



SHORT-TERM OUTLOOK

FOR EU AGRICULTURAL MARKETS
IN 2018 AND 2019

SPRING 2019

Agriculture
and Rural
Development

Executive Summary

The **uncertainty surrounding the Brexit** renders **outlook** exercises even more difficult. These market forecasts **relate to the EU-28** as the UK is still a member at the date of the publication.

Cereals, oilseeds and sugar areas in the EU-28 are **expected to decline** in 2019/2020 to around 70.7 million ha. The dry autumn hampered the sowings but mild conditions along the winter give a more positive outlook in the EU. On the basis of historical trend yields, the EU cereals harvest would reach 308 million t.

Oilseeds area is expected to decline by 6%, due to lower 2019/2020 rapeseed sowings. Oilseeds output is looking fairly stable compared to previous crop season, at close to 33 million t.

Lower 2018/2019 sugar production results in lower EU exports. Sugar prices remain low despite a balanced world market and EU sugar beet area is forecast to decrease by 4% in 2019/2020.

Due to the increase in **EU olive oil** production in 2018/2019, the strong world demand for olive oil and lower availabilities in non-EU countries are expected to lead to **record high EU exports.**

Despite the impact of the drought and the significantly lower cow number, the yield increase led to milk deliveries growth in 2018 (+1%). The **EU raw milk price is supported by global demand and it is expected to lead to further production growth in 2019** (assuming normal weather conditions).

EU beef production is expected to decline in 2019 (-1.3%), following a drop in cow herds accelerated by the poor weather conditions in 2018. **Beef consumption is likely to fall in 2019.**

The decrease in sow numbers driven by low prices, African Swine Fever risk and/or environmental restrictions will **constrain pork production growth in 2019.** The level of **EU pigmeat exports in 2019 is uncertain** and highly dependent on the magnitude of Chinese demand expansion, which currently pushes prices up.

Poultry production grew significantly in 2018 driven by reduced chicken breast imports, **growth will moderate in 2019** as imports begin to recover and prices adjust.

Sheep meat production is expected to continue to fall in 2019 (-1%), following a decline in flocks and fewer lamb births amid adverse weather conditions in 2018.

Macroeconomic background

MACRO- ECONOMIC OUTLOOK

Slowdown of global economic growth

- € World economic growth has been revised downwards by several institutes for 2019-2021. The risk for lower growth in the EU-28 is significant, stemming mainly from signs of lower growth in main EU economies, uncertainties on Brexit and a risk of further tariff escalation targeting mainly the automotive sector. Substantial slowdown in growth has been recorded in 2018 in Germany and Italy. Lower energy prices and a rebound of households' confidence could nevertheless support growth in the EU-28.
- € The stimulus of the US economy will continue and despite slow progress in trade negotiations with China, US growth is expected to stay robust in 2019-2021. China is foreseen to adopt fiscal and/or monetary policy stimulus measures in order to stabilise GDP-growth at 6-6.5% for the period 2019-2021.
- € The diverging development of the Eurozone and the US economies is expected to further delay a convergence of interest rates and the European Central Bank has announced that key interest rates are expected to remain at current levels at least through 2019. The USD/EUR exchange rate is expected to remain relatively stable around current

levels for the period 2019-2021.










Macro	2018	2019	2020	2021
Crude Oil Brent (USD/barrel)	65	69	65	66
Exchange rate (USD/EUR)	1.13	1.14	1.12	1.13
GDP EU-28	+2.0%	+1.3%	+1.2%	+1.3%










Source: IHS Markit










- € The slowdown in economic growth will ease the demand for oil in 2019-2021. The production limitations agreed by the Vienna alliance together with the continued fall in Venezuelan production and restrictions on Iranian exports are expected to balance the market. Prices are foreseen to remain at USD 65-70/barrel. Prices of natural gas delivered in Europe are foreseen to follow the oil price and thereby remain relatively stable through 2019-2021. The correlation between the price of natural gas and nitrogen fertilisers has historically been strong.

ARABLE CROPS

Market developments in the EU

CEREALS 	2018/2019	2019/2020
Production	 +13.5%	 -23.5%
Exports	 -1%	 +2%
Imports	 -0%	 +3%
Consumption	 +2.2%	 +7.7%

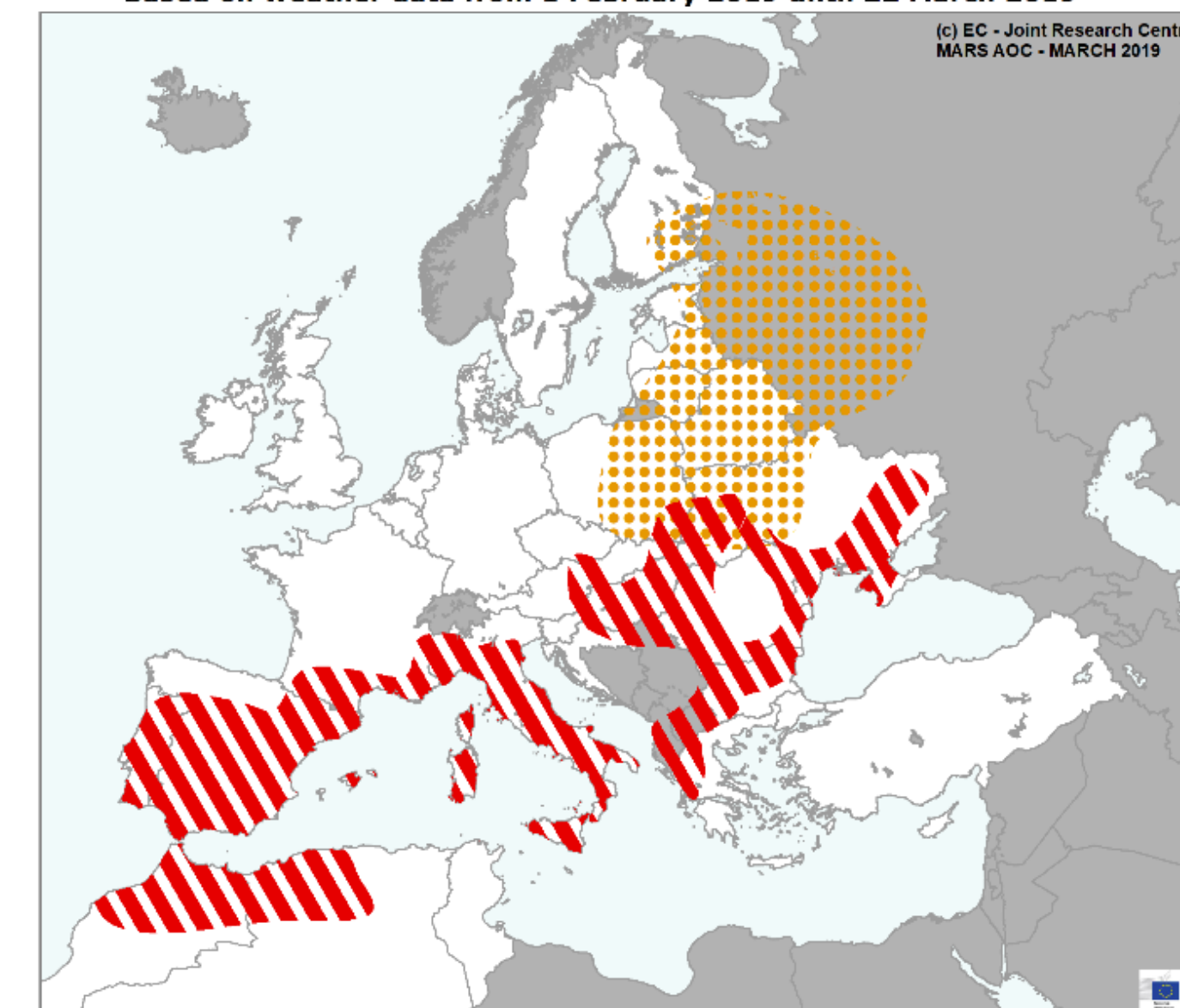
OILSEEDS 	2018/2019	2019/2020
Production	 -6%	 -0.4%
Exports	 -33%	 +31%
Imports	 +11%	 -5.9%
Consumption	 +0.7%	 -3.0%

SUGAR 	2018/2019	2019/2020
Production	 -17%	 +3.9%
Exports	 -49%	 +0%
Imports	 +17%	 +0%
Consumption	 -2.6%	 -2.1%

Note: compared with previous season

AREAS OF CONCERN - EXTREME WEATHER EVENTS




Based on weather data from 1 February 2019 until 22 March 2019



 Rain deficit  Temperature accumulation surplus

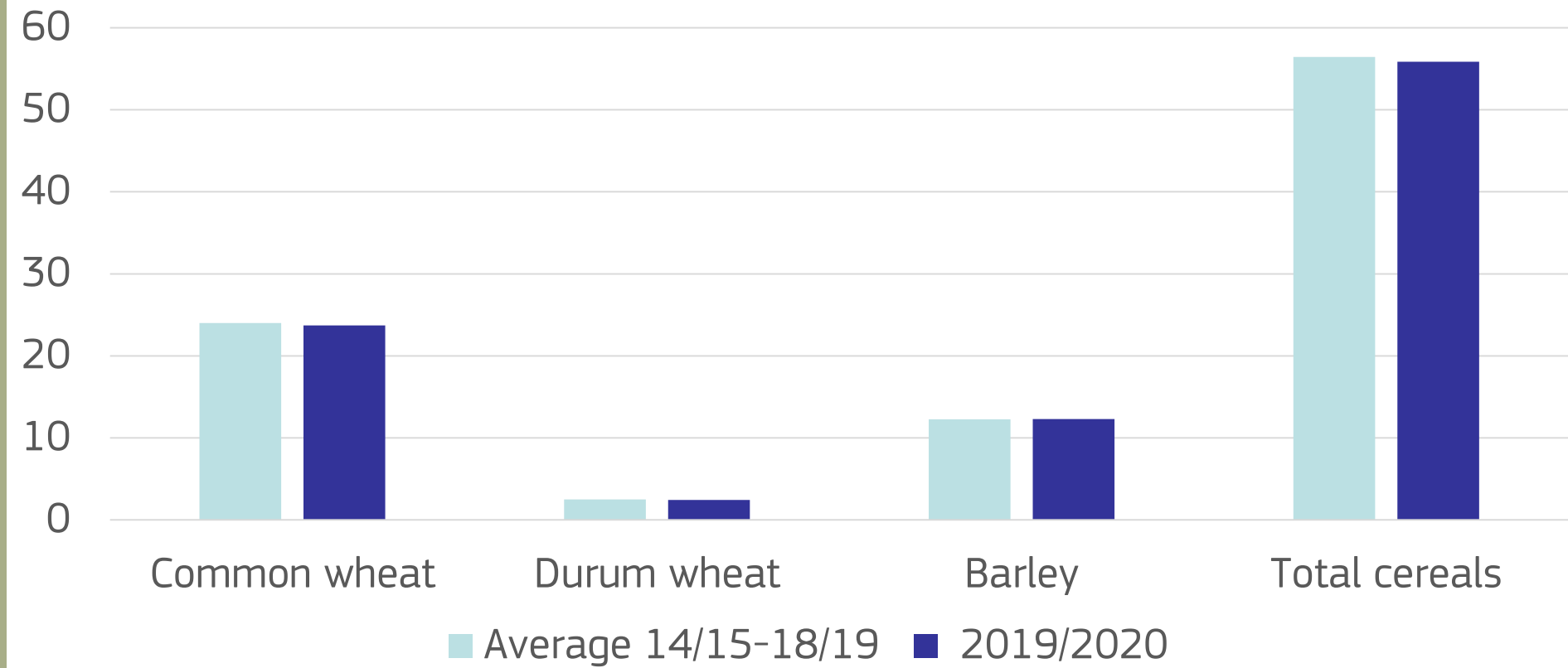
Source: Mars-Bulletin crop monitoring in Europe 27(3)

<https://ec.europa.eu/jrc/en/mars/bulletins>

-  Autumn and winter were characterised by warmer-than-usual conditions in most of Europe.
-  Frost damage has been limited in the EU since the beginning of the winter.
-  A large part of southern and south-eastern Europe suffer from strong rain deficit which can have further consequences on the harvest, if there is no rain in the coming weeks.

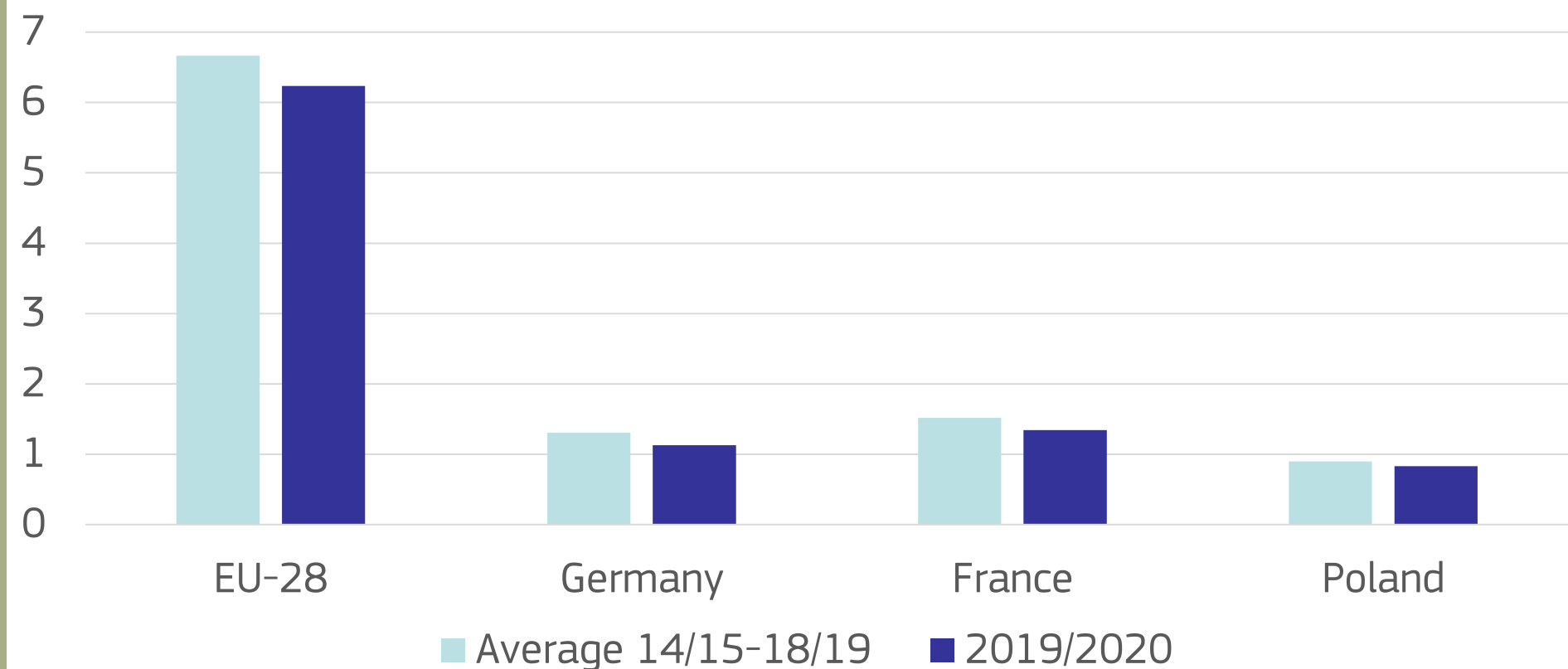
Cereals – Oilseeds – Protein Crops

Planted area of winter crops in EU-28 in 2019/2020 vs. 5-year average (million ha)



Source: DG Agriculture and Rural development, based on Eurostat

EU rapeseed area in 2019/2020 vs 5-year average (million ha)



Source: DG Agriculture and Rural development, based on Eurostat

Cereal production expected to recover in 2019/2020

2018/2019



World production: IGC¹ estimates a **decline** in crop output for both wheat and maize.

EU cereals output reaches **290.5 million t**, a 7-year low.

EU Trade: **wheat exports** recently recovered but are still **at historically low levels** (19 million t).

2019/2020



A **slight increase in total EU cereal area** is expected compared to last season but still below the 5-year average.



Based on historical trends for yields, the **EU production** is expected to reach **307.5 million t**, if no major disruption occurs.

¹ IGC: International Grain Council

Oilseed sowing area to decline while protein crops on the rise

2018/2019



World production: IGC estimates a **rise in soya beans production** (+5%).

EU **crushing volumes** have slightly increased by 0.7%.

2019/2020



Oilseeds area is expected to decline in the EU-28, especially for rapeseed. A significant decrease of sowing areas happened due to drought conditions during the sowing period in autumn.



The main producing countries of **rapeseed** have been affected, as for instance, FR (-17%) and DE (-8%).

