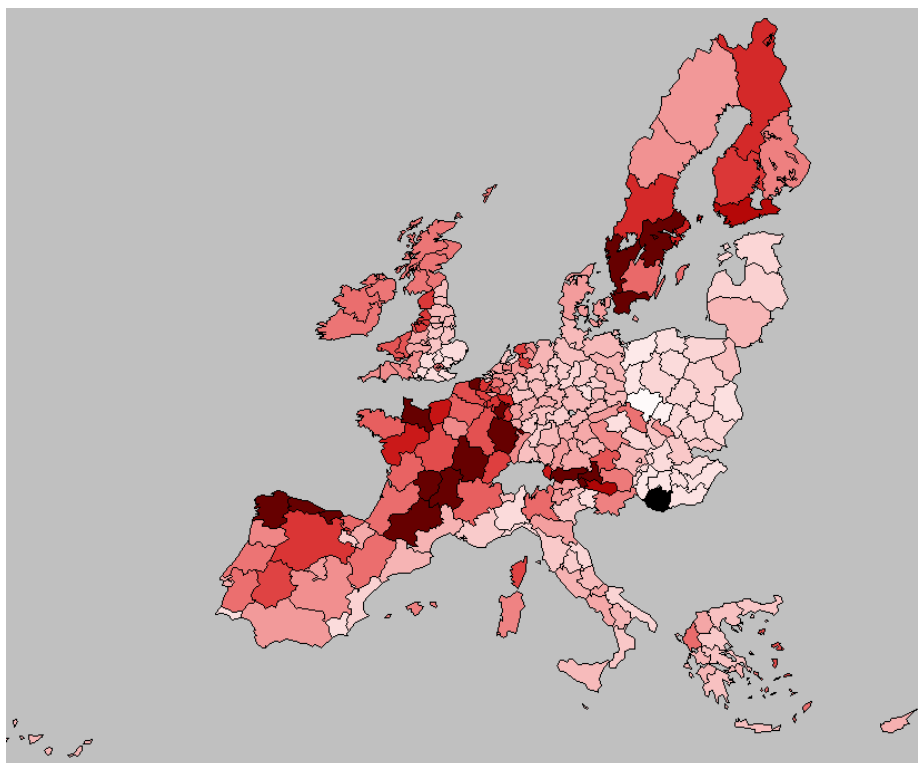
Map 7: Full decoupling 2012: regional change of cattle herd size in EU-25 in comparison to the reference situation (in %)



Note: From dark green over white to dark red: -8 % to 0 % to 0.7 % change.

Due to full decoupling, the overall EU-25 agricultural income per ha would rise by 0.8 %. Map 8 shows how this income increase would be distributed across NUTS-II regions. Full decoupling would reduce production and market distorting policy effects enabling a more efficient allocation of resources. Producers would furthermore benefit from greater market orientation in their production decisions and from higher prices which would broadly compensate lower levels of production. Thanks to a higher transfer efficiency of direct income support, most of the EU-25 regions would gain additional income with full decoupling.

Map 8: Full decoupling 2012: regional change of agricultural income per ha in EU-25 in comparison to the reference situation (in %)



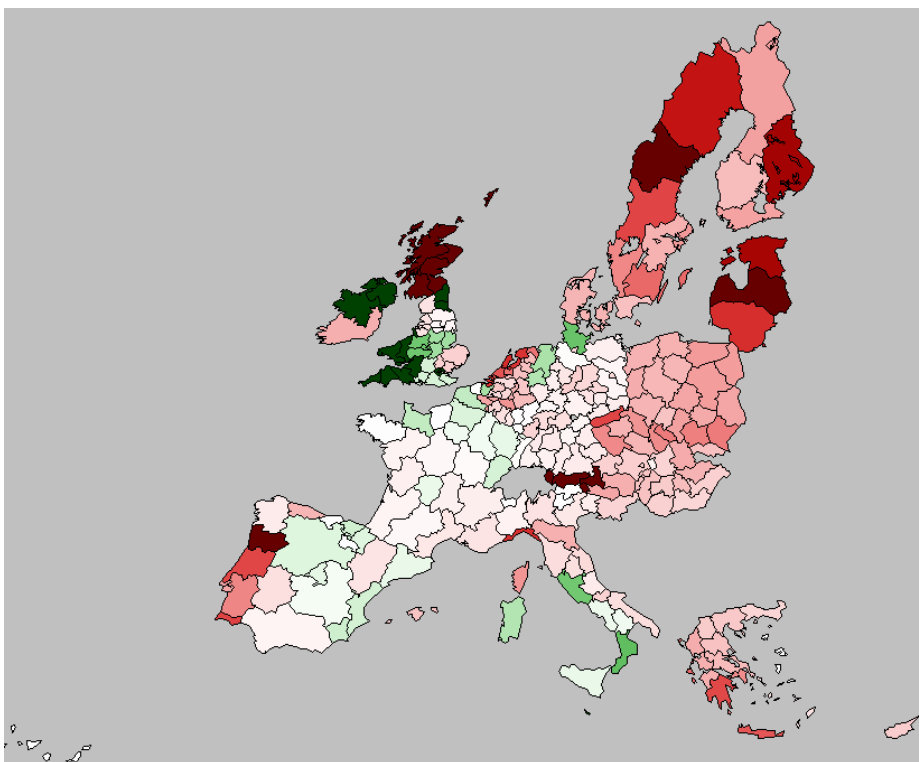
Note: White to dark red: 0 % to 3 % change.

