

EU AGRICULTURAL OUTLOOK

FOR MARKETS, INCOME AND ENVIRONMENT 2022 - 2032



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While all efforts are made to provide sound market and income projections, uncertainties remain.

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NOTE TO THE READER

The report presents the medium-term outlook for EU agricultural markets, income and environment until 2032. It is based on a set of macroeconomic assumptions deemed most plausible at the time of the analysis. Short-term inflation and GDP projections are based on the latest European Central Bank forecast in the short term, while in the medium term, in addition also oil prices, USD/EUR exchange rate, are based on S&P Global and the September European Commission's forecast. These were updated in November 2022. Population figures were adjusted in a short term outlook and take into account an inflow of people fleeing from Ukraine in 2022 and follows a declining trend in the medium term. The analyses of agricultural markets rely on data that was available up to the end of September 2022 for agricultural production and trade and an agro-economic model used by the European Commission.

As EU Member States have submitted their CAP strategic plans to the Commission, projections take this into account for 2023-2032. However, the level of ambition stemming from various policy initiatives, notably under the European Green Deal and in particular the targets of the Farm to Fork and Biodiversity strategies, for which legislation is being prepared, is not reflected in the presented baseline. Only free trade agreements that had been ratified up to end of September 2022 are considered.

The report is also accompanied by an analysis of a selected set of market uncertainties. Possible variations are due to fluctuations in the macroeconomic environment and in the yields of main crops and milk. Specific scenarios are also presented for extreme weather events and livestock reduction resulting from requirements for high density regions.

An external review of the baseline and the scenarios was conducted at a hybrid outlook workshop organised on 20 October 2022 by the Directorate-General for Agriculture and Rural Development (DG AGRI), which was led by Franziska Schweiger, Matthias Vancoppenolle and Sabrina Denin. At the workshop, valuable input was collected from high-level policy makers, European and international modelling and market experts, private companies and other stakeholders.

This Commission report is a joint effort between DG AGRI and the Joint Research Centre (JRC), with DG AGRI responsible for the content. As uncertainties on geopolitical macroeconomic developments and trade relations, as well as climate events in the next 10 years remains high, it is important to highlight that the medium-term outlook presents a baseline for any future analytical and scenario work, which would allow testing different development paths.

In DG AGRI, the report and underlying baseline were prepared by Lucia Balog, Piotr Bajek (development of EU farm structures), Paolo Bolsi (macroeconomic environment, agricultural labour and income, food security), Vincent Cordonnier, Andrea Furlan (environmental scenario), Mihaly Himics, Beate Kloiber, Adam Kowalski, Dangiris Nekrasius (sugar, biofuels), Andrea Porcella Čapkovičová (overall coordination, milk, dairy products), Carlo Rega, Alexander Stein (land use, cereals, oilseeds, oilmeals, vegetable oils, protein crops), Jean-Marc Trarieux, Benjamin Van Doorslaer (meats, feed) and Ruben Franco Pescador. DG AGRI's outlook groups and market units helped preparing the baseline.

The JRC team that contributed to this publication included, for the outlook Christian Elleby, Beatrice Farkas (baseline preparation), Ignacio Pérez Domínguez (technical co-ordination of the baseline work); Simone Pieralli (baseline preparation, extreme weather events scenario); for the environmental scenario, Maria Bielza, Franz Weiss, Thomas Fellmann, Mihaly Himics, Jordan Hristov, Renate Koeble, Peter Witzke, Robert M'Barek and Emanuele Ferrari (food security). Marcel Adenauer and Hubertus Gay from the OECD also provided valuable technical support and expertise.

The text on the oilseed complex for selected Member States was prepared by the AGMEMOD consortium, represented by: Verena Laquai (Thünen Institute) with additional contributions from Martin Banse, Marlen Haß and Max Zirngibl (Thünen Institute), Ana Gonzalez Martinez, Roel Jongeneel and Myrna van Leeuwen (Wageningen Economic Research), Mariusz Hamulczuk (Warsaw University of Life Science) and Edit Varga, Anna Boglárka Éliás, Zsuzsa Molnár and Norbert Potori (AKI Institute of Agricultural Economics).

We are grateful to the participants from the October 2022 outlook workshop and to many other colleagues for their feedback in the preparation of the report.

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THE OILSEED COMPLEX for selected EU countries

GRAPH 2.12 Oilseed production in selected EU countries (million t)



Source: Simulations based on AGMEMOD.

GRAPH 2.13 Crushing of oilseeds (million t)



Source: Simulations based on AGMEMOD.

