

Medium-term prospects for major agricultural commodities 2017-2026

European Union

Highlights

- The elimination of the sugar production quota is projected to stimulate production and increase exports.
- Strong production growth is projected for dairy products, in part to meet higher international demand.
- Diets in the European Union are characterised by high dairy, meat and sugar consumption. Cereals remain the most important source of calories. Over the next decade, fish is projected to be the fastest growing source of calories.
- Imports of protein meal into the European Union are expected to represent 27% of global imports. The strong demand for this commodity reflects the high demand for meat in EU countries.

Overview

The *OECD-FAO Agricultural Outlook* foresees that overall production growth in the European Union will lead to higher net trade of agricultural commodities. Food demand will continue to grow, particularly for fish, relative to the global average. Pigmeat will continue to be a significant element of the national diet. The European Union will remain a major exporter of dairy products, with exports of butter increasing the most over the outlook period. The *Outlook* assumes that the current policy framework will not change over the next decade, with the exception of the elimination of the sugar and isoglucose production quotas at the end of 2017.

Macroeconomic assumptions

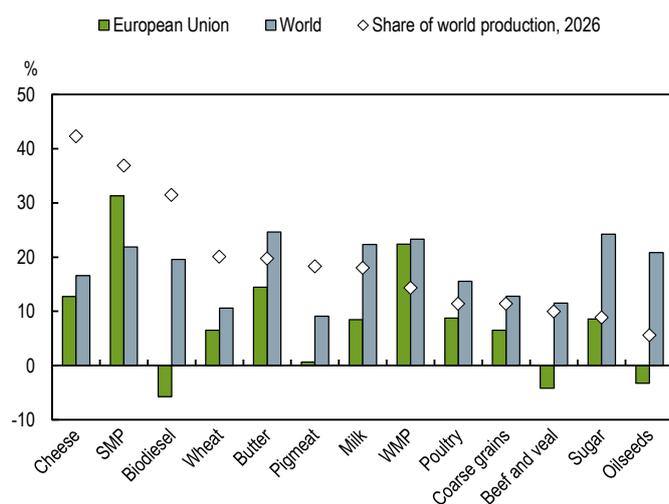
- Population is projected to increase at an annual rate of 0.1%, from 506 million in 2016 to 509 million in 2026.
- Annual inflation is projected to average 1.8% in the coming decade for EU15 Members as a group.
- The Euro is projected to appreciate by 3% in nominal terms compared to the USD to EUR/USD 0.88 in 2026.
- GDP is projected to increase BY 1.6% per year for the EU15 Members as a group.

Policy assumptions

- Tariffs are assumed to remain at their 2016 levels until 2026.
- In the current *Outlook*, projections for the United Kingdom are maintained within the EU aggregate.

Production

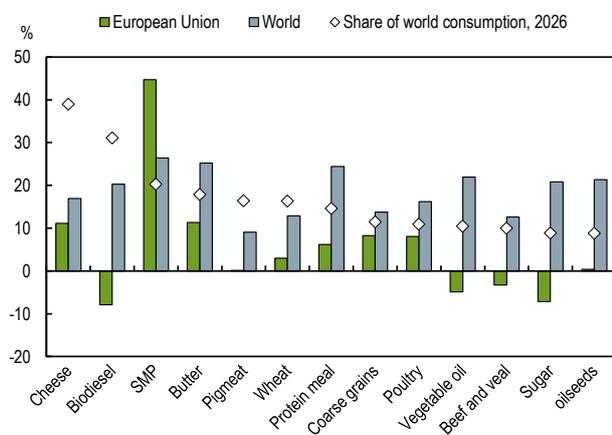
Production: Percentage change 2026 compared to 2014-16 average



- Production of dairy goods is expected to increase over the next decade. **Cheese** is projected to increase by 13%, **butter** by 15%, **whole milk powder (WMP)** by 22%, and **skim milk powder (SMP)** by 31%. Although these growth rates are lower than the average global rates (with the exception of SMP), the EU' share of world production will remain high in 2026: 42% for cheese, 37% for SMP, 20% for butter, and 14% for WMP.
- **Biodiesel** production is projected to be -6% over the next decade, compared to the projected global growth rate of 20%.
- **Wheat** production is projected to increase by 11% and **coarse grains** by 7%.
- **Beef and veal** production is projected to decrease by 4% as consumers substitute these meats with **poultry** (+9%) and **pigmeat** (+1).
- With the elimination of production quotas by end of 2017, sugar production is projected to increase by 9%.