2.2.2 Full coupling

Regarding the effects of a full coupling scenario in 2012 vis-à-vis the reference situation, overall EU-25 cereal and oilseed acreage would increase by 0.6 % and 0.3 % respectively, whereas set aside and fallow land would decrease by 0.8 %. Map 9 shows the regional variation of cereal acreage due to full coupling in comparison to the reference situation. Increases in cereal acreage would mainly take place in countries that have fully decoupled direct payments in the reference situation. Cereal acreage would also rise in marginal regions where set-aside and fallow land or fodder acreage are substituted. Durum wheat production would slightly increase in Greece, Portugal, Austria and Italy which would couple 40 % of their commodity specific direct payments.

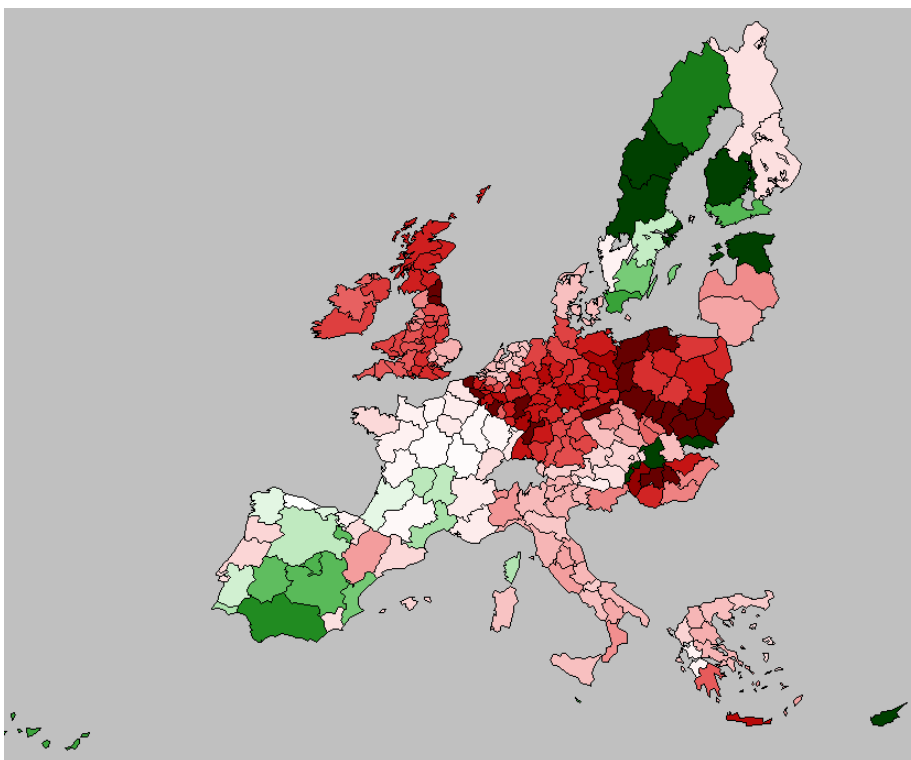
Concerning livestock production, total EU-25 cattle herd would increase by 0.5 %. Map 10 presents the change of regional cattle herd size due to full coupling in comparison to the reference situation in 2012.

Map 9: Full coupling 2012: regional change of cereal acreage in EU-25 in comparison to the reference situation (in %)



Note: From dark green over white to dark red: -7 % to 0 % to 5 % change.

Map 10: Full coupling 2012: regional change of cattle herd size in EU-25 in comparison to the reference situation (in %)