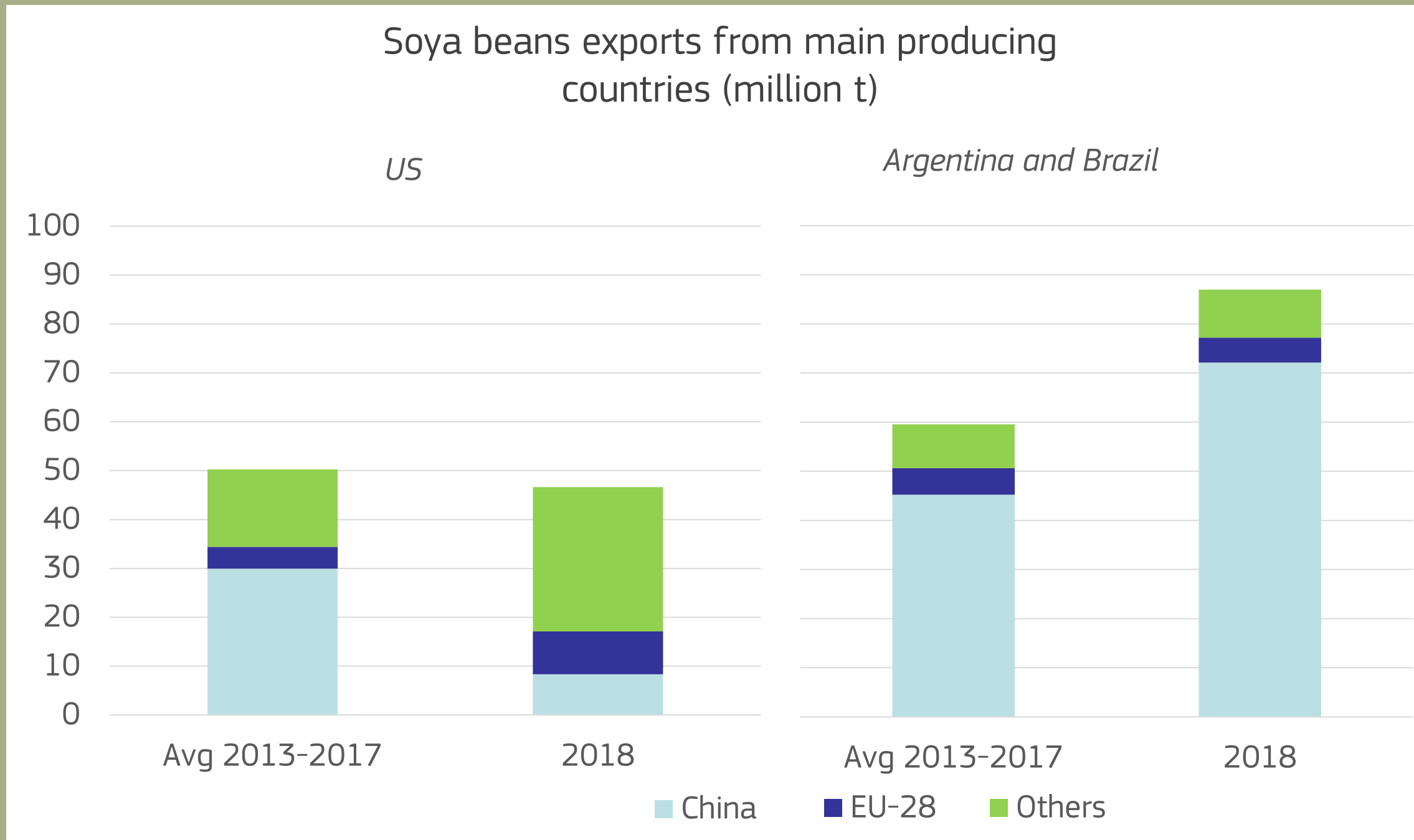


Protein crops: the overall production is **expected to recover** from last year's low level caused by adverse weather conditions.



Cereals – Oilseeds – Protein crops

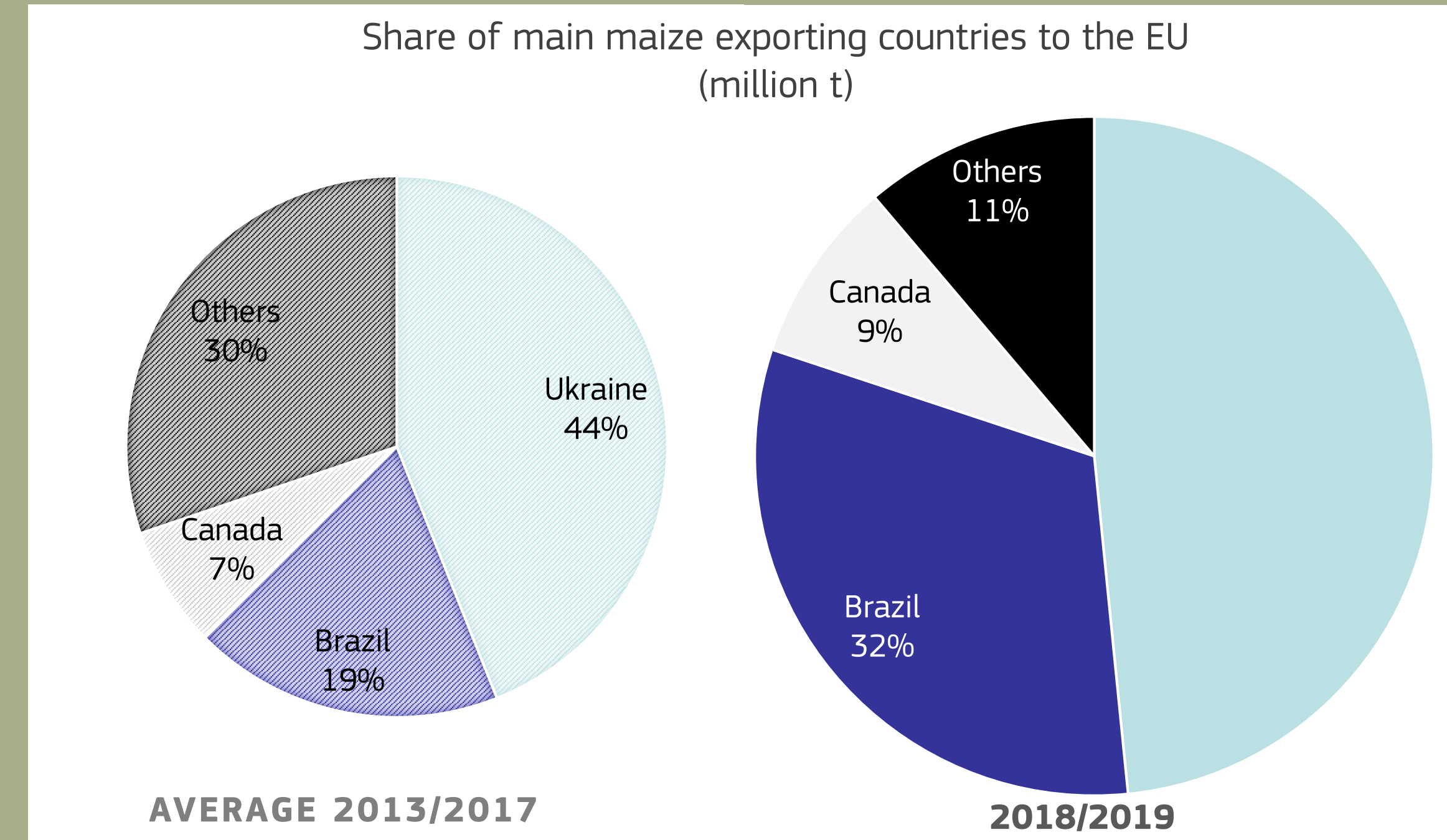
World soya beans trade steady despite trade disruptions



Note: Calendar year

Source: DG Agriculture and Rural development, based on Comext

EU maize imports are surging



Source: DG Agriculture and Rural development, based on Comext

US soya beans exports drop to China in 2018 was partly offset by increased shipments to the EU, Mexico and countries in the Near East and North Africa.

Argentina exports rebounded by more than 250% after a very low production level last season.

Soya beans world prices declined from March 2018 to March 2019 by about 8% (in EUR).

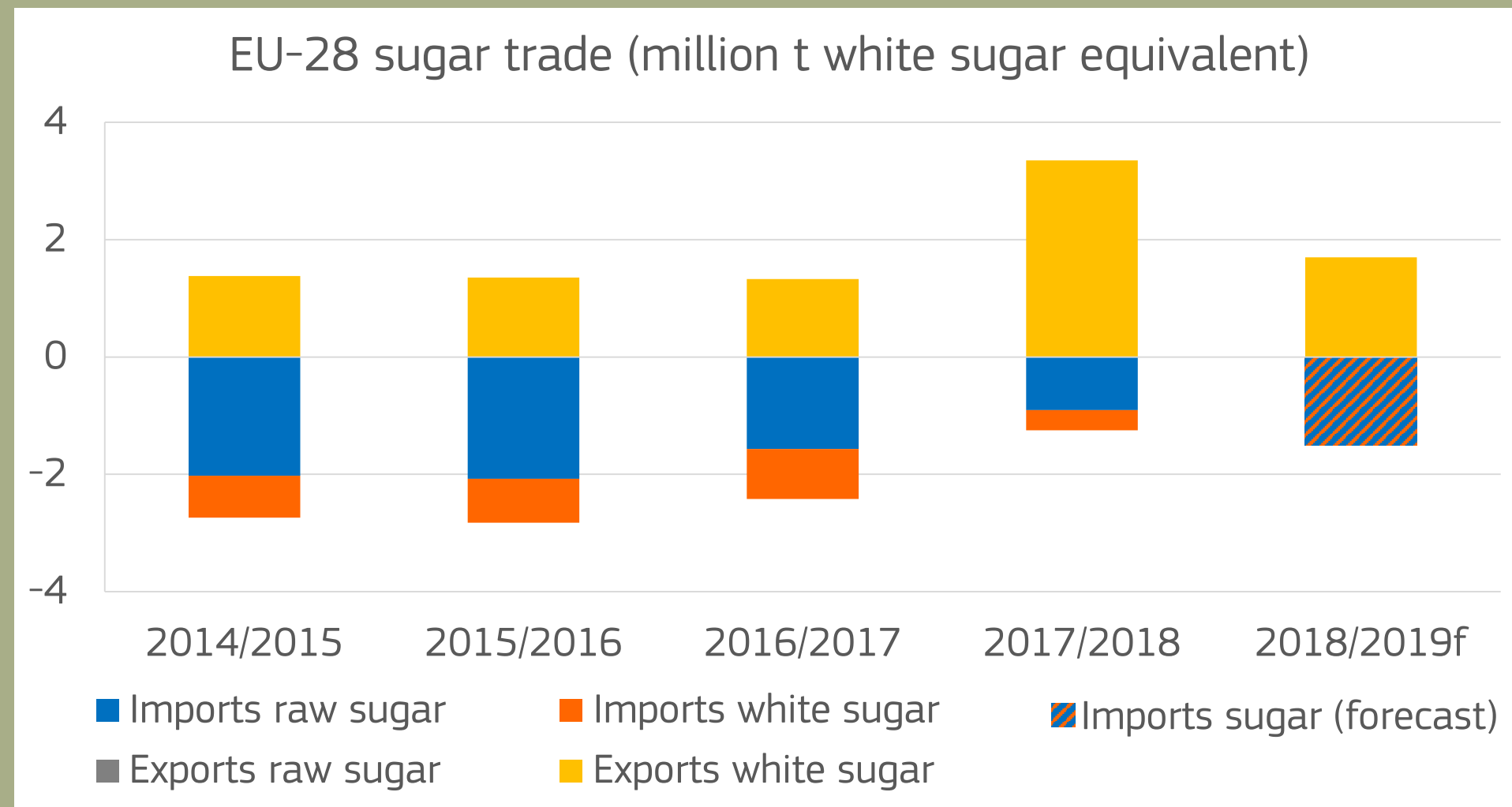
World and EU soya meal trade has not been impacted significantly.

Following the 2018 drought in the EU, imports of maize have taken up along the marketing year. The cereal trade balance is expected to end up close to parity for this marketing year.

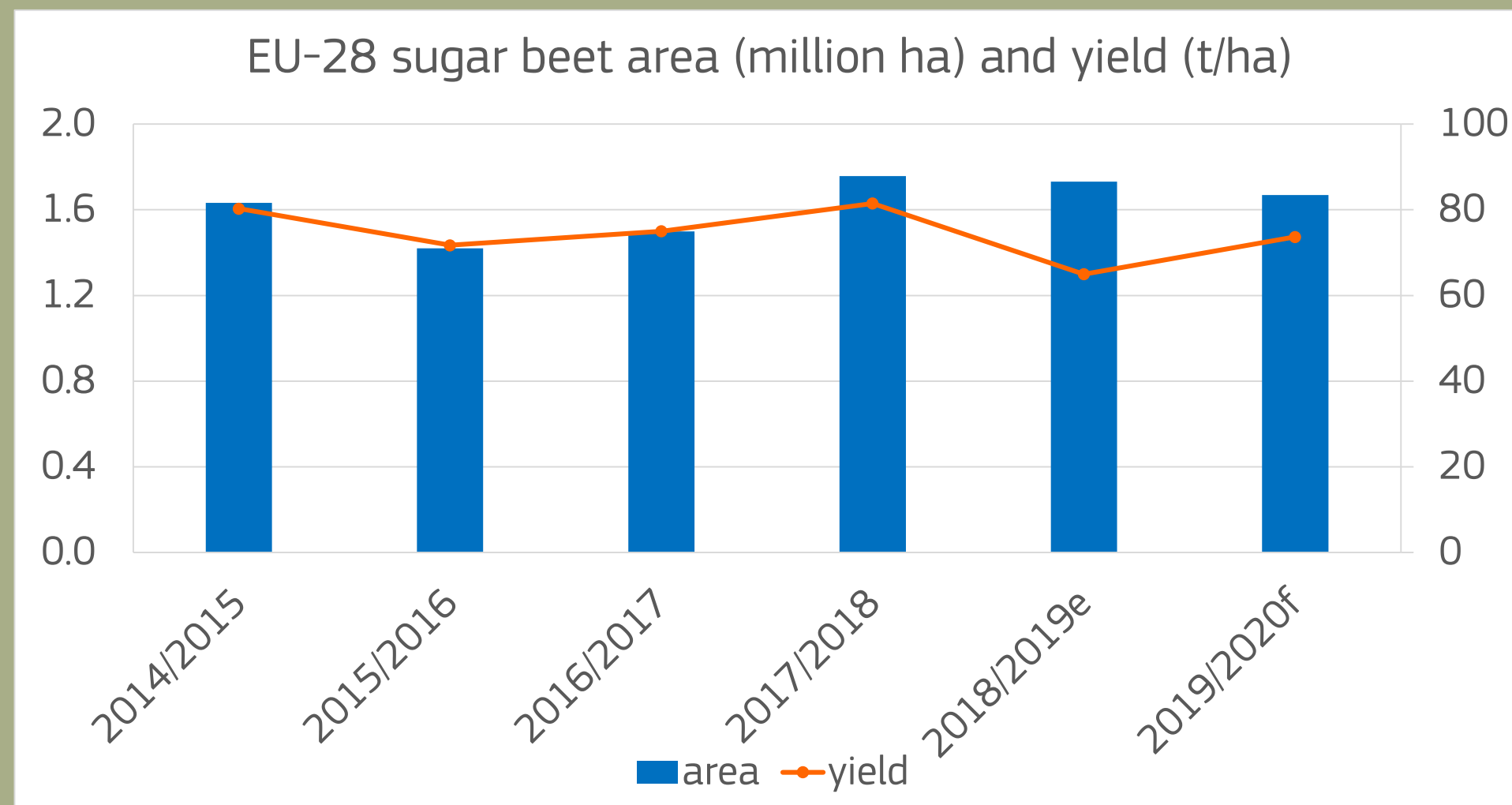
The EU will reach a new record of maize imports, at 21 million t (50% more than the 5-year average).

Traditional exporting countries (Brazil, Ukraine and Canada) are further expanding their share in the EU market.





Source: DG Agriculture and Rural Development, based on Eurostat Comext



Source: DG Agriculture and Rural Development, based on Eurostat

Contraction in trade following low EU 2018/2019 production

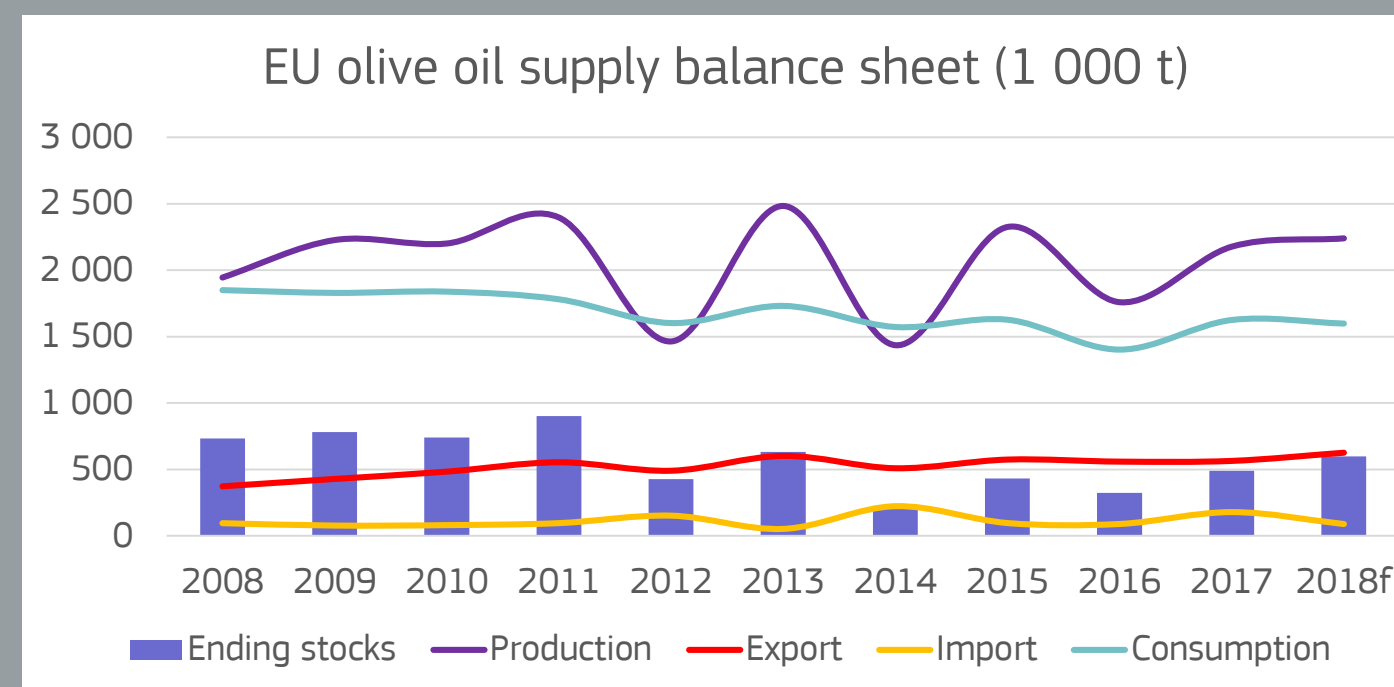
- Adverse weather conditions resulted in **lower 2018/2019 sugar production** estimated at 17.6 million t (-17% year-on-year), resulting in a deficit of 5%.
- A significant decrease in EU sugar exports by 49% is forecast for 2018/2019, down to 1.7 million t. With slightly higher estimated import levels at 1.5 million t compared to 2017/2018, the **EU net trading position deteriorates but remains positive** thanks to mobilisation of stocks from the previous campaign.
- For 2018/2019, the **world market surplus is forecast to remain small** at 0.6 million t (Source: ISO), down from 7.8 million t in 2017/2018. Despite a balanced market, world white **sugar prices** have not yet recovered and **remain low but stable** (EUR 299/t in March 2019).
- The EU white sugar price was EUR 312/t in January 2019, down from EUR 371 in the same month of 2018.