Consumption

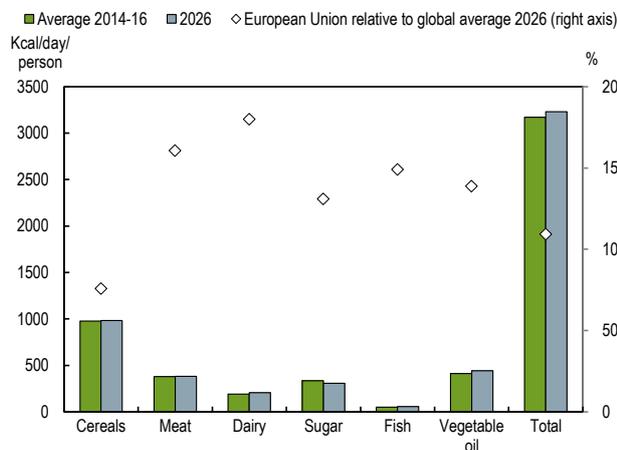
Consumption: Percentage change 2026 compared to 2014-16 average



- The consumption of **beef and veal** is projected to decrease by -3%, although the European Union will continue to account for +10% of global consumption. Growth will be positive for other meats, including **poultry** (+8% compared to the global consumption rate of +11%).
- A decrease in transport fuel is expected to result in negative growth for **biodiesel** (-8%).
- Strong consumption growth is projected for **SMP** (+45%), **cheese**, and **butter** (+11%).
- Demand is projected to increase for **coarse grains** (+14%) and for **wheat** (+3%), but to remain stable for **oilseeds** (+0.4%). Negative growth is projected for **vegetable oil** (-5%) given the expected drop in **biofuel** use. **Protein meal** for feed will increase (+6.2%). In general, growth for **grain** products will be below the global average rate.
- Consumption of **sugar** is projected to decrease by 7% as the use of isoglucose increases.

Caloric and protein intake

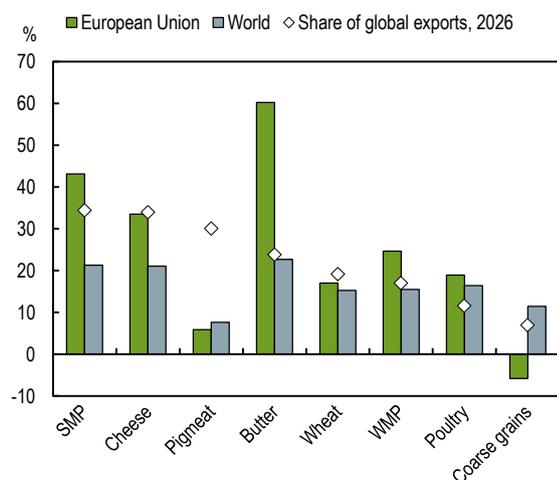
Projections of caloric intake per capita by commodity, 2026 compared to 2014-16 average



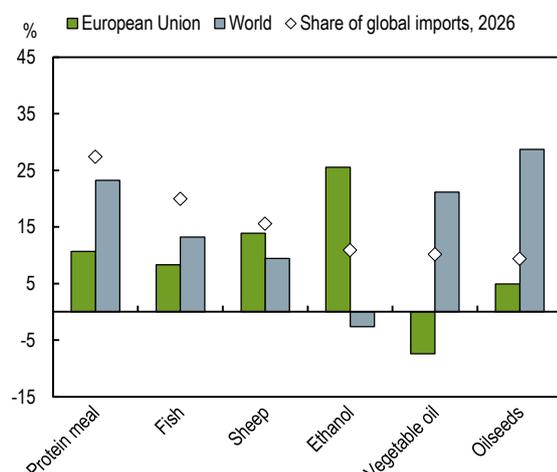
- Overall **calorie intake** in the European Union is expected to increase by 2% to 3 229 kcal/day/person in 2026, a level slightly above the expected global average.
- **Cereals** will dominate as a source of calories, with an expected contribution of 982 kcal in 2026, which is similar to the present level.
- Calorie intake through **meat** consumption is expected to remain flat, but nevertheless remain at twice the global average. Calories from **fish** consumption are projected to increase by 10% by 2026, substantially higher than the global average.
- Other fast growing sources of calorie intake are **dairy** and **vegetable oil**, both of which are projected to increase by 7%. In 2026, it is projected that although EU calorie intake from sugar will be lower by 8%, it will be 30% above the global average rate.
- Protein intake (not shown) is projected to increase by 3% to 129 grams/day/person, 34% above the projected global average in 2026. As for calories, protein intake in the European Union will continue to be characterised by a high contribution from **meat** and **dairy** products.