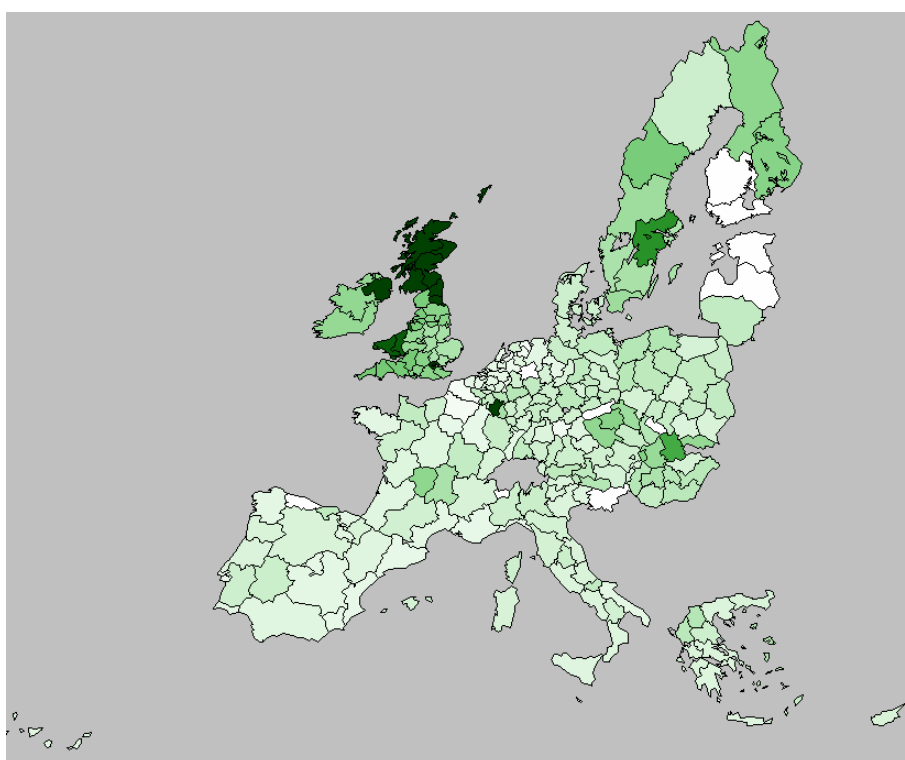


Note: From dark green over white to dark red: -3 % to 0 % to 7 % change.

Major increases in cattle herd size of around 5 % would take place in Ireland, the UK, Italy, Germany and in the EU-N10, and thus again in countries having fully decoupled premiums in the reference situation. Due to a 3.2 % drop in producer prices as a result of full coupling, cattle herd size would particularly decrease in least competitive regions. EU-25 white meat production would not change significantly.

Overall EU-25 agricultural income would decrease by 0.7 % due to full coupling. Map 11 shows how NUTS-II regions are affected. The reduction in income mainly arises from a lower general price level resulting from higher supplies and from a lesser transfer-efficiency of direct payments being widely used to cover production costs.

Map 11: Full coupling 2012: regional change of agricultural income per ha in EU-25 in comparison to the reference situation (in %)



Note: From dark green to white: -14 % to 0 % change.

2.3. Conclusions

As the regionally-differentiated analysis of the EU-25 agricultural sector in 2012 under *status quo* policy implementation has pointed out, total oilseed acreage and set-aside and fallow land would slightly increase, mainly at the expense of total cereal acreage. The biggest amount of EU-25 cereal production in 2012 would be harvested in northern France, eastern England, north-western Germany, western Poland and Hungary. These regions would show shares of cereals in crop rotation of more than 50 % and yield levels of up to 10 t/ha. The total EU-25 cattle herd is foreseen to decrease due to the quota-driven structural decline in dairy cow herd size, but also as a consequence of beef meat production abandonment mainly in the Member States which have fully decoupled their cattle premiums. In 2012, most of the EU-25 cattle herd would be located in the traditional dairy producing regions along the Atlantic bow and the North Sea coast and in south-eastern Germany and northern Italy. The biggest suckler cow herds would be found in Ireland, in the French regions Pays de la Loire, Bourgogne,

Limousin, Auvergne and Midi-Pyrenees and in the Spanish regions Castilla y Leon and Extremadura. White meat production is expected to increase further, especially in Denmark, Spain, western Poland, northern Italy, in the French regions of Bretagne and Pays de la Loire and in the German regions of Weser-Ems and Münster.

Agricultural income per ha in 2012 would be particularly high in those regions specialised in high value adding permanent crops, fruit, vegetable and livestock production, such as Valencia and Murcia in Spain, Emilia-Romagna and Puglia in Italy and regions in the southern part of the Netherlands and in the northern part of Belgium. Producers throughout the EU-N10 regions would largely benefit from their integration into the Single Market and the implementation of the CAP.

As regards the analysis of the differentiated impact of alternative decoupling scenarios, it can be concluded that the *status quo* policy implementation as notified by the EU Member States is already considerably advantageous with regard to the sectors' regional competitiveness, market orientation and income situation in comparison to the full coupling scenario. However, additional benefits could be gained by decoupling to the full extent in line with current policy provisions. It is projected that full decoupling would raise the overall EU-25 agricultural income by 0.8 %. Full decoupling would reduce the production and market distorting policy effects enabling a more efficient allocation of resources. Producers would furthermore benefit from greater market orientation in their production decisions and from higher prices which would broadly compensate lower levels of production. Thanks to a higher transfer efficiency of direct income support, most of the EU-25 regions would gain additional income with full decoupling.