Reduction in sown sugar beet area in 2019/2020

- Low sugar prices are forecast to induce a **reduction in area** of 60 000 ha for the 2019/2020 marketing year compared to the previous year, a decrease **by close to 4%**.
- While **several producing countries introduced exemptions and allow the use of neonicotinoids for the 2019 crop**, beet growers in four main producing countries (FR, NL, DE and UK) will need to find alternative plant protection products. Sugar beet yield is forecast at around 74 t/ha, which is 13% above the previous year's yield, but 3% below the average yield over the five last years.
- Overall, **sugar beet production for 2019/2020 is forecast at 123 million t (+9%** compared to 2018/2019) and sugar production could reach 18.3 million t (+4%).

OLIVE OIL

Market developments in the EU



Note: 200X refers to the campaign 10/200X-09/200X+1

Source: DG Agriculture and Rural Development based on Eurostat and MS notifications

Cumulated values of rainfall in agricultural areas

RAINFALL
AGRICULTURAL AREAS
Cumulated values

from : 01 January 2019
to : 02 March 2019

Deviation:

Year of interest - LTA

Unit: %



04/03/2019
resolution: NUTS Level 3



© European Union 2019
Source: Joint Research Centre (JRC CGMS 12EUN)
Processed by: Allerts consortium

Source: Joint Research Centre

EU exports expected to be record high in campaign 2018/2019

OLIVE OIL	2017/2018	2018/2019
Production	↑ +24%	↔ +2.9%
Exports	↔ +1.0%	↑ +11%
Imports	↑ +99%	↓ -50%
Consumption	↑ +16%	↔ -1.7%

Note: compared with previous season



The **second highest production** in ES since 2003 (1.7 million t) contributes the most to the **3% EU production increase** in the campaign 2018/2019, despite the production decline in IT, EL and PT.



The **increased availabilities weigh on prices**. The EU average price of virgin olive oil was in February 2019 around EUR 290/100kg, 17% below one year ago.



The **increasing world demand** for EU olive oil and the **lower availabilities** in non-EU countries are expected to support **record high EU exports**. They could increase by 11% up to 625 000 t.




For the next campaign (2019/2020), the current lack of **rain** in main producing areas could negatively affect production.





MILK AND DAIRY PRODUCTS

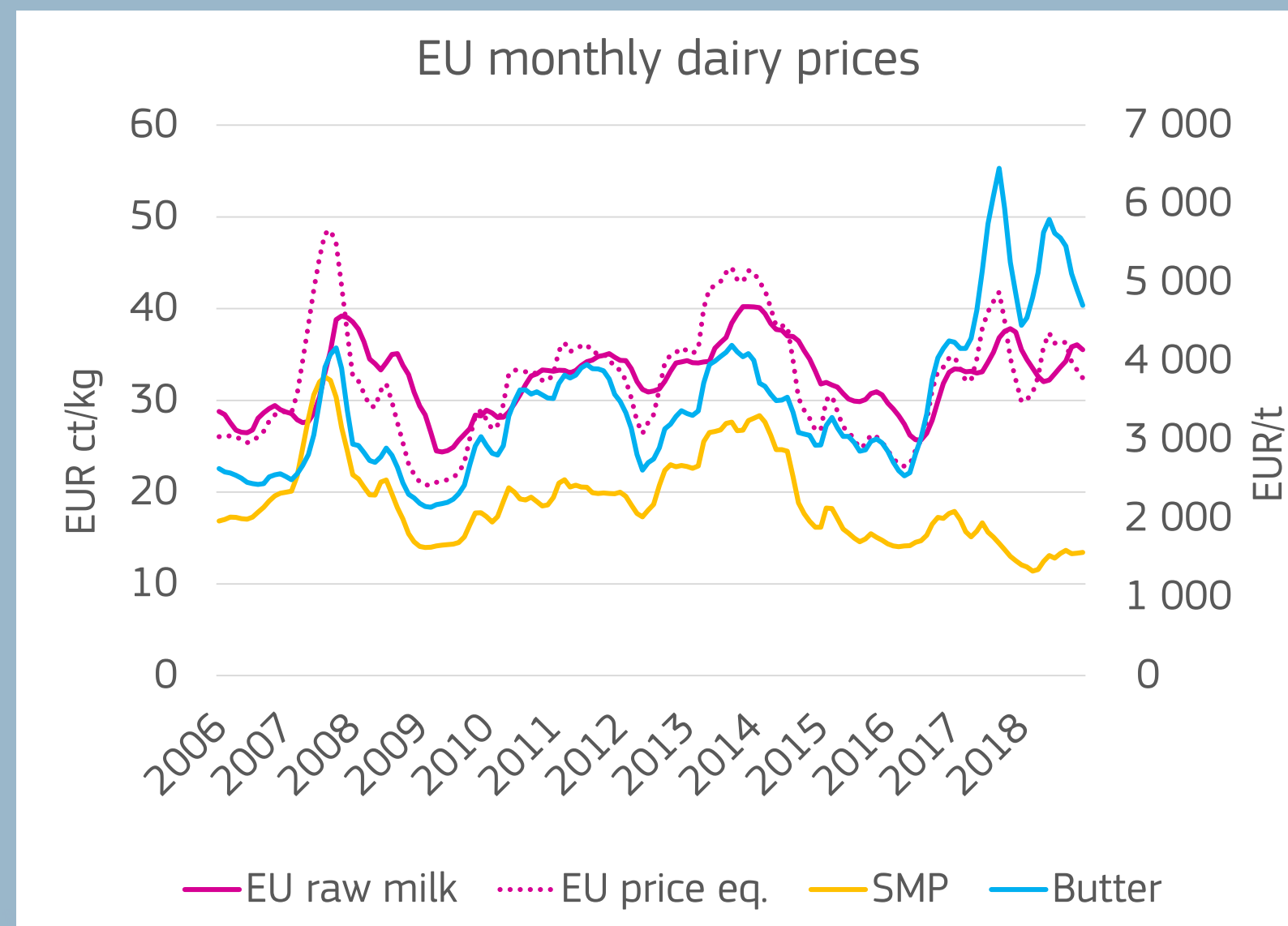
Market developments in the EU

Dairy products 	2018	2019
Production	➡ -0.4%	➡ +0.4%
Exports	➡ +0.3%	➡ +0.8%
Imports	⬆ +13%	⬇ -7%
Consumption	➡ +0.2%	➡ +0.3%

Milk 	2018	2019
Milk collection	➡ +0.9%	➡ +0.7%
Dairy herd	⬇ -1.6%	⬇ -0.6%

Note: compared with previous year

EU raw milk price above average



Note: The milk price equivalent is based on butter and SMP prices

Source: DG Agriculture and Rural Development



In 2018, the average EU raw milk price reached more than EUR 34/100kg, 2% below 2017 and 2% above the 2013-2017 average.

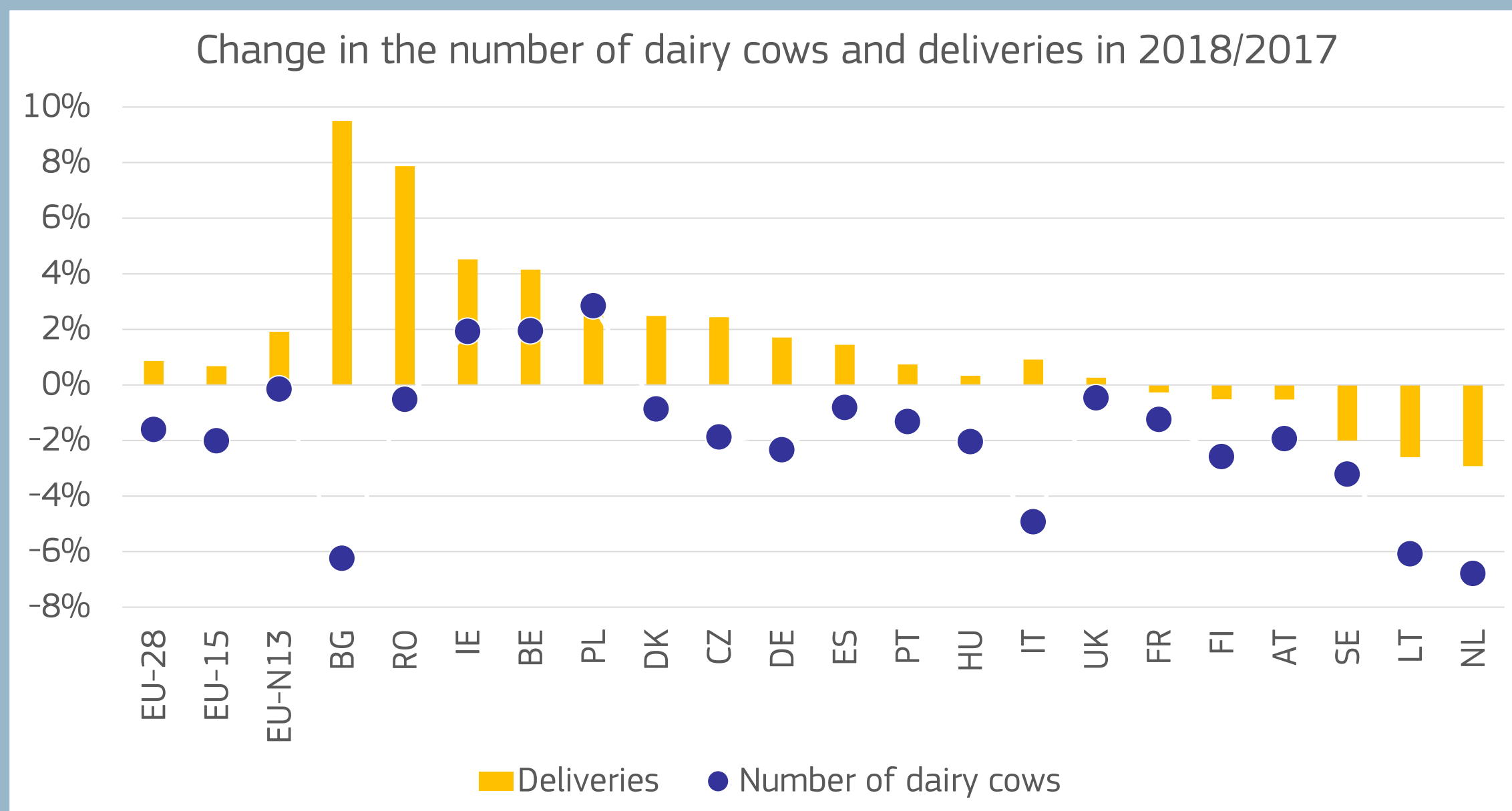


In 2019, the development of the EU milk price equivalent is expected to be driven by the increase in SMP price and the steady butter price (on average above EUR 4 000/t).



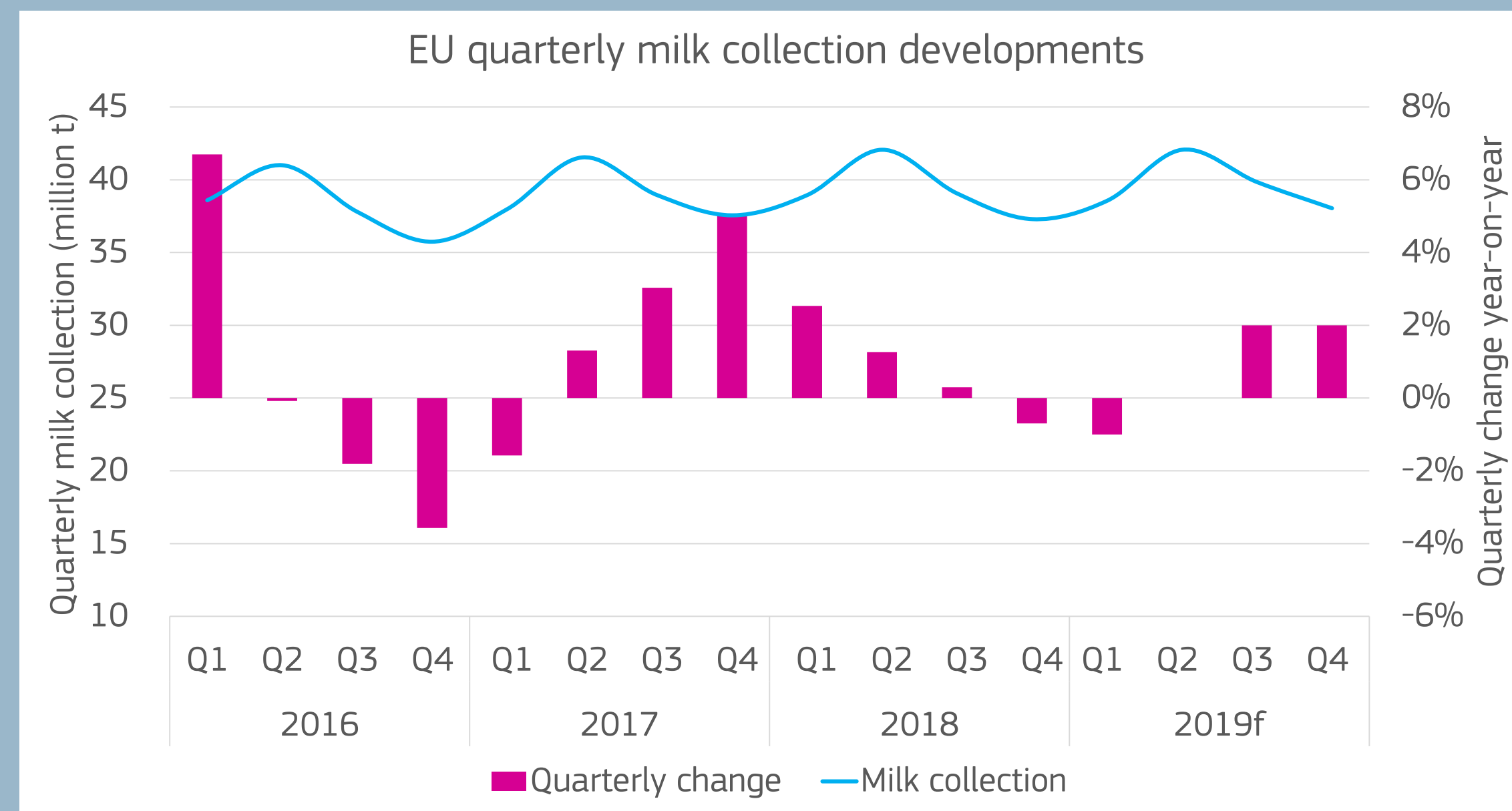
The seasonal rise in milk collection in spring and the increase in milk fat content could however weigh on milk prices in upcoming months.

Yield gains supporting growth in 2018 EU milk deliveries



Source: DG Agriculture and Rural Development, based on Eurostat

Further increase of EU milk production expected in 2019



Source: DG Agriculture and Rural Development, based on Eurostat

At the end of December 2018, the number of **dairy cows** in the EU was **1.6% below** 2017. In the same period, the number of **heifers** of 2 years **declined by 2%** indicating a likely slowdown of the replacement rate in 2019.

