EU AGRICULTURAL OUTLOOK
FOR MARKETS AND INCOME
2019 - 2030
EXECUTIVE SUMMARY
This report presents the outlook for major EU agricultural markets and for agricultural income until 2030. It is based on a set of assumptions deemed plausible at the time of preparation. EU agriculture plays an essential role in delivering the European Green Deal outlined in the political guidelines for the 2019-2024 European Commission. In that context, this report provides a reliable measure of the contribution of EU agriculture to sustainable food and farming.

Societal demands will continue to shape agricultural markets over the next decade. People in the EU have increasingly pressing and at times conflicting expectations towards food. These expectations extend beyond food affordability to issues such as health, origin, convenience, environment, climate change and animal welfare. In addition, public policy choices addressing environment and climate change challenges have led to requirements being set in EU and national regulations, e.g. on nitrates and pesticides, which encourage the adaptation of production systems, e.g. with more crop rotation. While these developments often translate into higher production costs, they also bring opportunities to add value to production through increased market differentiation. Alternative production and marketing systems, such as local, organic, GM-free or other types of certified production will increase over the outlook period. At world level, supply will grow further — mainly in developing countries — but not as fast as demand in these markets. This will create opportunities for EU exports.

Despite higher competition, the production of cereals is projected to slightly increase for domestic feed and industrial uses, and to supply a steady global demand. Production of soya beans and pulses will continue to grow to address feed and food demand for locally produced plant-protein products. Sugar production is expected to increase, and so are sugar exports due to declining domestic demand.

The outbreak of African swine fever in Asia is already strongly impacting meat markets, but the implications for the whole market over the outlook period are still uncertain. In the short term, the significant growth in demand for Chinese imports, especially pigmeat, is expected to push prices up. As Chinese production recovers, prices should fall, leading to a decline in domestic pigmeat production. Poultry meat is expected to increase its share of total EU meat consumption, although total meat consumption is expected to decline slightly. By contrast, EU and global consumption of dairy products will continue to rise, leading to higher milk production in the EU.

Finally, production of specialised crops is expected to continue to steadily increase and trade in them to generally intensify. Domestic consumption of wine is due to further decline, and demand for olive oil is projected to increase in non-producing countries. The shift to different types of fruit and vegetables will continue in line with consumers’ changing preferences.

Projections have been made on the basis of a European Union of 28 Member States, i.e. including the UK. The June 2018 common agricultural policy (CAP) proposals have not been taken into consideration, as they are still under discussion in the Council and the Parliament, and recently concluded free trade agreements that are not yet in force, such as EU-Mercosur, are not included.
EXECUTIVE SUMMARY

Overall trends

This outlook report aims to serve as a baseline for policy and market analysis and evaluation. It is based on the existing policy framework and on expected macroeconomic trends.

Under these assumptions, despite labour outflow (i.e. more workers leaving the agricultural sector than entering it), agriculture remains a key part of the fabric of the EU’s rural communities and the primary use of land. Due to competition from other uses, total agricultural land use in the EU is expected to continue to decline, though at a slower pace than in the past decade, to 174.4 million ha by 2030. Already high on average, EU yields will grow more slowly than in the past. Advances in seed selection, management and technology will improve farmers’ ability to integrate environmental policy requirements into production systems.

Most of the EU’s produce will still be consumed domestically. Consumers in the EU and abroad will become more demanding about the food they consume, increasingly opting for local, organic or other certified products and shifting between food categories. With growing global demand and shifts in global trade flows, the EU will have opportunities to gain market shares in some export markets (e.g. dairy products) while facing increased competition in others (e.g. cereals).

Consumption trends

EU food market developments are driven by societal demands, whether related to health, environment, climate change or animal welfare. At the same time, due to busy lifestyles, sales of prepared and processed food, as well as snacks and on-the-go products, are increasing. This creates huge opportunities for further market shifts towards, for instance, convenience food.

Increasing demand for organic food is expected to boost EU supply in the short term. Over the medium term, challenges for conversion to organic farming, as well as further market shifts towards other environmentally-friendly alternatives, could, however, slow down the growth of organic production.

Changing global consumption trends and changes in production levels will affect global trade flows. With the increasing concentration of grain production in the main producing regions, global trade in this area is expected to continue to grow. Low per capita dairy consumption levels in Asia and Africa create a great opportunity for further growth of exports towards these regions. Diverging trends in meat consumption are also expected to result in shifts in trade flows.

Arable crops

The total EU area of oilseeds, permanent grassland and permanent crops is set to further decline. By contrast, the use of land for cereals, protein crops and fodder is expected to grow. Despite a net decline in EU agricultural land use, bigger yields could result in an overall increase in production.