Table A.1 Total cereals market projections for the European Union, 2003-2012 (mio t)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Usable production	230.2	286.8	250.3	256.6	259.0	263.9	263.7	265.4	269.1	271.0
of which EU-15	185.2	223.1	192.4	203.3	205.5	206.2	208.2	209.1	211.5	212.5
EU-N10	45.0	63.7	57.9	53.3	53.4	57.7	55.6	56.3	57.5	58.4
Consumption	239.5	245.1	244.0	244.1	244.8	247.0	247.3	249.2	251.2	252.8
of which bioenergy	0.0	0.7	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
of which EU-15	189.9	195.9	193.4	194.1	194.8	197.1	197.5	199.3	201.3	202.8
EU-N10	49.5	49.2	50.6	50.0	50.0	50.0	49.8	49.9	49.9	49.9
Imports	14.0	10.4	10.4	9.9	9.8	10.1	10.0	10.1	10.0	10.1
Exports	20.2	22.4	22.8	27.3	29.2	27.9	27.9	28.5	29.6	30.4
Beginning stocks	49.5	34.6	64.3	58.2	53.3	48.0	47.5	46.0	43.8	42.1
Ending stocks	34.6	64.3	58.2	53.3	48.0	47.5	46.0	43.8	42.1	40.1
of which intervention	3.5	15.6	14.1	12.5	7.7	7.5	6.7	5.9	5.7	4.7

EU-N10: Ten new Member States

Table A.2 Total wheat market projections for the European Union, 2003-2012 (mio t)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Usable production	106.6	136.2	120.5	122.1	123.5	125.6	126.3	127.6	129.6	130.9
of which EU-15	90.3	111.3	98.4	103.6	105.2	106.2	107.8	108.9	110.7	111.8
EU-N10	16.3	24.9	22.1	18.5	18.3	19.4	18.6	18.7	18.9	19.1
Consumption	108.9	115.6	116.1	117.0	115.8	115.8	115.4	115.9	116.5	117.0
of which EU-15	91.8	96.3	96.8	97.4	96.4	96.6	96.5	97.1	97.7	98.2
EU-N10	17.1	19.3	19.3	19.5	19.3	19.2	18.9	18.9	18.8	18.8
Imports	5.9	7.3	7.0	6.4	6.4	6.4	6.4	6.5	6.4	6.5
Exports	10.3	13.6	13.0	15.5	18.2	17.2	17.4	18.0	19.1	19.9
Beginning stocks	18.7	12.5	26.8	25.2	21.2	17.1	16.1	16.1	16.1	16.6
Ending stocks	12.5	26.8	25.2	21.2	17.1	16.1	16.1	16.1	16.6	17.1
of which intervention	0.2	8.9	7.5	4.9	1.0	0.0	0.0	0.0	0.5	1.0

EU-N10: Ten new Member States

Table A.3 Total coarse grain projections for the European Union, 2003-2012 (mio t)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Usable production	123.6	150.6	129.8	134.5	135.4	138.3	137.4	137.8	139.4	140.0
of which EU-15	95.0	111.8	94.0	99.7	100.3	100.1	100.4	100.2	100.8	100.7
EU-N10	28.7	38.8	35.8	34.9	35.1	38.3	37.0	37.6	38.6	39.3
Consumption	130.5	129.5	127.9	127.1	129.1	131.2	131.9	133.3	134.7	135.7
of which EU-15	98.1	99.7	96.6	96.6	98.4	100.4	101.0	102.3	103.6	104.6
EU-N10	32.4	29.8	31.4	30.5	30.7	30.8	30.9	31.0	31.1	31.1
Imports	8.1	3.1	3.4	3.5	3.5	3.6	3.6	3.6	3.6	3.6
Exports	9.9	8.8	9.8	11.7	11.0	10.8	10.5	10.5	10.5	10.5
Beginning stocks	30.8	22.1	37.5	33.0	32.1	30.8	31.3	30.0	27.7	25.5
Ending stocks	22.1	37.5	33.0	32.1	30.8	31.3	30.0	27.7	25.5	23.0
of which intervention	3.3	3.9	2.1	3.9	4.9	6.4	6.7	5.9	5.2	3.7

EU-N10: Ten new Member States

Table A.4 Soft wheat market projections for the European Union, 2003-2012 (mio t)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Usable production	97.8	124.5	113.3	113.3	114.5	116.5	117.2	118.4	120.3	121.6
of which EU-15	81.5	99.6	91.2	94.9	96.3	97.2	98.7	99.8	101.4	102.5
EU-N10	16.3	24.9	22.1	18.4	18.2	19.3	18.5	18.6	18.9	19.0
Consumption	98.4	105.0	106.6	107.1	105.8	105.8	105.3	105.7	106.1	106.5
of which EU-15	81.9	85.8	87.2	87.7	86.6	86.7	86.4	86.9	87.4	87.9
EU-N10	16.5	19.2	19.4	19.4	19.2	19.1	18.8	18.8	18.7	18.7
Imports	3.8	5.8	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Exports	9.4	12.3	12.5	15.1	17.8	16.8	17.0	17.6	18.7	19.5
Beginning stocks	18.5	12.4	25.4	24.5	20.5	16.4	15.4	15.4	15.4	15.9
Ending stocks	12.4	25.4	24.5	20.5	16.4	15.4	15.4	15.4	15.9	16.4
of which intervention	0.2	8.9	7.5	4.9	1.0	0.0	0.0	0.0	0.5	1.0