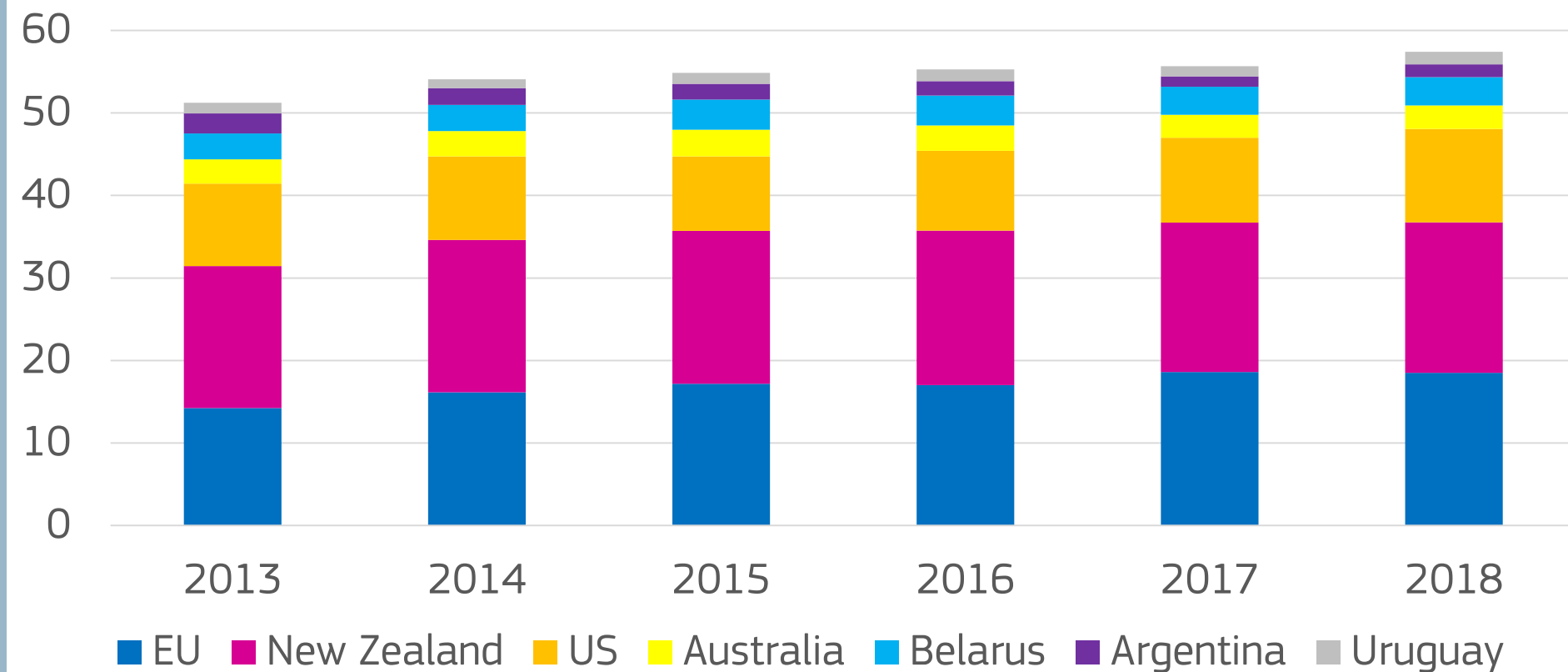
Despite the impact of the drought in summer 2018 and the lower number of cows, **milk deliveries increased** in 2018 by **0.9%**. It is explained by a further **2% yield increase**, supported by the increased use of (imported) **concentrated feed** in the last quarter of 2018.

The higher use of **compound feed** could limit the decline in deliveries in Q1 of 2019 (-1% year-on-year), compared to the record level of 2018.

Over the spring 2019, and in the second half of 2019, **production is expected to increase** assuming normal weather conditions over the full year. Overall, this might lead to an **increase** of deliveries by **0.7%**.

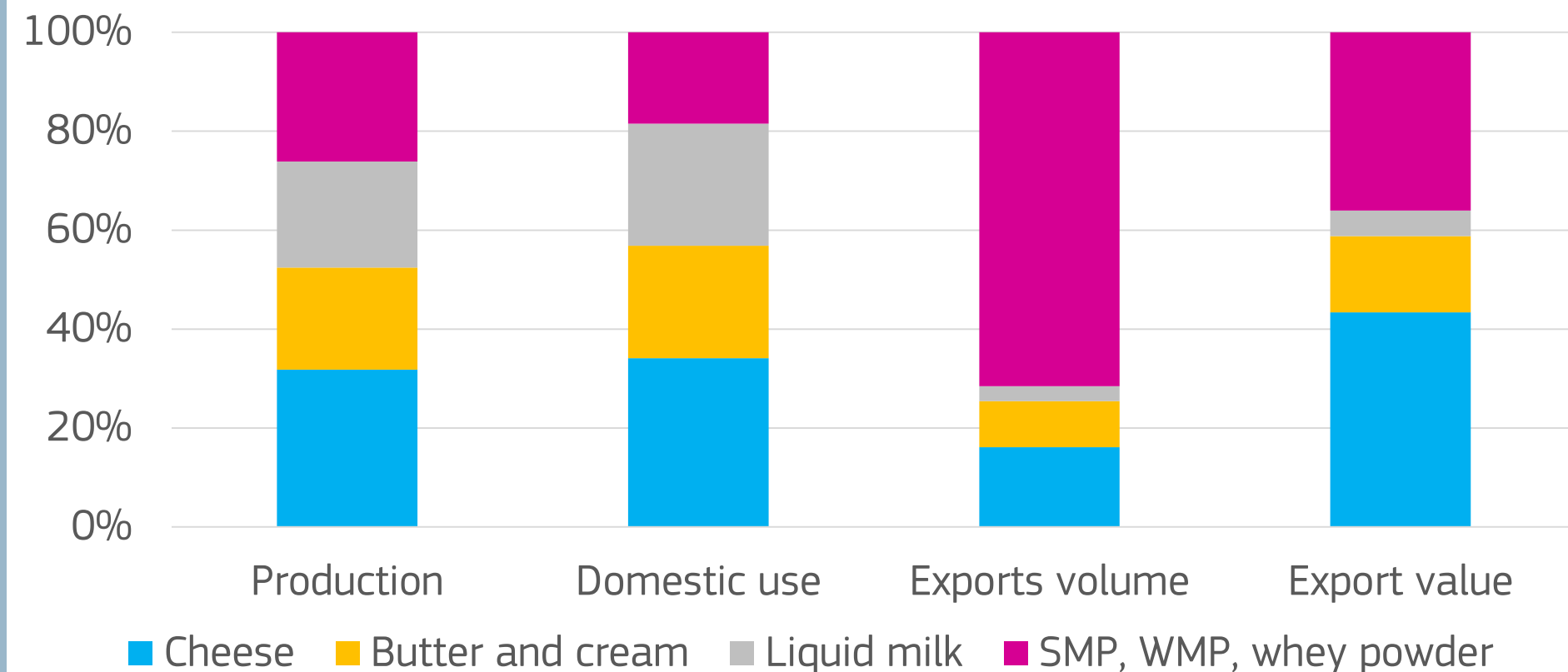
Dairy products

Exports of main dairy traders
(million t of milk eq., total solids)



Note: Accounting for the trade of cheese, SMP, WMP, butter, drinking milk, cream, yogurt and whey
Source: DG Agriculture and Rural Development, based on GTA

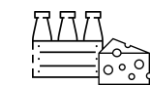
EU-28 production, domestic use, export volume and value, distribution of selected dairy products in 2018



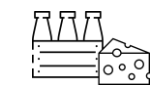
Note: Selected dairy products cover around 75% of milk use

Source: DG Agriculture and Rural Development

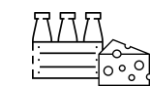
EU remains the first world dairy exporter



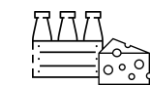
In 2018, global dairy trade increased by 3% compared to 2017. US exports grew the most (+10%, reaching 20% market share) driven by SMP (+18% in volume), with record high flows to Mexico and South-East Asia.



The EU sustained its leading market position in 2018 (32% market share, infant formula excluded). The EU is closely followed by New Zealand.

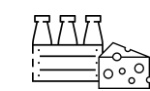


The drop of US exports to China due to increased tariffs gave more opportunity for EU exports, with flows to China rising by 11% (covering almost 25% of all Chinese imports in 2018, excluding infant formula). The increase in whey powder shipments explains 60% of such growth.

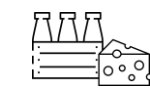


In 2019, further world import demand growth is expected.

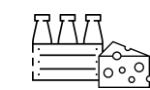
Sustained EU cheese production and exports growth in 2019



Cheese is expected to continue offering the best and relatively stable returns to processors. It is the first dairy product used on the EU domestic market and its consumption is expected to keep increasing slightly in 2019 (+0.4%).



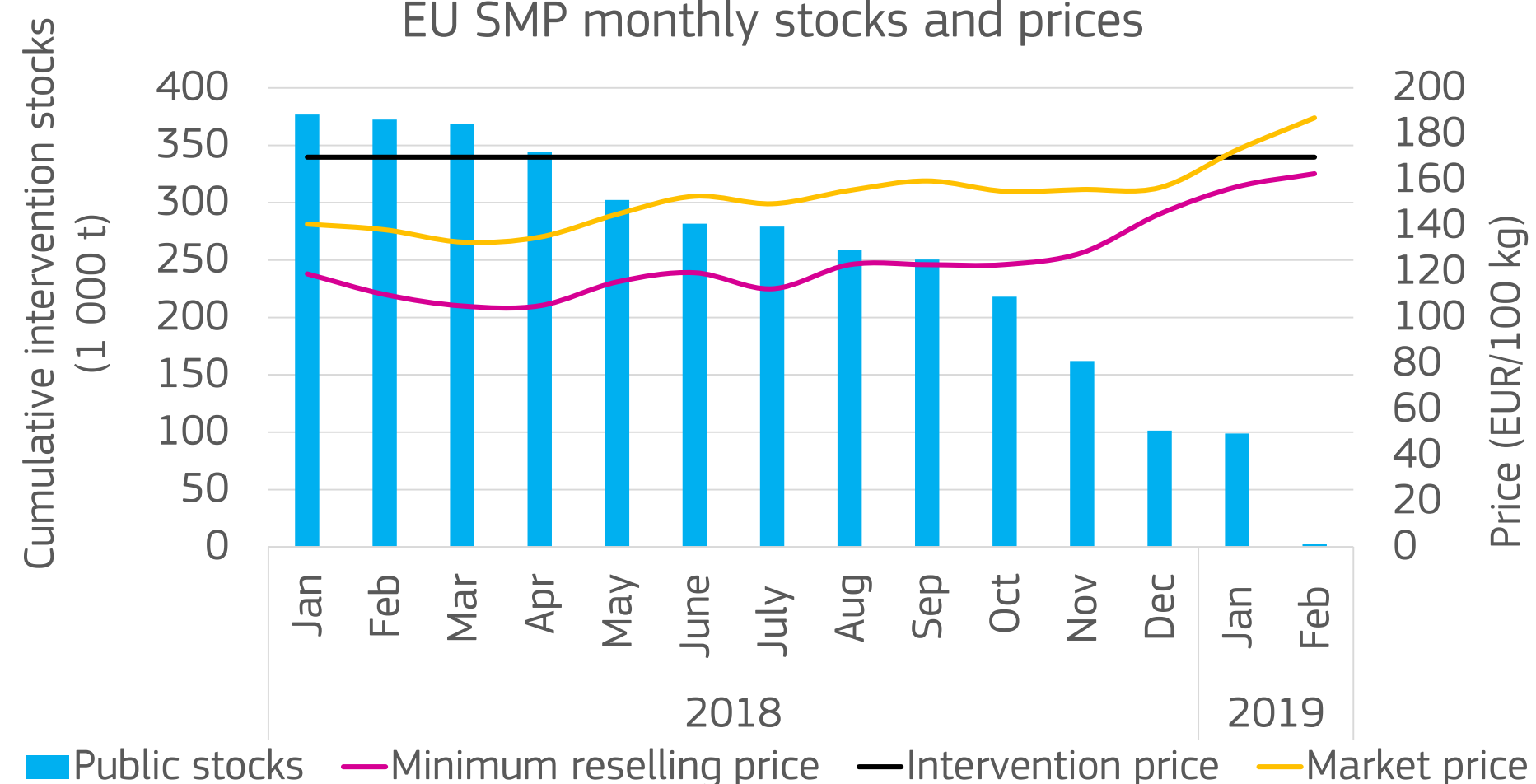
Cheese is also the main dairy product exported in value (infant formula excluded). In 2018, it reached close to 40% of EU dairy exports (16% in volume). In the last 10 years, the trade value increased by almost 60%.



In 2018, the decline in exports to the US, our main partner (-5%), was more than offset by increased shipments to Japan (+12%) and Switzerland (+2%). With the ratified free-trade agreement with Japan, and the sustained global demand, further growth of EU cheese exports is expected in 2019 (+1%), contributing to a production increase of 0.8%.

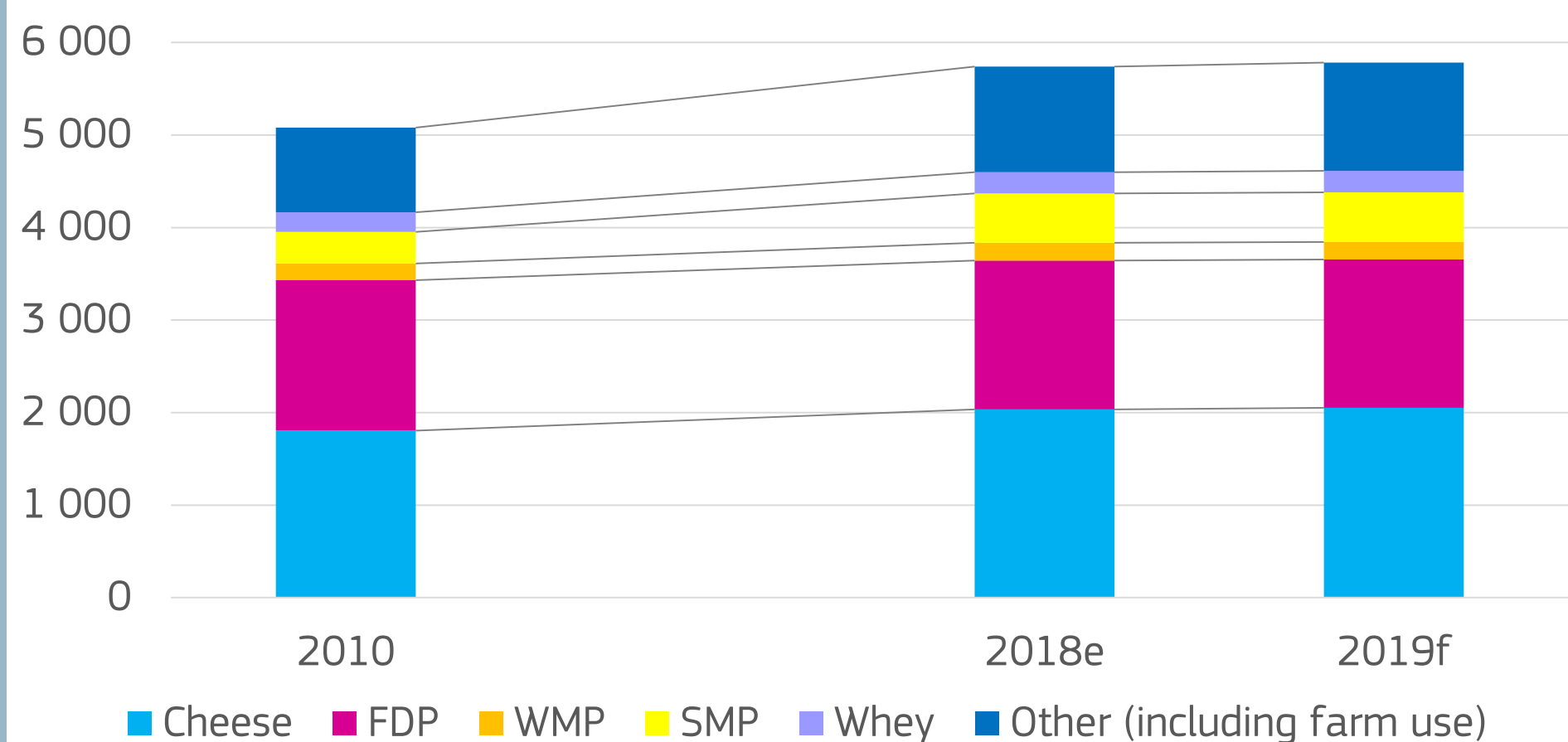
Dairy products

EU SMP monthly stocks and prices



Source: DG Agriculture and Rural Development

EU-28 protein use per chosen products (1 000 t)

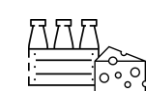


Source: DG Agriculture and Rural Development

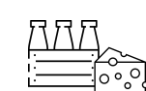
Milk price recovery supporting SMP stocks release



By the end of February, SMP intervention stocks bought-in in 2016 and 2017 were almost empty. In parallel to the release of stock, **SMP price recovered**, reaching EUR 1 915/t at the beginning of March. This is the highest price since July 2017.



In 2018, with more than 5% export increase, the **EU strengthened** its leading market **position in SMP trade** (38%), followed by the US (32%) and New Zealand (16%). Exports in 2018 grew the most, in percentage, to Malaysia (+45%) and China (+29%). However, in absolute volume growth was higher for shipments to China.



Despite the expected price increase in 2019 globally, the **EU should remain competitive**, leading to further export growth (+3%).



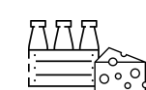
The increase in **milk fat content** and sustained internal and global demand for dairy fat are expected to lead to an EU **butter** production increase (+0.8%), and higher exports (+2%).

FFP and dairy ingredients on rise, increasing competition for WMP



Over years, **more milk proteins** are used in the processing of **other dairy products** (not covered by statistics), for example infant formula and fat-filled powders (FFP). In 2019, the **protein use for these products** is estimated to **grow** by more than **2%**, being strongly driven by export demand (e.g. infant formula exports increased in 2018 by close to 10%).

In addition, this trend is supported by the market development for **technical dairy ingredients** used for **adult, sport** and **senior nutrition**.





















In 2018, EU **WMP** production dropped by 5%, and exports by 15%. These trends are expected to continue in 2019. FFP and butter production offer better returns to processors than WMP (a product for which New Zealand is very competitive).








Nevertheless, the domestic use (e.g. for chocolate) might smoothen the production decline (-2%).