The EU market for cereals will grow, with further shifts between products and increasing demand for feed and industrial uses. Wheat and maize growing areas are projected to expand at the expense of other cereals. Total EU cereal production could reach 319 million t by 2030. More competition from the other main producing regions, such as the Black Sea, will translate in a moderate increase of EU exports.

The strong growth in EU production of protein crops is projected to continue and reach 6.3 million t in the medium term. The main drivers will be the strong demand for plant-protein products and for more locally-produced protein sources, both for feed purposes and for human consumption.

A slight decrease in EU area is projected for oilseeds. The rapeseed area is expected to continue its decline, though at a slower pace, thanks to a steady demand for rape meal and the agronomic value of rape in crop rotation systems. Total EU production of oilseeds could remain stable in the medium term. The increase in demand for oilseed crushing is due to be met by additional imports, while the volume of imported meals could decline.

The EU sugar area is expected to stabilise in the medium term and EU production could be around 18.5 million t by 2030. The declining consumption of sugar is expected to be only partially substituted by a higher use of isoglucose in processed food. The increase of other sugar uses (e.g. industrial uses) will not offset this decline and the EU sugar sector will rely on opportunities in the world market.

Demand for feed (from arable crops, fodder and pasture) is increasingly driven by consumers’ demands on farming practices. Feed differentiation from locally-produced, GM-free and organic crops will increase domestic feed production, despite mixed trends in animal production. Total feed use could reach 260 million t in the medium term, driven by increased inclusion of pulses and strong growth in soya bean meals.

Restrictions on the use of palm-based biodiesel are expected to significantly reduce the available supply of biofuels. The use of further agricultural feedstocks for ethanol and diesel production is projected to remain overall stable in the medium term, while the policy framework sets limits on using crops for fuels. Advanced biofuels are due to increase. In a context of decreasing fuel use, blending may increase significantly.
Milk and other dairy products

Sustainability requirements to reduce greenhouse gas, phosphate emissions and nitrates translate into a moderate growth in EU milk production to 179 million t by 2030. The sector will likely adapt farming practices, focusing notably on herd management and cows’ nutrition. As a result, bigger yields will allow dairy herds to be reduced (by 1.4 million heads), and this will contribute to a reduction in emissions. Consumer demands are also expected to lead to further market shifts in terms of production systems and the range of dairy products offered. New products, notably for adult nutrition (e.g. for sports) will bring additional value to the sector.

At world level, population growth will increase global import demand for dairy products, and the EU is projected to remain the leading global supplier.

A large share of the EU milk production growth is expected to be channelled into cheese processing, driven by global demand but also by increasing domestic industrial uses. A further decline in EU liquid milk consumption will translate into a production decrease in total fresh dairy products. The EU demand for butter could continue to rise, though at a slower pace due to recent price hikes. The production of milk powders, especially skimmed milk and whey powders, should grow further thanks to sustained demand on the export market and for adult nutrition.

Meat

The recent outbreak of African swine fever in Asia reminds us of the unpredictability of global developments in meat markets. In the short term, trade diversion to China is expected for all meats, putting pressure on both global and EU markets, and causing uncertainties about the long-term global supply adjustment path. Lower availability of pigmeat in the EU market could lead to further market shifts between meats. Overall, EU annual meat consumption is projected to decline by 1.1 kg per capita by 2030, driven by social, ethical, health and environmental concerns.

Due to the significant rise in global demand, production of EU pigmeat for exports is expected to increase in the short term. High prices could lead to a stronger decline in EU consumption than previously anticipated. When Asian production recovers, EU prices should fall sharply and production decline significantly towards 2030.

As milk yields increase, the size of dairy herds is expected to gradually decline. Low profitability could also increase the decline in the total cow herd. The reduction of EU beef production in the main producing countries is projected to continue, despite slightly increasing beef prices towards 2030. EU beef consumption is expected to further decline, but new trade opportunities could lead to higher EU beef exports.

The EU production of sheep and goat meat is due to remain stable, supported by a steady domestic demand.

By contrast, the EU demand for poultry meat is projected to grow steadily over the outlook period. The EU’s production could reach 16.5 million t by 2030, thanks also to strong global demand. Exports will mainly consist of cuts that are less in demand in the EU.

Specialised crops

The EU’s olive oil production is expected to further intensify with an increase in production capacity. Domestic consumption could grow, mainly outside of the main producing countries. At global level, strong demand in traditional and new markets should lead to an increase in EU exports.

Total EU wine production and domestic use, both for human consumption and for distillation, is expected to further decline over the outlook period, though at a slower pace than in the previous decade. Despite strong competition from other world regions, EU exports could continue to grow, driven in particular by geographical indications and sparkling wines.

Although the EU’s apple production area is projected to decrease, production could remain stable thanks to increasing yields. The decrease in consumption of both fresh and processed apples is expected to slow down over the medium term.