EU-N10: Ten new Member States

Table A.5 Barley market projections for the European Union, 2003-2012 (mio t)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Usable production	54.2	61.0	52.3	55.2	56.0	55.7	55.2	54.9	55.0	54.7
of which EU-15	46.2	51.2	43.1	45.3	45.7	45.4	45.3	44.9	44.7	44.3
EU-N10	8.1	9.8	9.2	9.9	10.3	10.3	9.9	10.0	10.3	10.4
Consumption	51.9	46.6	47.4	46.4	47.1	46.7	47.3	48.2	49.1	49.9
of which EU-15	43.5	39.1	39.2	38.2	38.8	38.4	38.9	39.6	40.4	41.1
EU-N10	8.4	7.5	8.2	8.2	8.3	8.3	8.4	8.6	8.7	8.8
Imports	0.7	0.5	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Exports	6.5	6.0	6.8	7.9	7.9	7.9	7.9	7.9	7.9	7.9
Beginning stocks	7.6	4.1	13.0	11.5	12.8	14.3	15.7	16.2	15.4	13.8
Ending stocks	4.1	13.0	11.5	12.8	14.3	15.7	16.2	15.4	13.8	11.2
of which intervention	0.0	1.5	1.0	3.5	4.9	6.4	6.7	5.9	5.2	3.7

EU-N10: Ten new Member States

Table A.6 Maize market projections for the European Union, 2003-2012 (mio t)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Usable production	41.5	53.2	47.3	49.8	49.7	53.0	52.7	53.1	54.3	55.1
of which EU-15	33.8	41.0	35.1	40.1	40.4	40.5	40.8	40.9	41.6	41.9
EU-N10	7.7	12.3	12.2	9.7	9.3	12.5	11.9	12.2	12.7	13.1
Consumption	43.6	51.6	50.2	51.2	52.2	54.7	55.0	55.1	55.4	55.5
of which EU-15	35.7	42.9	40.6	42.2	43.1	45.4	45.6	45.8	46.1	46.3
EU-N10	7.9	8.6	9.7	9.0	9.1	9.3	9.3	9.3	9.3	9.2
Imports	5.6	2.1	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Exports	2.0	1.7	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Beginning stocks	10.4	11.9	13.9	11.5	10.7	8.6	7.9	6.1	4.6	4.0
Ending stocks	11.9	13.9	11.5	10.7	8.6	7.9	6.1	4.6	4.0	4.1
of which intervention	0.0	2.8	4.5	3.7	1.8	1.1	0.0	0.0	0.0	0.0

EU-N10: Ten new Member States

Table A.7 Area under arable crops and set-aside in the EU, 2003-2012 (mio ha)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Cereals	51.4	52.4	51.6	50.5	50.7	50.8	50.1	50.0	50.2	50.0
of which EU-15	36.3	36.9	35.7	34.8	34.9	34.7	34.8	34.6	34.7	34.5
EU-N10	15.1	15.5	15.8	15.7	15.7	16.1	15.4	15.4	15.5	15.5
Soft wheat	18.3	19.3	19.6	19.0	19.1	19.2	19.1	19.1	19.2	19.2
Durum wheat	3.8	3.9	3.3	3.4	3.4	3.4	3.4	3.4	3.5	3.4
Barley	13.4	12.9	13.1	12.7	12.8	12.6	12.4	12.2	12.2	12.0
Maize	6.2	6.5	6.0	6.2	6.1	6.4	6.3	6.2	6.3	6.3
Rye	2.6	2.7	2.6	2.8	2.8	2.8	2.7	2.7	2.7	2.7
Other cereals	7.1	7.0	6.9	6.4	6.5	6.4	6.3	6.3	6.3	6.3
Oilseeds (1)	5.9	6.4	6.1	6.8	6.6	6.9	6.6	7.0	6.9	7.3
of which EU-15	4.2	4.5	4.2	4.6	4.5	4.8	4.7	5.0	4.9	5.2
EU-N10	1.7	1.9	1.9	2.1	2.2	2.1	1.9	2.0	2.0	2.1
Rapeseed	3.5	4.0	3.9	4.3	4.1	4.5	4.2	4.6	4.4	4.8
Sunseed	2.2	2.1	1.9	2.2	2.2	2.1	2.1	2.1	2.1	2.1
Soyabeans	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Protein crops	1.3	1.4	1.4	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Flax and Hemp	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Silage (2)	4.6	5.0	5.1	4.8	4.8	4.8	4.8	4.8	4.7	4.7
Total arable crops	63.5	65.4	64.3	63.6	63.6	63.9	63.0	63.2	63.2	63.4
Compulsatory set-aside	4.0	1.9	4.0	4.0	4.0	4.0	5.0	5.0	5.0	5.0
of which EU-15	4.0	1.9	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
EU-N10	0.0	0.0	0.0	0.0	0.0	0.0	1.0	1.0	1.0	1.0
of which non-food oilseeds	0.9	0.5	0.9	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Voluntary set-aside	2.3	3.1	3.0	3.2	3.2	3.2	3.2	3.2	3.2	3.2
Total set aside	6.3	5.0	7.0	7.2	7.2	7.2	8.2	8.2	8.2	8.2
Total COP	69.8	70.4	71.3	70.8	70.8	71.1	71.2	71.4	71.4	71.6