MEAT PRODUCTS

Market developments in the EU

BEEF 	2018	2019
Production	 +1.8%	 -1.3%
Exports	 -7.5%	 +3.0%
Imports	 +9.4%	 +4.0%
Consumption	 +2.1%	 -1.5%

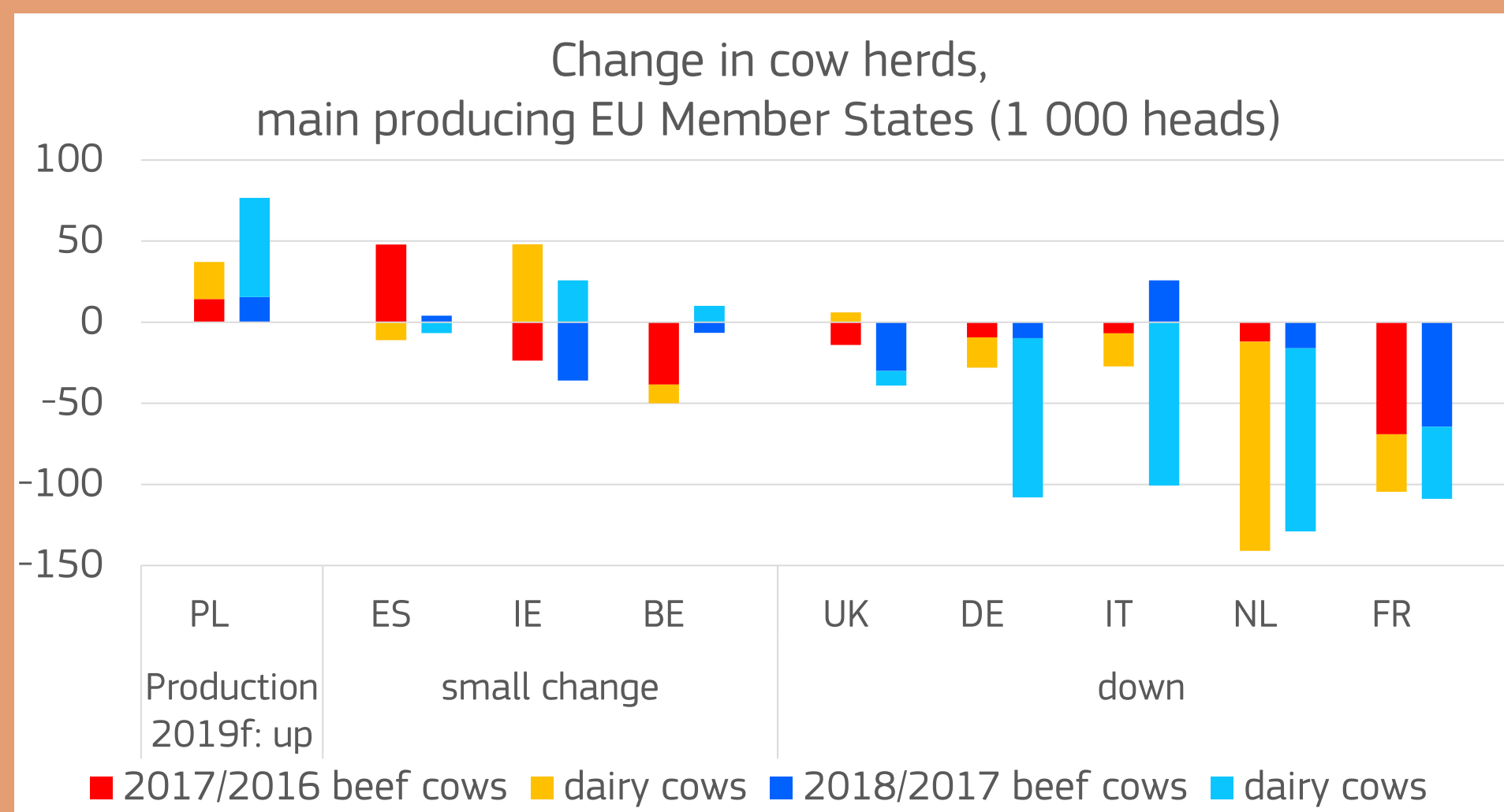
POULTRY 	2018	2019
Production	 +4.7%	 +2.0%
Exports	 +4.0%	 +2.1%
Imports	 +1.6%	 +3.6%
Consumption	 +4.3%	 +1.9%

PIGMEAT 	2018	2019
Production	 +2.0%	 -0.0%
Exports	 +4.1%	 +9.0%
Consumption	 +1.4%	 -1.4%

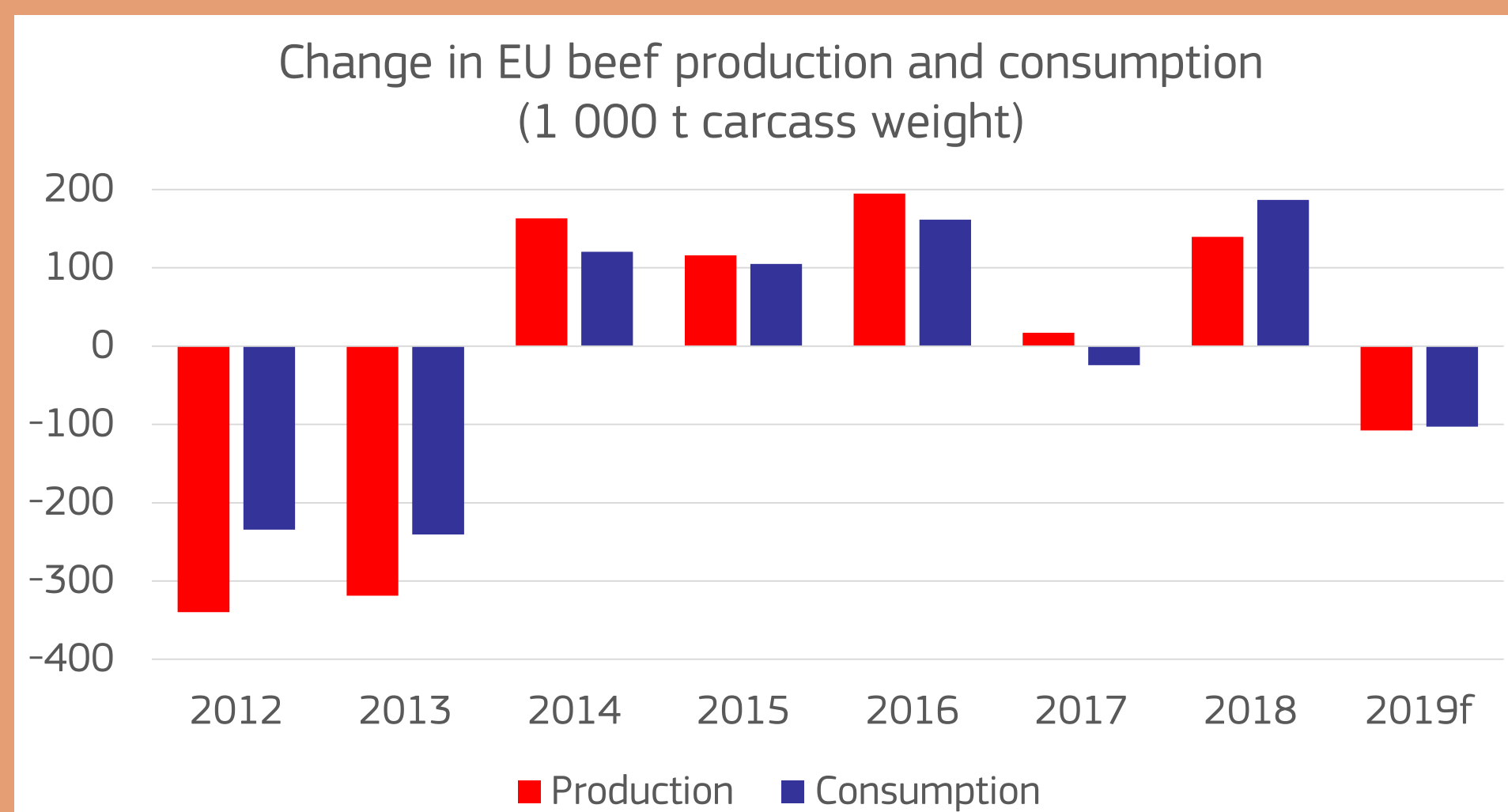
SHEEP & GOAT 	2018	2019
Production	 -0.9%	 -1.0%
Exports	 -17%	 +3.0%
Imports	 +0.6%	 -2.0%
Consumption	 -0.4%	 -0.5%

*Note: compared with previous year.
Net production and meat trade.*

Beef and veal



Source: DG Agriculture and Rural Development based on Eurostat



Source: DG Agriculture and Rural Development based on Eurostat

EU beef production down in 2019 due to high cow slaughter last year



EU beef production increased more than expected in 2018 (+1.8% year-on-year). The cold winter in northern Europe and the summer drought across the EU led to a shortage of feed, low calving and early slaughter of cows.



EU cow herds, on a decline since the 2015 peak, shrank by 1.3% in 2018: -100 000 beef cows (FR, UK and IE), and -375 000 dairy cows (NL, IT, DE and FR).



EU production is expected to decline in 2019 in the EU (-1.3%). This is due to smaller breeding herds in 2018 in key countries as FR, NL, IT, DE, UK (with a sharp drop in beef herd in FR reflecting lower profitability and a reduction in live imports in IT). Production may not fall in IE (thanks to a higher supply of calves as live exports were low in 2018) and ES (thanks to a recovery in domestic demand). The expansion will continue in PL (pulled by the recovery of exports).



Increased supply in the second half of 2018 led to lower EU prices (-5% in December year-on-year). They stabilised at the beginning of 2019. Limited supply may put upward pressure on prices in 2019.

EU beef consumption down in 2019



The lower domestic supply in 2019 will only be partially compensated by higher imports, while exports are expected to resume.

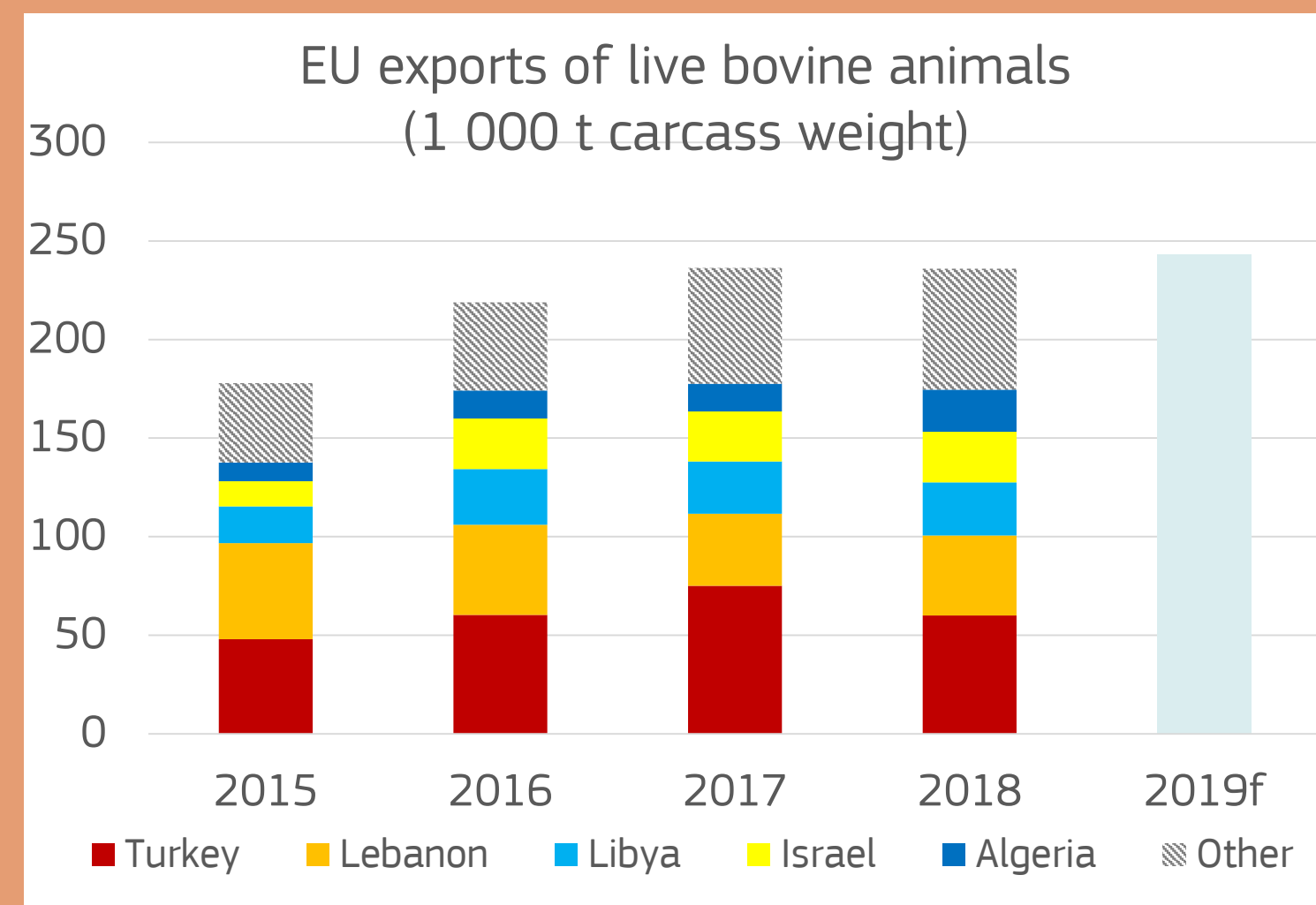
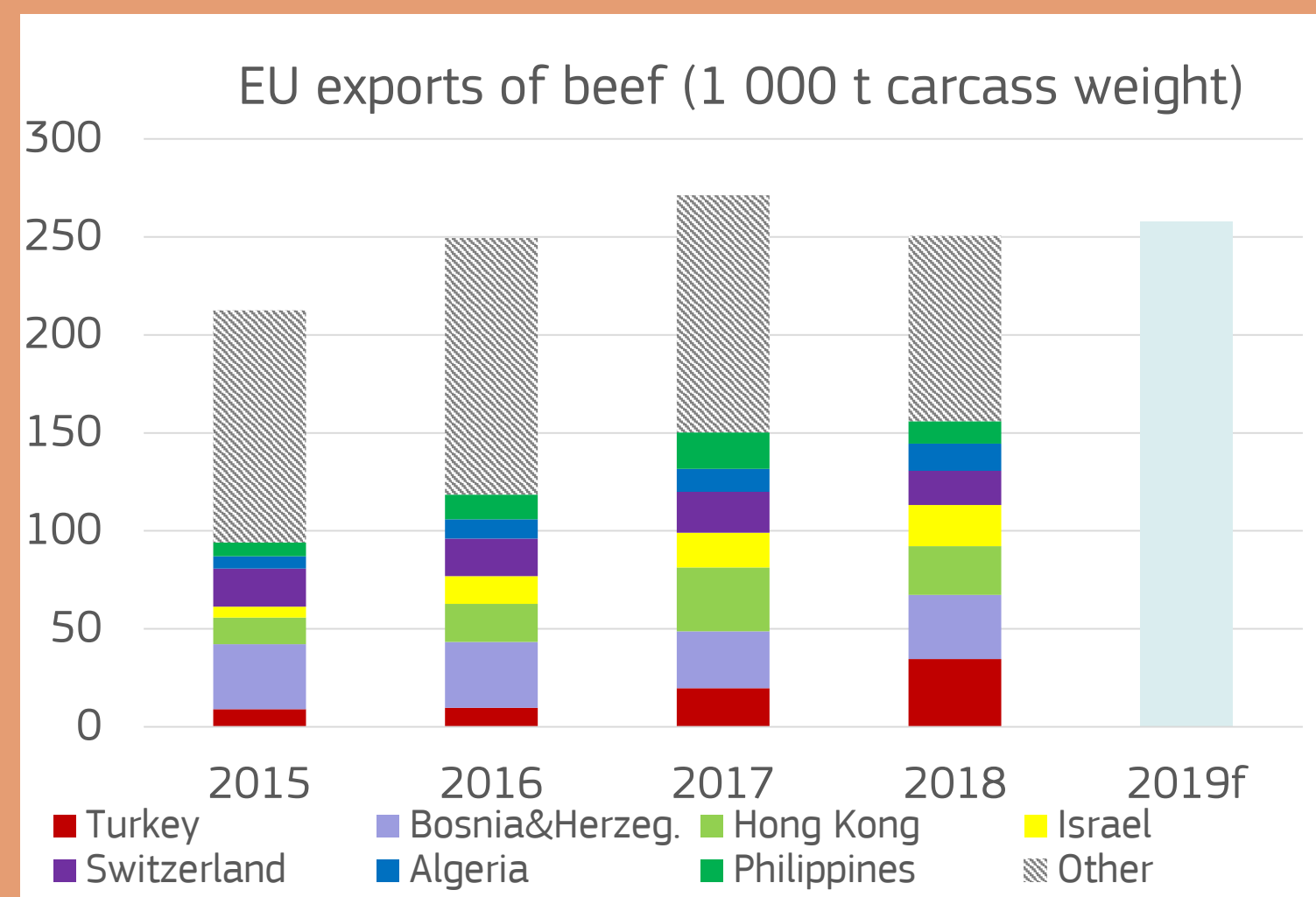


This will result in a consumption reduction in 2019 (from 11.0 kg to 10.8 kg per capita), deriving from lower meat availability (after several years of higher consumption supported by higher supply). This is another reflection of the impact of short-term supply changes on consumption development, in parallel to long-term changes in consumer preferences. Demand remains sustained in many countries while shifting always towards more processed meat and out-of-household consumption.