GRAPH 2.14 Net trade (incl. intra-EU trade) of oilseeds (million t)



Source: Simulations based on AGMEMOD.

Rapeseed production recovers while sunflower production continues to grow

Driven by relatively high prices of oilseeds compared to cereals, the oilseed area is projected to expand between now and 2032 in Germany, France, and Poland, while area expansions in Romania, Hungary and Bulgaria are restricted by crop rotation requirements (oilseed are already cultivated on a quarter to one third of the arable land). The sharp increase in the sunflower area, especially in 2022, is assumed to be a short-term phenomenon due to Russia's invasion of Ukraine and associated policies in the EU such as the derogation to allow cultivation on fallow land.

Rapeseed yields have also started to increase again after significant drops between 2015 and 2020 and are projected to increase slightly further as producers adapt their production system to handle the fewer approved crop protection products. For sunflower, the picture is more diverse with yields increasing in Romania, Hungary, and Bulgaria, and nearly stagnating in France. Despite the projected growth in rapeseed production, France and Germany are not expected to exceed production levels observed in the last decade. Sunflower seed production is projected to increase the most in Romania and Hungary, while only small increases are expected in France and Bulgaria. The production of soya beans will continue to be supported by the new CAP, in Poland, France, Romania, and Hungary. This should result in strong growth rates, albeit from low levels, except for Romania where the support is slightly reduced in the new CAP.

Only slight expansion of oilseed crushing

Crushing, main method for extraction oil, does not necessarily take place in the country from where the oilseeds originate. Germany is a large importer of oilseeds from EU and non-EU countries that are crushed in oil mills located at sea and river ports, whereas France practices crushing predominantly on domestically produced oilseeds. For both countries, crushing capacities are not likely to expand due to low margins and decreasing domestic oil and meal demand. However, expansions might be observed for Hungary driven by increasing oilseed production and growing demand for vegetable oils.

Reduced imports and increased exports of oilseeds

The growing domestic production of oilseeds results in decreasing imports of rapeseed in Germany and of soya beans in France. In Romania, Hungary, and Bulgaria, as production is growing faster than domestic consumption, net exports of rapeseed and sunflower seed are increasing.



Source: Simulations based on AGMEMOD.



Source: Simulations based on AGMEMOD.



Source: Simulations based on AGMEMOD.

Soya bean meal as preferred feedstock except in Germany

The demand for oilseed meals strongly depends on developments in the livestock sector. In most EU countries, the livestock production is projected to decline, in line with lower domestic demand and expected changes in the production systems to cope with multiple challenges (environmental regulations, animal diseases, animal welfare). This should result in an overall decline in demand for oilseed meal. One exception is the growing poultry sector in Poland which is accompanied by an increased demand for soya bean meal.

Most EU countries continue to favour the use of soya bean meal due to its nutritional qualities and competitive price over other oilseed meals. Germany is an exception as the retail sector demands GM-free feed to label their final products accordingly. Therefore, the substitution of soya bean meal with other oilseed meals is projected to continue. This would lead to Germany becoming a net exporter of soya bean meal. The other EU countries considered in this analysis are expected to remain net importers of soya bean meal as their increased soya bean production is relatively small compared to the total demand for soya bean meal.

Slight demand growth of vegetable oils and increasing trade

Demand for vegetable oils is dependent on the demand for food and biodiesel. For three vegetable oils considered, the strongest growth in demand is expected to be in Hungary due to increased food use. Increased demand is also expected in Germany and France primarily due to increased biodiesel production.

In all countries, rapeseed oil is mainly used as a feedstock for biodiesel production. Due to substitution effects between vegetable oils for biodiesel use, rapeseed oil is projected to increase slightly in Germany and France and only slightly decrease in the other EU countries considered in this analysis. Demand for sunflower oil is growing the most in Hungary and Germany as the demand for ready meals grows, while approximately stagnating or even declining in the other countries considered. The latter may be because of consumer preferences shifting towards more healthy oils, especially in France. Due to its price competitiveness, soybean oil demand is set to increase in all countries except Hungary. The big producers of rapeseed (Germany, Poland, and France) and sunflower seed (France, Romania, Hungary, and Bulgaria) are also net exporters of rapeseed oil and sunflower oil, with exports to increase, except for France which is projected to become a net importer of rapeseed oil and Bulgaria which already exports more than 80 % of its sunflower oil production. Additionally, net exports of soya bean oil of Germany are projected to decline, while net imports of sunflower oil might increase. Of the five countries, only Poland is a net importer of vegetable oils as soybean oil and sunflower oil imports exceed rapeseed oil exports and is expected to remain a net importer.