(1) major oilseeds on non set-aside land;

(2) excluding grass silage;

EU-N10: Ten new Member States

Table A.8 Total oilseed market projections for the European Union, 2003-2012 (mio t)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Usable production	16.2	20.1	20.4	21.7	21.9	23.4	23.0	25.0	24.6	26.8
of which EU-15	12.7	15.2	16.1	16.8	17.0	18.5	18.5	20.1	19.8	21.6
EU-N10	3.4	4.9	4.4	4.8	4.9	4.8	4.5	4.8	4.8	5.1
of which non-food	2.3	1.8	2.8	2.9	2.9	2.9	3.0	3.0	3.0	3.1
Consumption	33.0	36.1	39.2	39.9	41.3	43.0	43.7	46.0	46.6	48.8
of which bioenergy	3.6	4.6	7.4	7.5	7.8	8.3	8.3	9.2	9.1	9.9
of which EU-15	30.9	33.7	36.7	37.4	38.6	40.3	40.9	43.2	43.7	45.9
EU-N10	2.0	2.4	2.5	2.6	2.7	2.7	2.8	2.8	2.9	3.0
Imports	21.1	19.4	19.1	19.6	20.1	21.0	21.8	22.4	22.9	23.5
Exports	1.0	4.0	0.4	0.5	0.3	0.3	0.3	0.3	0.4	0.5
Beginning stocks	7.6	9.7	4.5	4.9	5.0	5.1	5.3	5.5	5.7	5.8
Ending stocks	9.7	4.5	4.9	5.0	5.1	5.3	5.5	5.7	5.8	6.1

EU-N10: Ten new Member States

Table A.9 Beef/veal market projections for the EU-25, 2003 – 2012 ('000 t cwe)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Gross Indigenous Production	8 033	8 048	7 963	8 082	8 054	7 961	7 874	7 791	7 740	7 723
Live Imports	7	7	10	10	10	10	10	10	10	10
Live Exports	93	105	105	105	105	105	105	105	105	105
Net Production	7 948	7 950	7 868	7 987	7 959	7 866	7 779	7 696	7 645	7 628
EU 15	7 359	7 425	7 354	7 473	7 497	7 394	7 297	7 205	7 142	7 111
EU N10*	589	525	514	514	462	472	482	491	503	517
Import	439	508	535	560	566	577	588	600	614	628
Exports	392	333	280	310	273	241	206	154	107	93
Stocks changes	- 233	- 33	0	0	0	0	0	0	0	0
Consumption	8 228	8 158	8 123	8 237	8 251	8 202	8 161	8 142	8 152	8 163
Per Capita Consumption	18.0	17.8	17.7	17.9	17.9	17.7	17.6	17.5	17.5	17.5
EU 15	20.1	20.1	20.0	20.2	20.2	20.0	19.9	19.8	19.8	19.7
EU N10*	7.2	6.2	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6
Ending stocks (Intervention)	34	0	0	0	0	0	0	0	0	0

Table A.10 Pig meat market projections for the EU-25, 2003 – 2012 ('000 t cwe)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Gross Indigenous Production	21 323	21 213	21 120	21 278	21 415	21 571	21 594	21 640	21 783	21 966
Live Imports	0	0	0	0	0	0	0	0	0	0
Live Exports	17	19	27	38	38	38	38	38	38	38
Net Production	21 306	21 194	21 093	21 240	21 377	21 533	21 556	21 602	21 745	21 928
EU 15	17 792	17 931	17 949	18 013	18 076	18 102	18 099	18 138	18 276	18 427
EU N10*	3 514	3 263	3 144	3 227	3 301	3 431	3 457	3 464	3 469	3 501
Import	23	15	13	14	18	21	24	26	28	29
Exports	1 320	1 442	1 356	1 398	1 407	1 416	1 403	1 402	1 425	1 440
Stocks changes	- 135	- 90	0	0	0	0	0	0	0	0
Consumption	20 144	19 857	19 750	19 856	19 988	20 138	20 177	20 226	20 348	20 517
Per Capita Consumption	44.1	43.4	43.0	43.1	43.3	43.5	43.5	43.5	43.7	44.0
EU 15	43.7	42.9	42.6	42.6	42.5	42.7	42.6	42.7	42.9	43.1
EU N10*	46.3	46.0	45.4	46.0	47.6	48.1	48.2	48.3	48.4	49.3