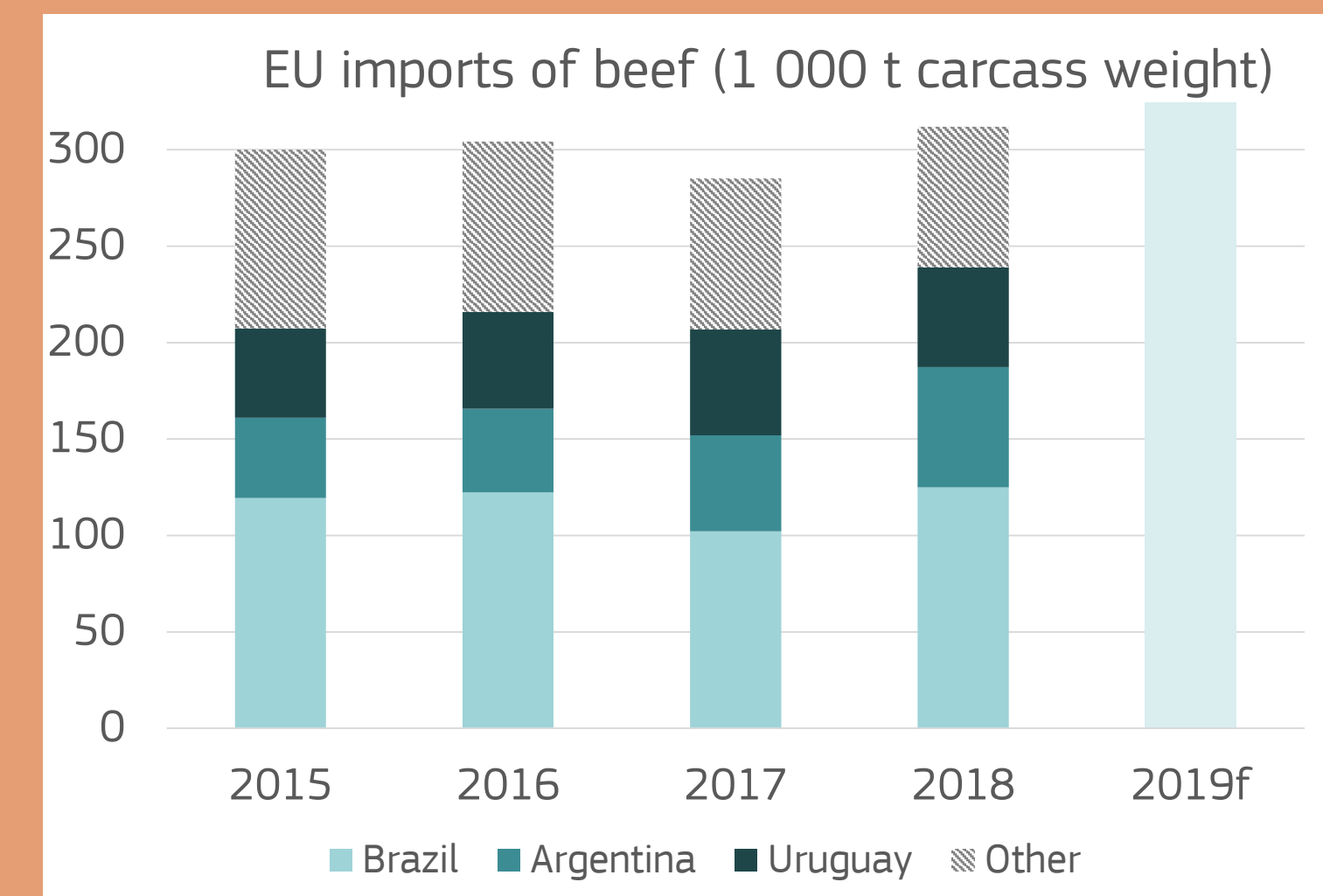


Beef and veal

Exports expected to recover with some uncertainty in key partners



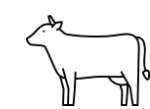
Imports expected to increase



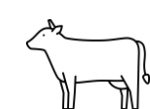
Source: DG Agriculture and Rural Development based on Eurostat



EU exports of beef declined in 2018 (-8%) after a record previous year, as a result of lower demand from Hong Kong and the Philippines, while meat exports to Turkey increased.



The **slight recovery in meat exports expected in 2019** (+3%) will depend on the recovery in demand in Asia, particularly in Hong Kong.



EU exports of live animals stagnated in 2018, with demand from Turkey declining since autumn 2018, due to the political situation and competition from Brazil and Uruguay.

The slight increase in live exports expected in 2019 (+3%) will depend on the demand from Turkey and Lebanon, where economic prospects are uncertain.

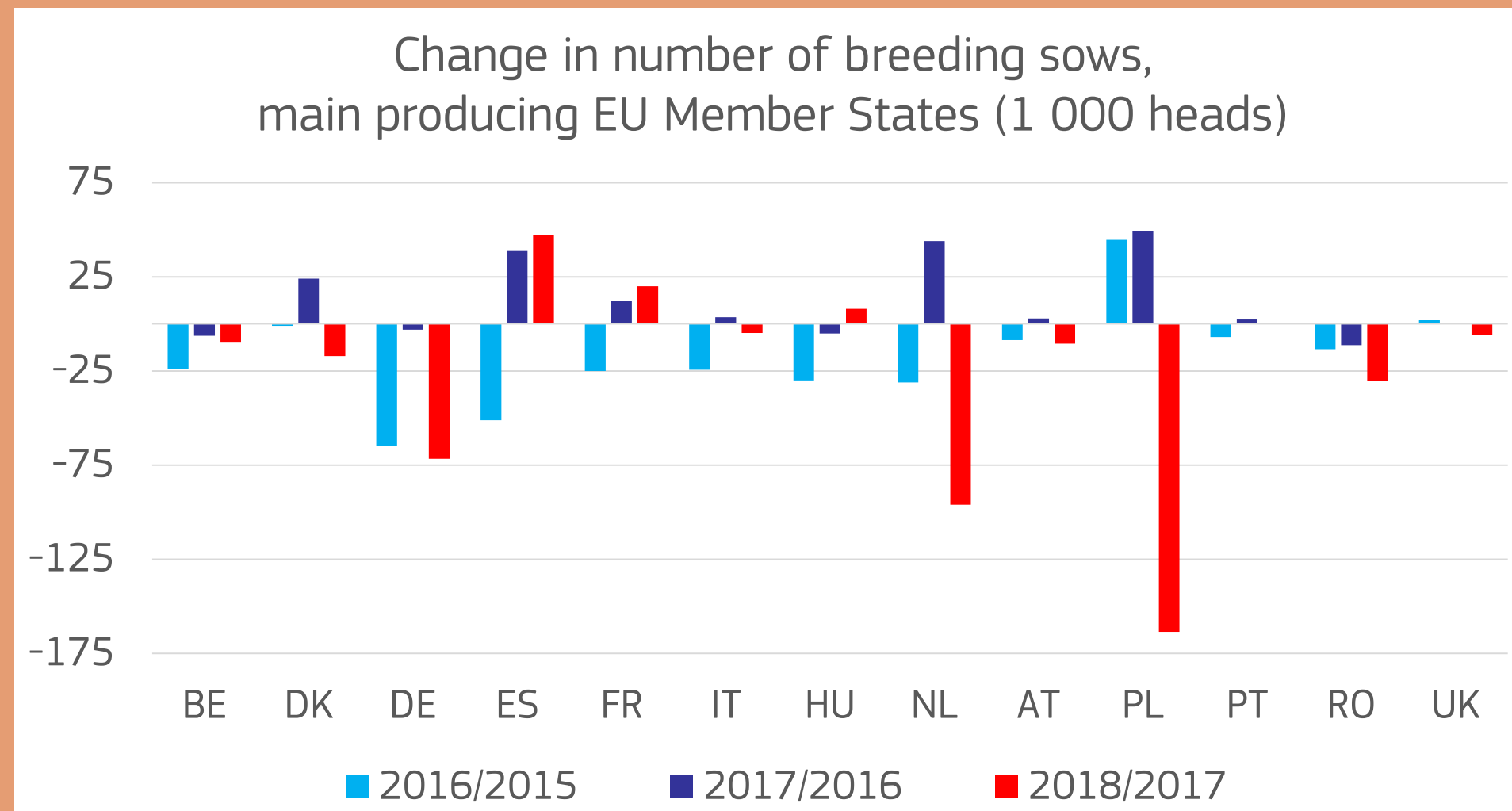


Imports increased in 2018 (+9%), due to a recovery in Brazil's shipments (food hygiene and compliance with EU traceability rules improved) and Argentina resuming progressively to previous levels.

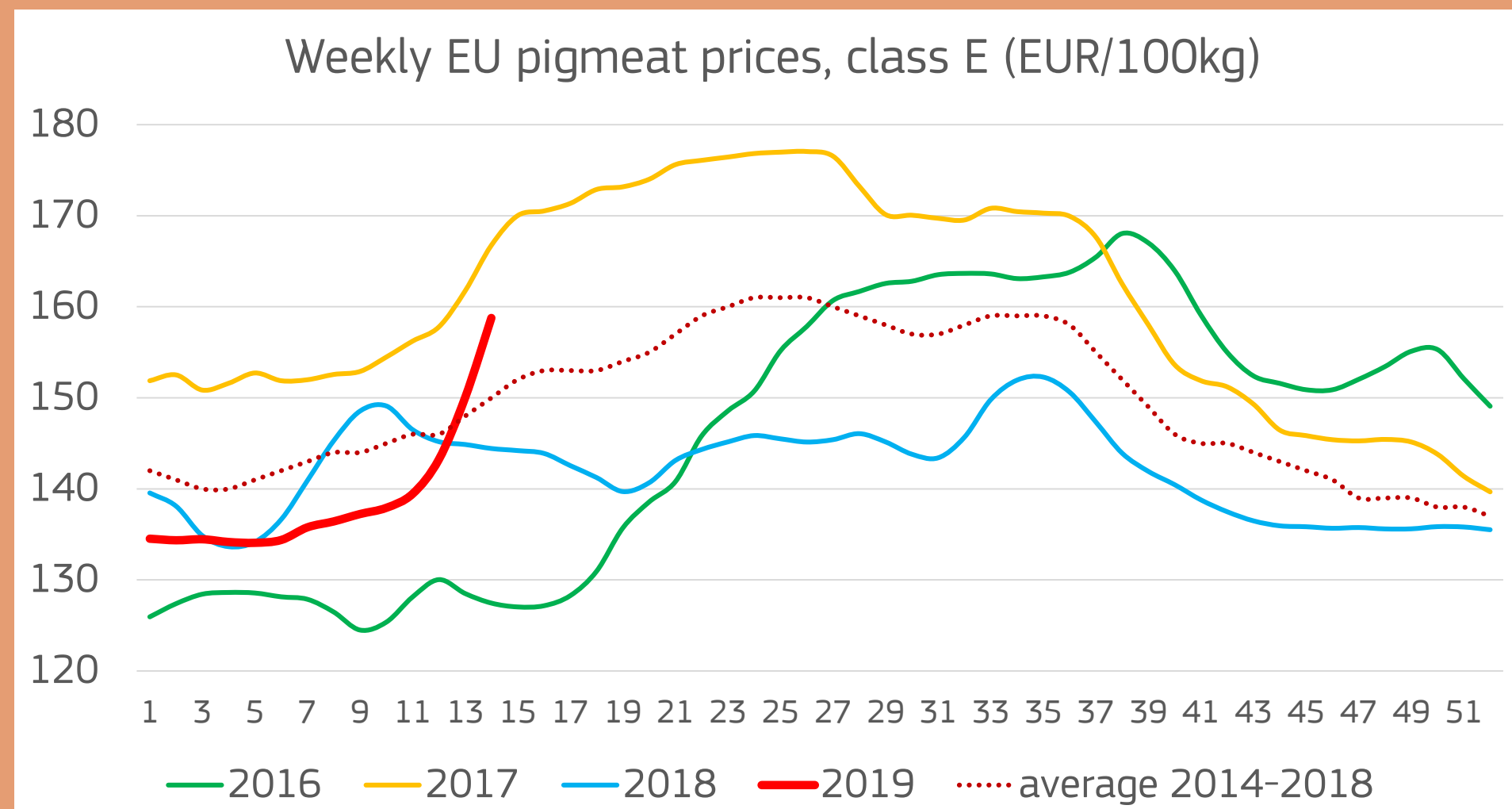


Imports will continue to expand in 2019 (+4%), mainly from Brazil, possibly supported by a weaker Brazilian real.

Pigmeat

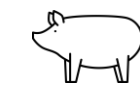


Source: DG Agriculture and Rural Development based on Eurostat



Source: DG Agriculture and Rural Development

EU production expected to stabilise in 2019, despite lower herd so far



The **EU breeding herd** is back to a **decreasing trend in 2018** (-3% year-on-year), after the expansion in 2017. There were significant herd reductions in PL (-18%), NL (-9%), DE (-4%) and RO (-9%), due to low prices, African Swine Fever (ASF) risk and/or environmental restrictions. By contrast, ES pursues the expansion of production, driven by growing extra-EU exports: the breeding herd grew by 2% and production by 5% in this Member State.

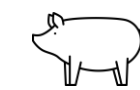


Nevertheless, **EU production is expected to remain stable in 2019** thanks to productivity gains and expected growth in export demand. Depending on the level of the rise of China demand due to the spread of ASF, EU production could be boosted into positive growth.

EU prices should rise in 2019, after low prices in 2018



Significant EU production growth in 2018 (+2%) led to pigmeat prices below the last 5-year average. Slightly higher feed prices added pressure on producer margins.



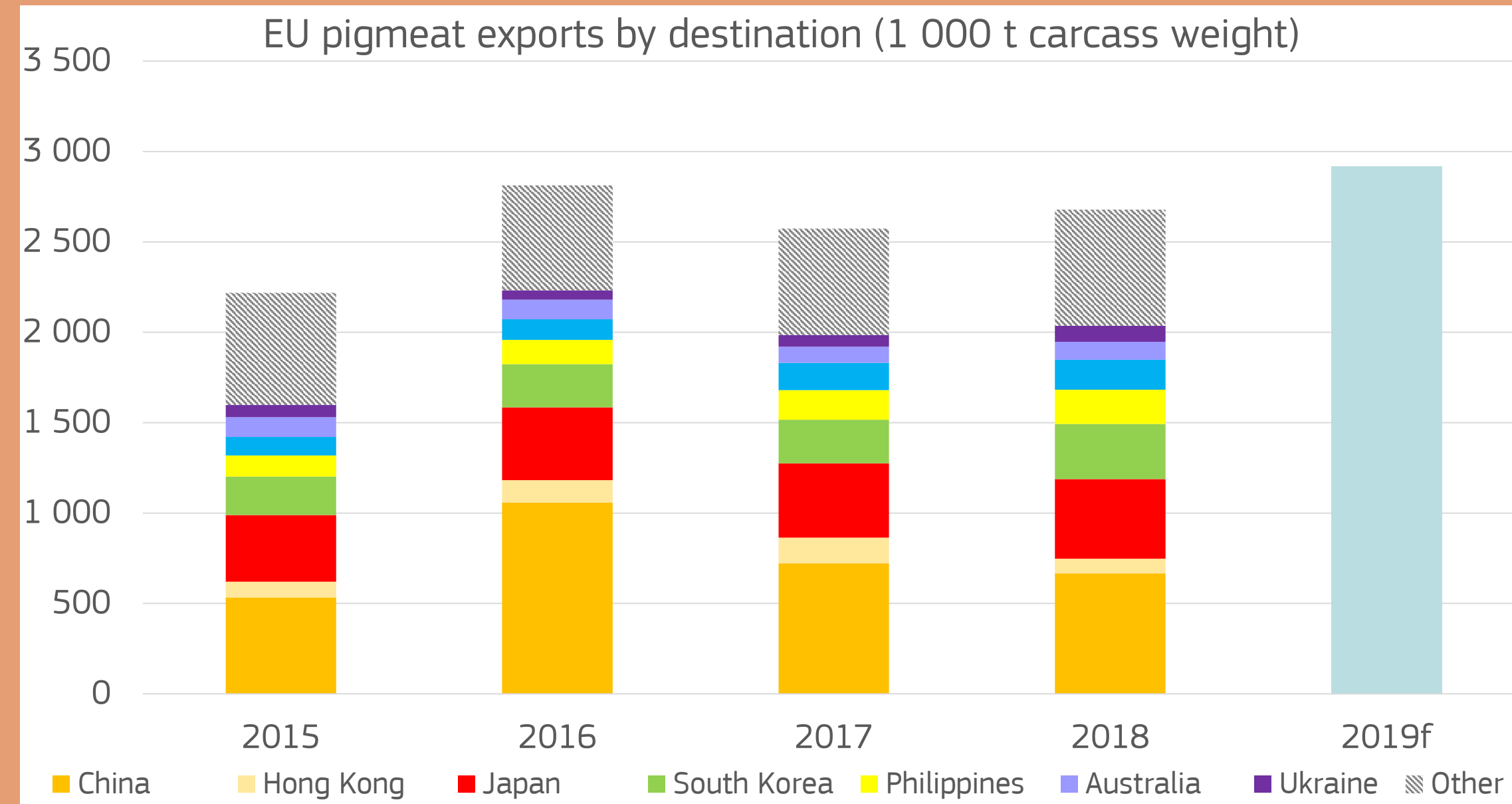
2019 started with similar price conditions, however **prices are rising** as supply tightens and export prospects improve, particularly towards China.



Apparent **consumption per capita rose by 0.5 kg in 2018** (32.6 kg) supported by high availabilities. It **should readjust in 2019** as the market balances, down to 32.2 kg.