Trade

Exports: Percentage change 2026 compared to 2014-16 average



Imports: Percentage change 2026 compared to 2014-16 average



- The European Union will remain the leading world exporter of all **dairy products**. By 2026, it is projected that exports of **SMP** will increase by **43%**, by **34%** for **cheese**, by **60%** for **butter**, and by **25%** for **WMP**.
- **Pigmeat, poultry meat** and **wheat** are projected to increase at a rate similar to that of the global average rate. **Coarse grain** exports are projected to be 6% lower in 2026.
- The European Union is a significant importer of **protein meal** as the meat and dairy sectors continue to expand. Although imports are projected to increase by 11% by 2026, they will nevertheless remain below the projected global average rate for trade growth.
- Imports of **fish and seafood products** are projected to increase by 8% to meet increased consumer demand, with imports to the European Union projected to account for 20% of global imports.
- Sheepmeat will account for 16% of global imports, for which a 14% increase in imports (within the TRQ level) is projected.
- Imports of **ethanol** are projected to increase by 25% to meet the EU blend (with fossil fuel) objective.
- Lower imports of **vegetable oil** are expected as biofuel will increasingly use alternative sources, such as waste oil residues.
- It is projected that **oilseeds** imports will increase by +5% under the assumption of a positive and stable crushing margin.

Policy and market uncertainties

- Several compensation measures have been implemented since August 2014 to address the effects of the EU import ban imposed on the Russian Federation. The duration of this ban will continue to influence the sectors affected (dairy and fruits and vegetables).
- Animal disease outbreaks, such as the avian influenza in France or African swine fever in Estonia, have the potential to influence traded volumes. Depending on the duration, consumer reaction, and trade restrictions, these types of outbreaks could impact regional meat production, consumption and trade.

Further reading

OECD/FAO (2017), *OECD-FAO Agricultural Outlook 2017-2026*, OECD Publishing, Paris.
http://dx.doi.org/10.1787/agr_outlook-2017-en.

OECD-FAO Agricultural Outlook: www.agri-outlook.org

Methodology of the Aglink-Cosimo Model: www.agri-outlook.org/abouttheoutlook/Aglink-Cosimo-model-documentation-2015.pdf

Policy information for these country notes is drawn from the *OECD Agricultural Policy Monitoring and Evaluation*:
<http://oe.cd/pse>

For more information about the Agricultural Outlook, contact us at TAD.contact@oecd.org.