* EU N10: Ten new Member States

Table A.11 Poultry meat market projections for the EU-25, 2003 – 2012 ('000 t cwe)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Gross Indigenous Production	10 747	10 990	11 076	11 153	11 240	11 313	11 441	11 516	11 590	11 654
Live Imports	0	0	0	0	0	0	0	0	0	0
Live Exports	5	5	5	5	5	5	5	5	5	5
Net Production	10 742	10 985	11 071	11 148	11 235	11 308	11 436	11 511	11 585	11 649
EU 15	9 027	9 144	9 170	9 157	9 204	9 221	9 316	9 377	9 431	9 453
EU N10*	1 715	1 841	1 901	1 991	2 030	2 087	2 119	2 134	2 154	2 196
Import	641	531	527	655	674	684	694	705	714	721
Exports	969	1 029	881	919	915	915	915	915	915	915
Consumption	10 431	10 488	10 817	10 855	10 994	11 077	11 215	11 302	11 384	11 455
Per Capita Consumption	22.9	22.9	23.6	23.6	23.8	23.9	24.2	24.3	24.5	24.6
EU 15	22.9	22.7	23.3	23.3	23.5	23.6	23.8	23.9	24.0	24.1
EU N10*	22.6	24.3	25.0	25.0	25.6	25.8	26.3	26.6	26.9	27.1

Table A.12 Sheep/Goat meat market projections for the EU-25, 2003–2012 ('000 t cwe)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Net Production	1 030	1 055	1 038	1 038	1 041	1 040	1 038	1 034	1 030	1 025
EU 15	1 015	1 041	1 024	1 024	1 027	1 026	1 024	1 020	1 016	1 014
EU N10*	15	14	14	14	14	14	14	14	14	11
Import	256	247	264	264	263	263	263	264	265	266
Exports	3	4	4	4	4	4	4	4	4	4
Consumption	1 283	1 298	1 298	1 298	1 299	1 299	1 298	1 294	1 291	1 288
Per Capita Consumption	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8
EU 15	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.2
EU N10*	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2

Table A.13 Meat per capita consumption projections in the EU, 2003 – 2012 (kg/head)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
EU-25										
Beef and Veal	18.0	17.8	17.7	17.9	17.9	17.7	17.6	17.5	17.5	17.5
Pork	44.1	43.4	43.0	43.1	43.3	43.5	43.5	43.5	43.7	44.0
Poultry	22.9	22.9	23.6	23.6	23.8	23.9	24.2	24.3	24.5	24.6
Sheep Goat	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8
Total EU-25	87.8	87.0	87.1	87.4	87.8	88.0	88.1	88.2	88.5	88.9
of which EU-15										
Beef and Veal	20.1	20.1	20.0	20.2	20.2	20.0	19.9	19.8	19.8	19.7
Pork	43.7	42.9	42.6	42.6	42.5	42.7	42.6	42.7	42.9	43.1
Poultry	22.9	22.7	23.3	23.3	23.5	23.6	23.8	23.9	24.0	24.1
Sheep Goat	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.2
Total EU-15	90.1	89.0	89.2	89.4	89.4	89.6	89.6	89.6	89.9	90.2
of which EU-N10*										
Beef and Veal	7.2	6.2	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6
Pork	46.3	46.0	45.4	46.0	47.6	48.1	48.2	48.3	48.4	49.3
Poultry	22.6	24.3	25.0	25.0	25.6	25.8	26.3	26.6	26.9	27.1
Sheep Goat	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Total EU-N10*	76.4	76.6	76.1	76.8	79.0	79.7	80.3	80.7	81.1	82.2

Table A.14 Consumption egg market projections for the EU-25, 2003 – 2012 (mio t)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Usable production	6.2	6.3	6.4	6.5	6.6	6.6	6.6	6.7	6.7	6.6
of which EU-15	5.3	5.3	5.4	5.5	5.5	5.6	5.6	5.7	5.7	5.6
EU-N10	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Consumption	6.1	6.2	6.2	6.3	6.4	6.4	6.4	6.4	6.5	6.5
Imports	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exports	0.1	0.3	0.2	0.2	0.2	0.2	0.3	0.3	0.2	0.2
Per capita consumption	13.3	13.5	13.6	13.7	13.8	13.8	13.8	13.9	13.9	13.9
EU-15	13.5	13.7	13.8	13.7	13.8	13.8	13.8	13.8	13.8	13.9
EU-N10	12.4	12.7	12.6	13.7	13.8	13.9	13.9	14.0	14.1	14.1