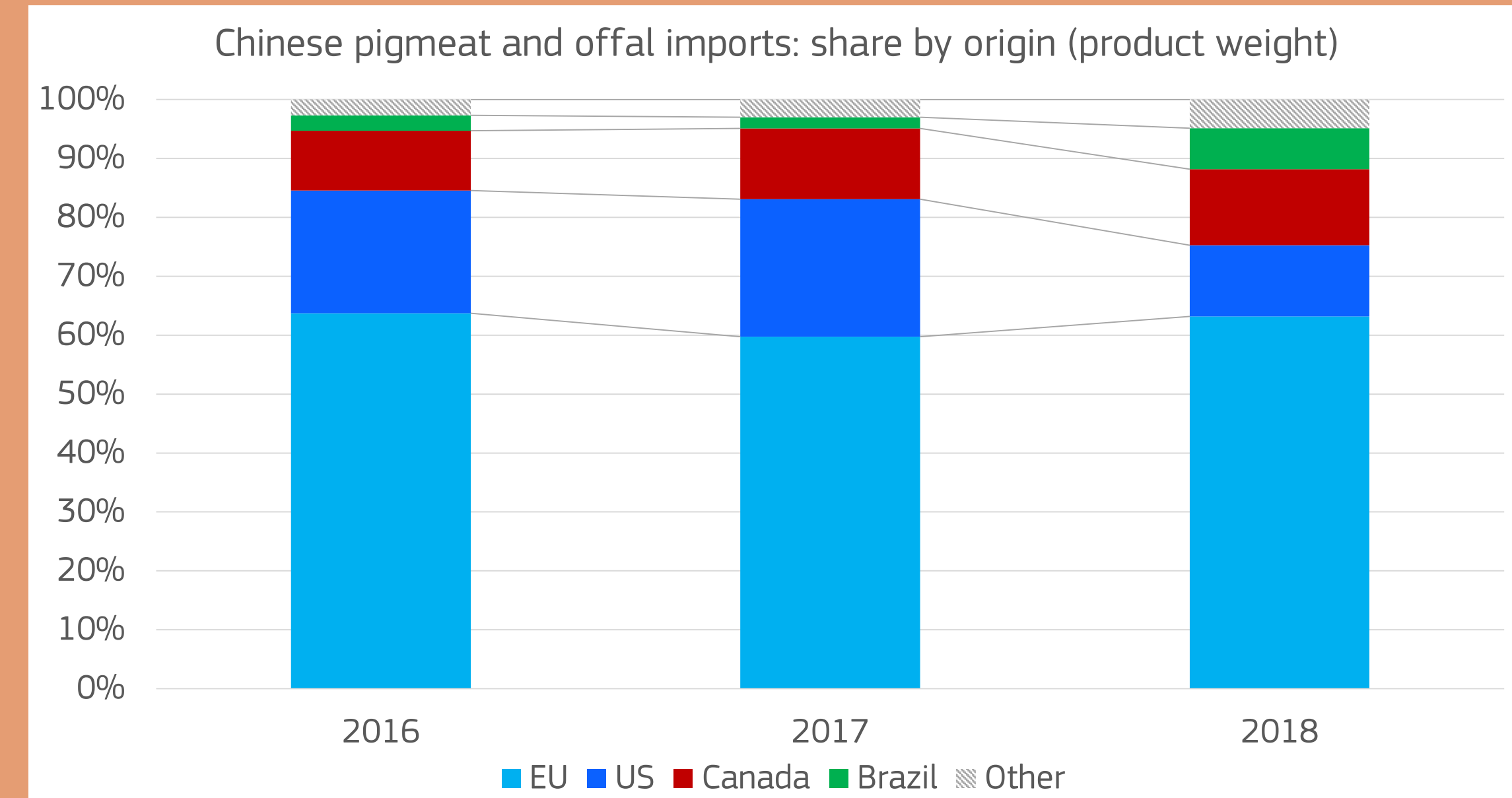
Pigmeat

EU pigmeat exports expected to grow in 2019






Source: DG Agriculture and Rural Development based on Eurostat

EU kept its share of Chinese market in 2018



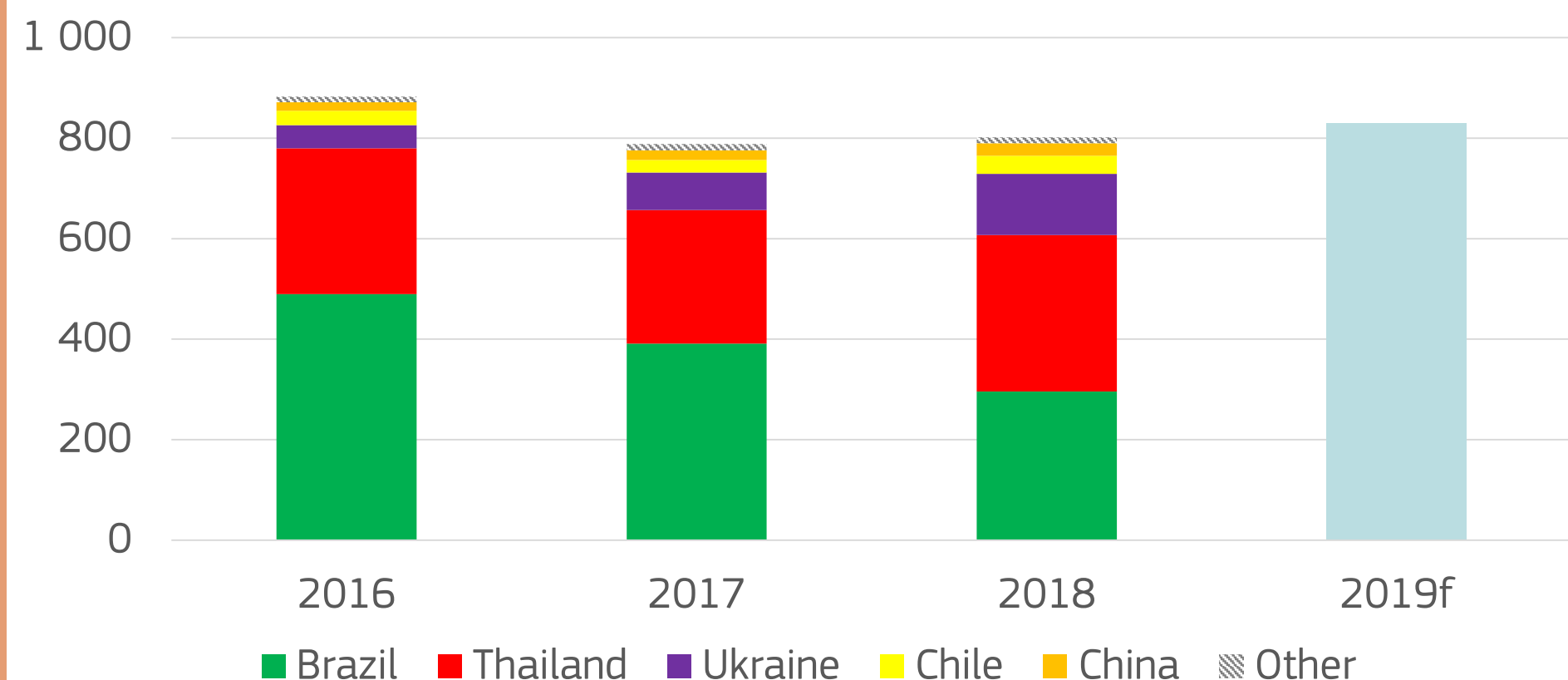
Source: DG Agriculture and Rural Development based on GTA

-  **EU pigmeat exports grew by 4% in 2018**, but fell to the main destination China (-8%) and to Hong Kong (-43%).
-  **In 2019**, pigmeat exports should **grow significantly (+9%)** as **Chinese demand rises**.
-  EU offal exports fell by 6% in 2018, driven by falling demand from Hong Kong (-38%). Overall volume of meat&offal exports grew by 1% but fell in value by 7% in 2018.

-  **Chinese import demand**, the main driver of world pork trade, **fell by 13% in 2018**; the EU maintained its share above 60%.
-  The closure of Russian market in 2018 pushed Brazilian exports to the Chinese market, where they rapidly increased their share. Meanwhile, the share of the US halved due to the trade frictions; it should recover if China ends its retaliatory tariffs.
-  **Growth of world trade in 2019** will depend on the level of Chinese demand.

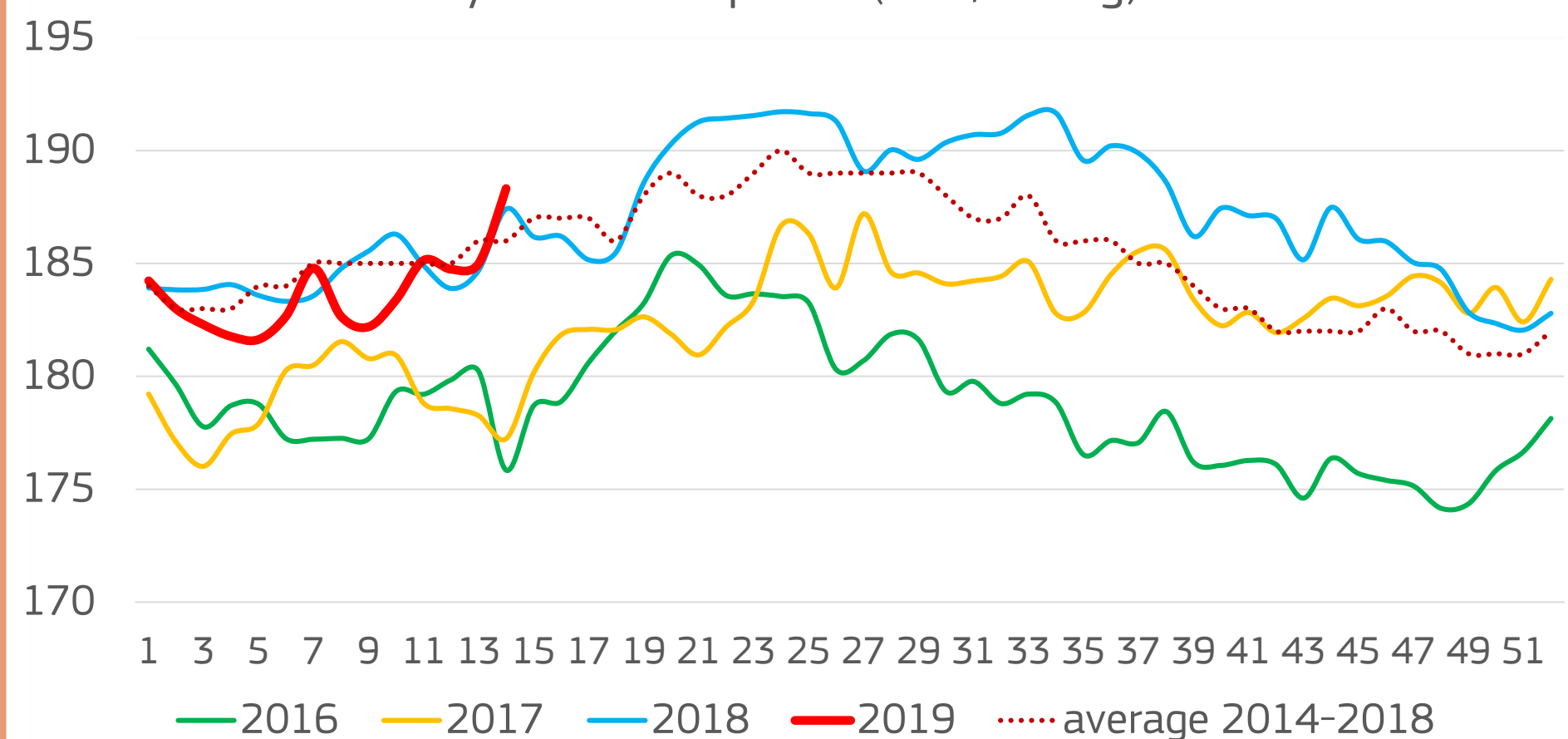


EU poultry meat import by origin
(1 000 t carcass weight)



Source: DG Agriculture and Rural Development based on Eurostat

Weekly EU broiler prices (EUR/100kg)



Source: DG Agriculture and Rural Development

EU production growth to slow down in 2019



EU poultry meat production rose by 5% in 2018, favoured by the continuation of restrictions to Brazilian imports (breast preparations) that kept prices up. Production rose by more than 8% in RO, BG, PL, HU and the UK.



In 2019, production growth is expected to slow down (+2%) as prices adjust, assuming imports from Brazil do not return to full speed yet. Production capacity is growing significantly in eastern Member States, particularly in PL.



The fall of imports from Brazil in 2018 (-95 000 t) was compensated by increased imports from Ukraine (+48 000 t) and Thailand (+45 000 t). However, the total EU import volume remained lower than in 2016. China also increased its volumes (+5 000 t) after the resolution of the WTO dispute that followed a Chinese complaint on larger market access.



Overall, in 2018 poultry meat imports grew by 1.5% year-on year. They are expected to grow by 2% in 2019 following an increased use of available quotas.

High EU prices in 2018, now under pressure

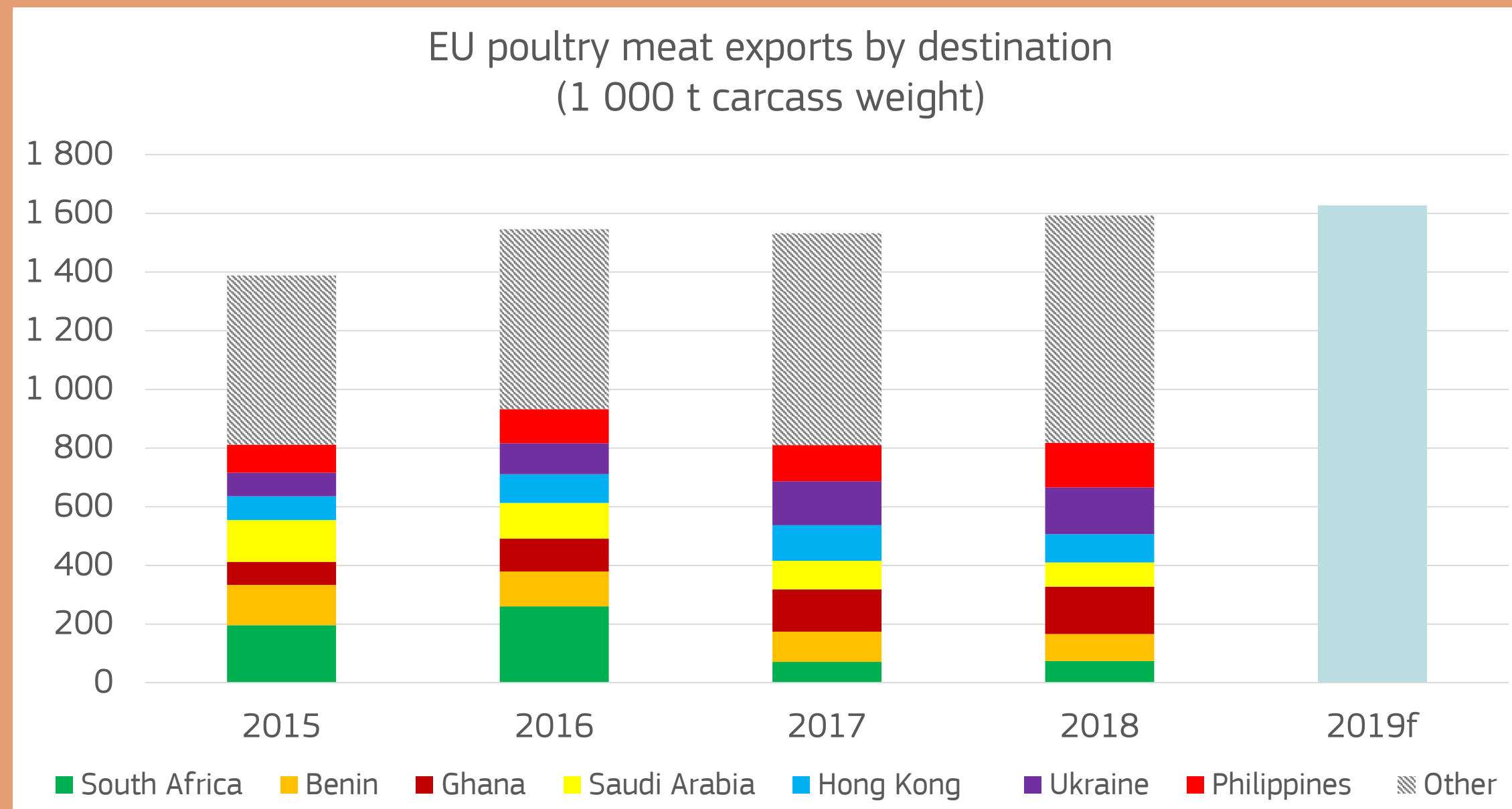


Broiler prices were well above the last 5-year average during most of 2018. 2019 started with prices below average, following the increase in imports at the end of 2018. The price evolution in 2019 will be driven by the development of imports.