Peaches and nectarines face increasing competition from other summer fruits and their consumption is due to further drop. EU production is expected to decline slightly due to a decreasing growing area.

The EU’s orange production is expected to stabilise over the medium term. Consumers’ increasing preference for fresh juices over concentrates is due to translate into increasing production and imports for the fresh market, to the detriment of processed oranges.

The EU’s production of fresh tomatoes is expected to remain relatively stable. The value of production should continue to rise thanks to a wider range of products. Domestic and global demand for processed tomatoes could lead to increased total EU production.

Agricultural income

This market outlook analyses how market trends would translate into farmers’ income, given current assumptions and including sectors not explicitly covered herein. By 2030, average EU farm income could increase, due to a rising volume of production and appreciating prices. Nevertheless, the fall in pigmeat prices and the subsequent decrease of production, as well as lower prices for wheat, maize and soya beans in the beginning of the period, should translate in a decrease in income by 2025, mainly in the EU-15.
The **labour** outflow from the agricultural sector due to structural changes at EU level is expected to slow down. A wider range of profiles of agricultural workers and farm managers is expected, as are changes in the nature of their work, due to technological progress in machinery and equipment, and better decision-support tools.

**Environmental and climate aspects**

This report provides an environmental analysis of the medium-term developments of EU agricultural markets based on a set of environmental and climate indicators. These indicators include farm and food chain greenhouse gas (GHG) emissions or carbon footprint, nitrogen footprint, water consumption footprint and land footprint. The analysis presented in this report is likely to be an overestimation of the negative environmental and climate impact in the regions in question, as models cannot fully capture the beneficial effects of certain CAP measures in place and changes in farm management practices.

Ruminants’ digestion is responsible for a significant share of GHG emissions. The projected sharp decrease in dairy cattle numbers is expected to contribute to a reduction in GHG emissions. On the other hand, higher crop yields and production could increase nitrous oxide emissions, as could manure application on fields. Bearing in mind that environmental analysis models do not account for ongoing and expected changes in farm practices, GHG emissions are projected to remain at a comparable level by 2030.

Using a life-cycle assessment approach, the analysis estimates the split of agricultural GHG emissions into **farm gate emissions** and post-farm gate emissions. The former includes the production of feed and other inputs such as fertilisers, while the latter accounts for additional emissions from land-use change, processing, transport, packaging and retail. The highest farm gate footprint per amount of protein is found for ruminant meat, followed by dairy products. The lowest footprint, far below the footprint from cereals, corresponds to proteins from pulses and soya beans. Results of **food system emissions**, including both farm gate and post-farm gate emissions, show that the EU has a lower food system footprint than the world average for most products.

**Main assumptions**

The 2030 outlook reflects current agricultural and trade policies, including future changes that have already been agreed. The outlook takes into account the 2013 reform of the CAP and the options for implementing it. However, the level of aggregation of the model does not allow all details to be modelled. The impact of the ‘agricultural omnibus’ package on the CAP has been taken into consideration based on expert judgement.

Only free trade agreements that are already in force are taken into account. These include the agreements with Japan, Canada, Singapore, the Southern African Development Community and the updated agreement with Ukraine. Other trade agreements that have been negotiated but not signed or ratified, such as those with Vietnam and Mercosur, and the updated one with Mexico, are not taken into account. The outlook takes account of Russia’s import ban on agricultural products and foodstuffs, which is assumed to remain in place until the end of 2020.

Current climatic trends are expected to continue over the outlook period. The resulting changes in production have been considered through expert judgement. More specifically, growth of crop and milk yields is expected to slow down due to the climatic pressure. However, extreme events are not accounted for. Such scenarios are included in the uncertainty analysis described below and in the 2017-2030 outlook.

According to macroeconomic assumptions, the oil price will fall in the short term, down to USD 62/bbl in 2020, before rising again, reaching USD 83/bbl in 2030. A small appreciation of the euro is expected in the medium term, reaching USD 1.17/EUR by 2030. EU economic growth is expected to slow down in the short term to around 0.9% in 2020, but to grow in the medium term (i.e. 2020-2030) at around 1.2% per year.

These assumptions are based on the average trends expected for agricultural markets, so they presume market developments to be relatively smooth. However, in reality markets tend to be much more volatile.

An uncertainty analysis accompanying the baseline quantifies some of the upside and downside risks and provides background on possible variations in the results. In particular, it takes account of the variability in the macroeconomic environment and the yield for the main crops.

In addition, to address the implications of selected uncertainties, specific scenarios are analysed and presented throughout the report. These scenarios include a shift in diet towards a more plant-based protein intake, moving into completely GM-free European dairy farming model, and the severe drop in Chinese-based protein intake, following the African swine fever outbreak.