EU-N10: Ten new Member States

* EU N10: Ten new Member States

Table A.15 Milk production, deliveries and dairy herd in the EU-25, 2003 – 2012

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Total production (mio t)	143.5	142.3	143.9	145.0	145.5	145.8	145.6	145.6	145.6	145.5
EU 15	121.8	120.4	121.3	122.3	122.6	123.0	123.0	123.0	123.0	123.0
EU N10*	21.7	22.0	22.7	22.8	22.8	22.7	22.7	22.6	22.6	22.6
Deliveries (mio t)	130.9	130.6	133.0	134.6	134.6	135.3	135.9	136.2	136.4	136.4
Delivery ratio (in %)	91.3	91.8	92.4	92.8	92.5	92.8	93.3	93.5	93.7	93.7
Fat content (in %)	4.05	4.07	4.06	4.06	4.06	4.07	4.07	4.07	4.08	4.08
Protein content (in %)	3.32	3.32	3.33	3.33	3.33	3.33	3.33	3.34	3.34	3.34
Milk yield (kg/dairy cow)	5931	6018	6210	6363	6474	6562	6626	6692	6762	6843
EU 15	6275	6323	6500	6669	6783	6864	6911	6963	7017	7084
EU N10*	4536	4739	5012	5105	5198	5300	5415	5527	5648	5774
Dairy cows (mio heads)	23.9	23.4	23.0	22.6	22.3	22.1	21.9	21.6	21.4	21.1
EU 15	19.3	18.8	18.5	18.2	18.0	17.9	17.7	17.6	17.4	17.3
EU N10*	4.7	4.6	4.5	4.4	4.3	4.2	4.1	4.1	4.0	3.9

Note: Dairy cow numbers refer to the end of the year (historical figures from the December cattle survey)

Table A.16 Cheese market projections for the EU-25, 2003 – 2012 ('000 t)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Total production (1)	8 272	8 419	8 515	8 658	8 766	8 816	8 924	9 014	9 086	9 169
EU 15	7 289	7 385	7 458	7 586	7 676	7 691	7 772	7 835	7 879	7 935
EU N10	983	1 034	1 056	1 072	1 090	1 125	1 151	1 180	1 207	1 233
Imports	139	111	91	93	94	96	98	100	103	105
Exports	574	572	570	575	582	588	593	597	597	598
Human consumption (2)	7 660	7 788	7 865	8 006	8 107	8 154	8 259	8 348	8 422	8 506
Per capita consumption (kg)	16.8	17.0	17.1	17.4	17.6	17.6	17.8	18.0	18.1	18.3
EU 15	17.8	18.0	18.1	18.4	18.5	18.5	18.6	18.6	18.6	18.7
EU N10	11.6	11.9	12.1	12.3	12.5	13.1	13.8	14.5	15.2	16.0

(1) Including cheese used for processed cheese. Excluding farm cheese

(2) Excluding processed cheese and farm cheese.

Table A.17 Butter market projections for the EU-25, 2003 – 2012 ('000 t)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Total production	2 156	2 104	2 148	2 115	2 080	2 051	2 024	2 001	1 973	1 949
EU 15	1 875	1 797	1 811	1 788	1 766	1 751	1 733	1 711	1 683	1 662
EU N10*	281	307	337	327	315	300	291	290	289	288
Imports	93	90	75	75	75	75	75	75	75	75
Exports	322	352	330	320	298	255	237	227	214	207
Total consumption	1 901	1 904	1 924	1 924	1 898	1 881	1 870	1 854	1 838	1 822
per capita consumption (kg)	4.16	4.16	4.19	4.18	4.11	4.06	4.03	3.99	3.95	3.91
EU 15	4.33	4.30	4.27	4.25	4.17	4.11	4.08	4.03	3.98	3.92
EU N10*	3.34	3.43	3.76	3.77	3.79	3.80	3.80	3.80	3.80	3.84
Intervention Stocks										
Ending stocks	223	161	130	77	36	26	18	13	9	4
Stock changes	31	-62	-31	-53	-41	-10	-8	-6	-4	-5

Note: The figures on imports and exports are referring to total trade, i.e. including inward processing.

EU N10: ten new member states

Table A.18 SMP market projections for the EU-25, 2003 – 2012 ('000 t)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Total production	1 286	1 097	1 120	1 104	1 066	1 038	1 013	986	961	944
EU 15	1 063	872	891	880	844	813	793	775	766	758
EU N10*	223	225	229	223	222	225	220	211	195	186
Imports	58	25	9	9	9	9	9	9	9	9
Exports	341	280	228	182	164	149	145	133	123	120
Total consumption	948	949	965	931	912	899	877	863	848	833
EU 15	885	868	884	857	838	824	805	795	781	769
EU N10*	63	81	81	75	74	74	72	68	67	64
Stock changes	55	-107	-65	0	0	0	0	0	0	0
Intervention Stocks										
Ending stocks	194	65	0	0	0	0	0	0	0	0
Stock changes	53	-129	-65	0	0	0	0	0	0	0

Note: The figures on imports and exports are referring to total trade, i.e. including inward processing.

* EU N10: ten new Member States