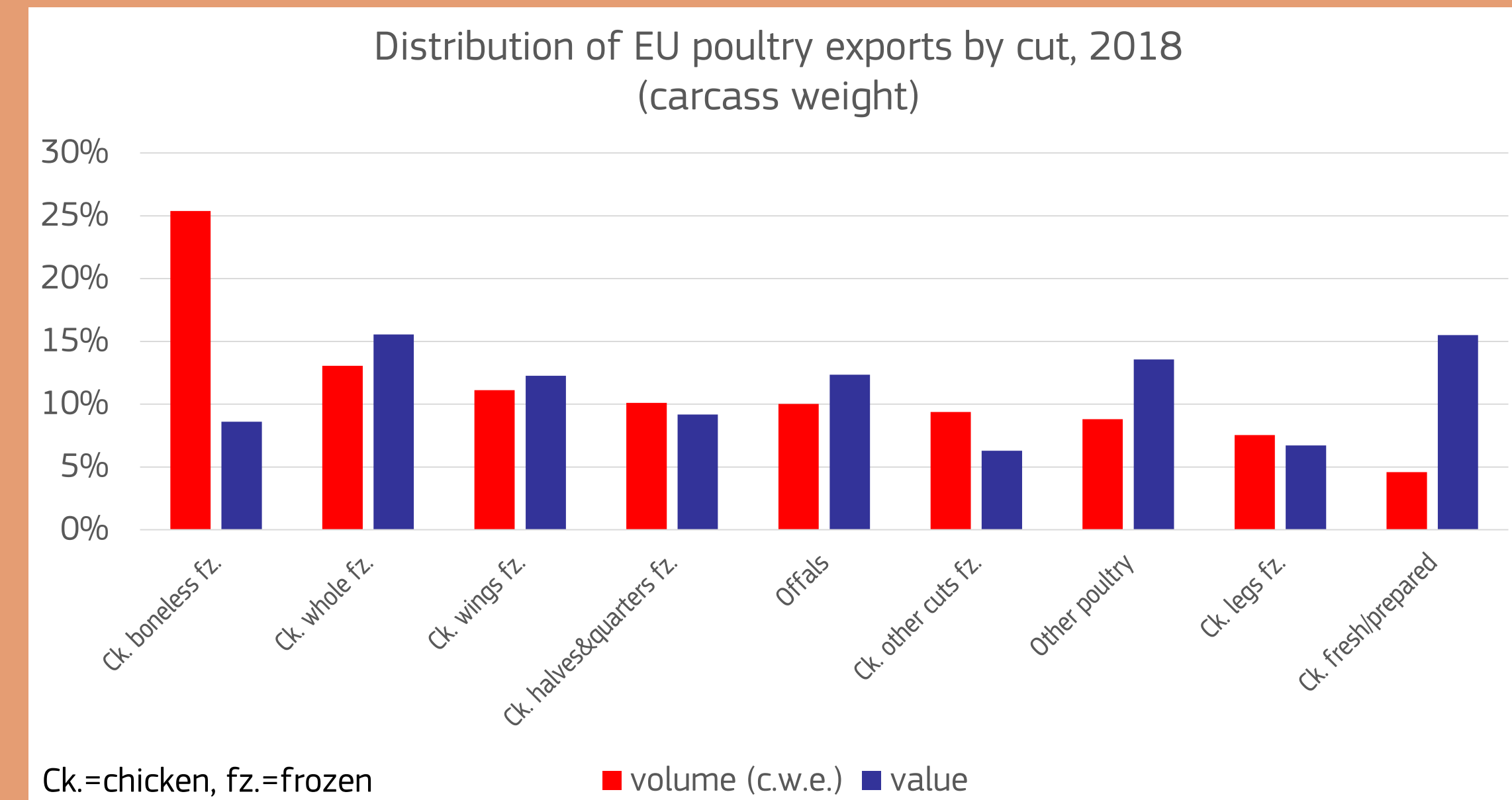
Per capita consumption keeps growing (+1 kg up to 24.8 kg in 2018); it is expected to grow to 25.2 kg in 2019.

EU exports should grow driven by higher production in 2019



Source: DG Agriculture and Rural Development based on Eurostat

Different cuts for different destinations



Source: DG Agriculture and Rural Development based on Eurostat



EU poultry meat exports grew by 4% in 2018 thanks to the increased production. **Growth** is expected to moderate in 2019 (+2%).



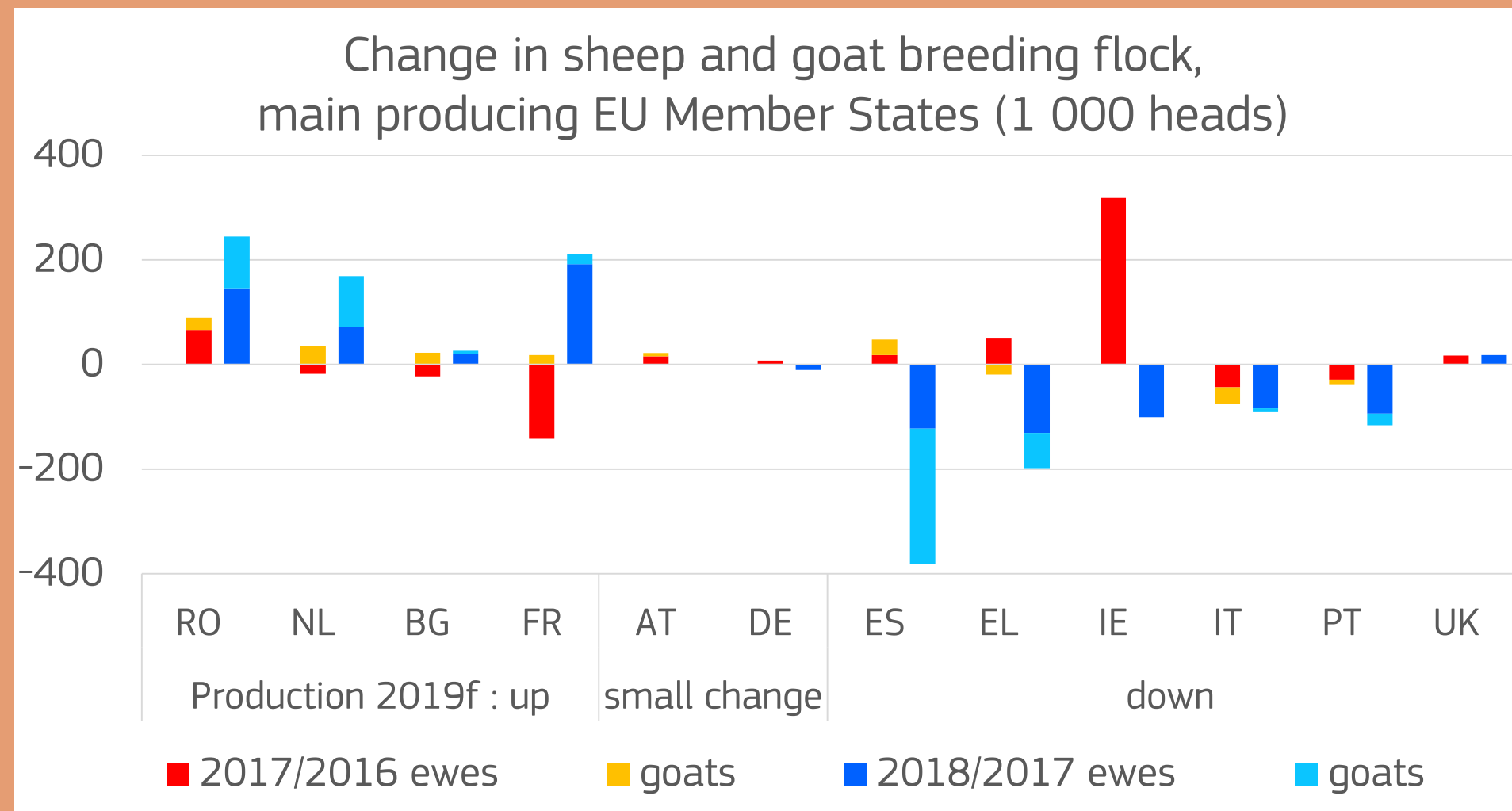
Exports continued to show flexibility in destinations and products with falling exports to Saudi Arabia (-16%) and Hong Kong (-20%) compensated by rises to Ukraine (+6%) and most sub-Saharan countries. Exports to South Africa were still low in 2018 compared to 2015-2016.



Different cuts benefit from different prices in different markets:

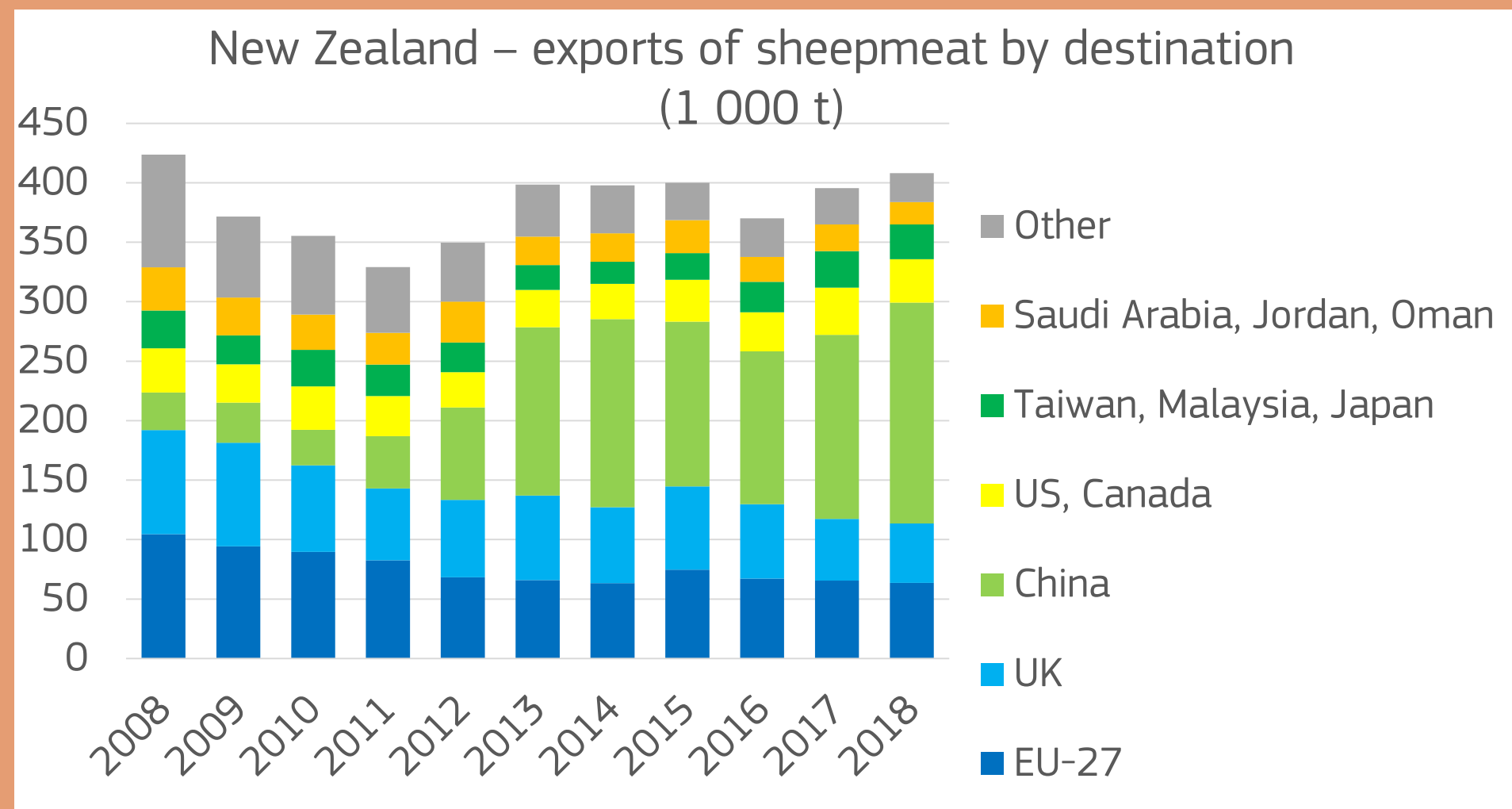
- ▶ Boneless chicken to Ukraine (33% share), mostly cheap meat.
- ▶ Whole chicken to Saudi Arabia (35%), mainly from France.
- ▶ Wings to Asia: Hong Kong (21%), Vietnam (9%).
- ▶ Halves & quarters to Africa: Ghana (30%), Benin (16%).
- ▶ Fresh meat and preparations to Switzerland (23%)

Sheep and goatmeat



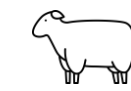
Note: Ewe & ewe-lambs put to ram, and goats mated & having already kidded

Source: DG Agriculture and Rural Development based on Eurostat

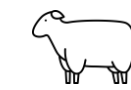


Source: DG Agriculture and Rural Development based on GTA

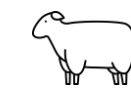
EU sheep and goat meat production further down in 2019



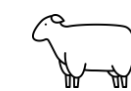
EU sheep and goat meat production decreased in 2018 (-1%). The cold winter and spring have led to lower lambing rates in northern Europe and the summer drought throughout the EU led to a shortage of forage, with consequent early slaughter at a lower carcass weight.



Therefore, the EU sheep and goat flock decreased in 2018 (-1%), with breeding herds falling in the main producing countries (ES, EL, IE, IT and PT).

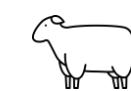


EU production is expected to decline further in 2019 (-1%), reflecting smaller (breeding) flocks in the main producing countries.



EU prices were high in 2018 due to low meat availability and favourable world demand. They may remain high in 2019 due to a further supply decline. At the beginning of 2019 (7th week), prices were lower than in 2018 for heavy lambs (-4.3%) and similar for light lambs.

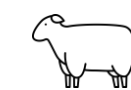
Lower availability of sheepmeat from New Zealand



EU sheepmeat imports, dominated by New Zealand (85%), were stable in 2018.



Since 2012, New Zealand has focused more on Asian markets, in particular China. The share of China in New Zealand exports increased to 26%, while the share of the EU almost halved during past 10 years to 16%.






In case of no disturbances in trade flows, slightly lower EU imports are expected in 2019, with lower New Zealand shipments to the EU. This may contribute to a decline of sheepmeat consumption in the EU (from 2.3 to 2.2 kg per capita).

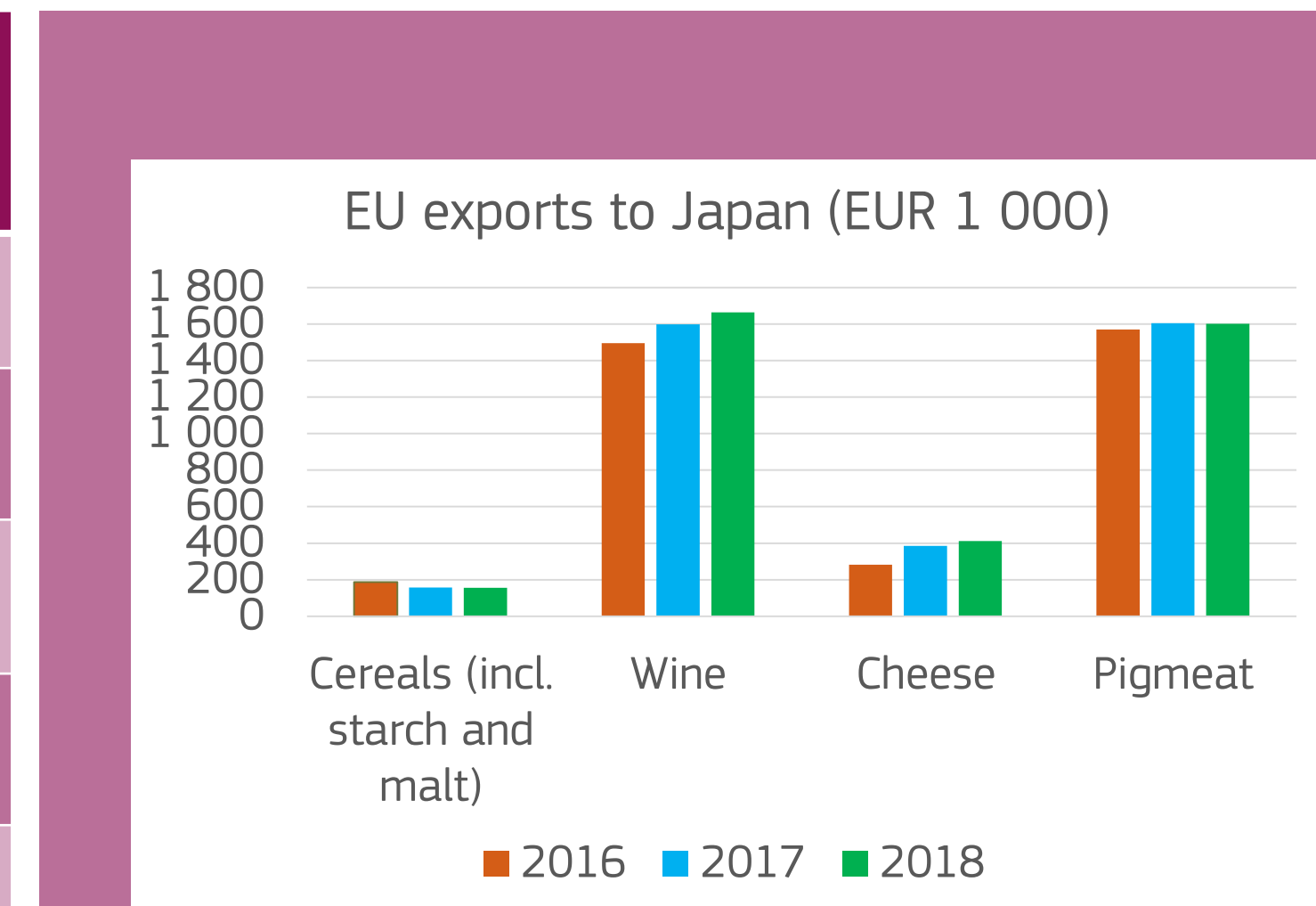
EPA EU-JAPAN

Opportunities rise in the East...

-  Agri-food exports to Japan: **EUR 5.7 billion/year**. Japan is a high-value market and the **4th biggest** for the EU.
-  European partnership agreement (EPA) entered into force on **01/02/2019**.
-  **87%** of EU agri-food trade value (2014-2016) will be **liberalised over time**.
-  **Wine**: full liberalisation at entry into force.
-  **Pigmeat**: almost free trade in 10 years.

-  **Beef**: drastic tariff reduction over 15 years with very high safeguard level, possibly eliminated after 15 years.
-  **Cheese**: liberalisation of hard cheeses in 15 years, TRQ (duty free) for other cheeses of significant volume and unlimited increase.
-  More than **200 EU GIs** protected.
-  For more details: <http://ec.europa.eu/trade/policy/in-focus/eu-japan-economic-partnership-agreement/>

Product	Before EPA	EPA Tariff	EPA Safeguard/ TRQ	Transition
Wine	14%-40% (ad-valorem equivalent)	Free trade		No transition
Beef	38.5%	9%	43 500 t to 50 500 t	15 years
Pigmeat	4.3%	Almost free trade	Temporary safeguard	10 years
Hard cheese	29.8%	Free trade		15 years
Other cheeses	22.4%-40%	0% within TRQ	TRQ: 20 000 t to 31 000 t	15 years



Source: DG Agriculture and Rural development, based on Eurostat