European Union: Selected commodity projections

			Average		Growth ²		
			2014-16 est.	2021	2026	2007-16	2017-26
Wheat	Area harvested	kha	26 790	26 824	26 937	0.38	0.07
	Production	kt	154 371	158 726	164 460	154	0.72
	Consumption	kt	128 883	130 109	132 751	0.26	0.29
	Per capita consumption ¹	kg/cap	110.0	109.3	109.9	-0.07	0.07
	Exports	kt	31310	33 518	36 636	7.07	2.34
	Imports	kt	6 122	5 277	5 100	-1.41	-1.11
Maize	Area harvested	kha	9 225	9 280	9 331	0.83	0.13
	Production	kt	65 360	69 712	74 578	137	1.40
	Consumption	kt	74 966	79 451	84 970	2.12	1.39
	Per capita consumption ¹	kg/cap	9.6	9.7	9.8	0.09	0.22
	Exports	kt	3 055	2 958	3 033	12.19	2.17
	Imports	kt	12 239	12 857	13 613	11.07	0.80
Other coarse grains	Area harvested	kha	21501	21283	20 978	-157	-0.35
	Production	kt	94 151	94 087	95 334	0.04	0.25
	Consumption	kt	82 080	84 596	85 033	-100	-0.03
	Per capita consumption ¹	kg/cap	9.4	9.4	9.5	0.21	0.26
	Exports	kt	12 040	10 298	11 186	9.35	2.48
	Imports	kt	548	831	883	-13.62	6.34
Protein meals	Production	kt	28 364	28 695	28 795	1.74	0.24
	Consumption	kt	52 848	55 673	56 122	0.36	0.30
	Exports	kt	1005	1053	904	5.07	-2.38
	Imports	kt	25 505	28 029	28 230	-0.87	0.27
Sugar	Production	kt	17 072	18 568	18 539	0.70	-0.71
	Consumption	kt	19 308	18 069	17 932	1.19	-0.58
	Per capita consumption ¹	kg	38.2	35.5	35.2	102	-0.65
	Exports	kt	1441	2 304	2 357	-0.61	1.32
	Imports	kt	3 116	1842	1780	1.17	0.64
Beef and veal	Cow inventory	000 hd	12 246	11996	12 101	-0.25	-0.24
	Production	kt (cwe)	7 902	7 650	7 571	-0.58	-0.61
	Consumption	kt (cwe)	7 818	7 602	7 563	-1.21	-0.45
	Per capita consumption ¹	kg/cap	10.8	10.5	10.4	-1.38	-0.52
	Exports	kt (cwe)	389	358	324	2.171	-3.32
	Imports	kt (cwe)	306	319	315	-3.09	0.11
Pigmeat	Production	kt (cwe)	23 194	23 206	23 342	0.22	0.04
	Consumption	kt (cwe)	20 903	20 968	20 927	-0.25	0.05
	Per capita consumption ¹	kg/cap	32.3	32.2	32.0	-0.42	-0.02
	Exports	kt (cwe)	2 304	2 258	2 439	5.47	0.03
	Imports	kt (cwe)	13	20	23	-15.05	4.70
Poultry	Production	kt (rtc)	13 786	14 861	14 990	2.66	0.34
	Consumption	kt (rtc)	13 256	14 305	14 326	2.14	0.25
	Per capita consumption ¹	kg/cap	23.1	24.8	24.8	197	0.18
	Exports	kt (rtc)	1386	1531	1648	6.57	1.06
	Imports	kt (rtc)	856	974	984	0.13	0.15
Cheese	Production	kt	9 817	10 618	11069	106	0.94
	Consumption	kt	9 129	9 795	10 146	0.71	0.77
	Per capita consumption ¹	kg/cap	18.1	19.3	19.9	0.54	0.71
	Exports	kt	741	892	990	5.44	2.33
	Imports	kt	71	69	66	-3.04	-0.93
Whole milk powder	Production	kt	745	811	912	0.11	2.36
	Consumption	kt	360	372	430	-1.26	2.70
	Per capita consumption ¹	kg/cap	0.7	0.7	0.8	-1.43	2.63
	Exports	kt	390	443	486	4.74	2.03
	Imports	kt	4	4	4	17.59	-1.21
Skim milk powder	Production	kt	1531	1710	2 011	6.89	3.75
	Consumption	kt	763	919	1104	150	3.08
	Per capita consumption ¹	kg/cap	1.3	1.6	1.9	5.62	3.42
	Exports	kt	636	795	910	18.00	2.59
	Imports	kt	3	4	4	-8.71	-0.52
Biodiesel	Production	mIn L	13 496	13 925	12 723	6.18	-0.76
	Fuel use	mIn L	13 696	14 354	12 615	7.45	-1.61
	Share in diesel fuel use	%	6.1	6.6	6.5
	Exports	mIn L	262	87	117	-5.33	6.06
	Imports	mIn L	462	515	9	106	-39.40

1. Per capita consumption expressed in retail weight. Carcass weight to retail weight conversion factor of 0.7 for beef and veal, 0.78 for pigmeat and 0.88 for both sheep meat and poultry meat.

2. Least squares growth rate.