



European Commission
Directorate-General for Agriculture

CAP reports

Prospects for agricultural markets 2003 - 2010

June 2003

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Luxembourg: Office for Official Publications of the European Communities, 2004

ISBN 92-894-5883-6

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Printed in Belgium

PRINTED ON WHITE CHLORINE-FREE BLEACHED PAPER

European Commission
Directorate-General for Agriculture

PROSPECTS FOR
AGRICULTURAL MARKETS
IN THE EUROPEAN UNION

2003 – 2010

June 2003

NOTE TO READERS

The medium-term perspectives presented in this publication consist of a set of market projections elaborated on the basis of specific assumptions regarding macroeconomic 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.

This report, based on statistical information available at the beginning of May 2003, covers the current EU-15 as well as the enlarged EU-25.

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LIST OF ACRONYMS AND ABBREVIATIONS

BSE	<i>Bovine Spongiform Encephalopathy</i>
CAP	common agricultural policy
CEECs	central and eastern European countries
cwe	carcass weight equivalent
DEFRA	Department for Environment, Food and Rural Affairs (United Kingdom)
DG AGRI	Directorate-General for Agriculture
EC	European Commission
EU	European Union
FAPRI	Food and Agricultural Policy Research Institute
FMD	Foot and Mouth Disease
FOB	free on board
GDP	gross domestic product
ha	hectare
kg	kilogramme
LDC	least developed country
OTMS	Over Thirty Months' Scheme
SMP	skimmed milk powder
t	metric tonne
UAA	Utilised Agricultural Area
URAA	Uruguay Round Agreement on Agriculture
US	United States of America

EXECUTIVE SUMMARY

In spite of relatively favourable developments expected on the world grain markets and in the currency environment, the medium-term projections depict an outlook for the EU-15 cereal markets that would appear relatively fragile. The combination of the recent rise in cereal imports and domestic production, and a lower than expected increase in cereal exports is likely to trigger a significant growth in total cereal stocks in 2002/03. The further expansion in cereal availability over the medium-term should prevent any reduction of these stocks as the gains on the domestic feed market should remain constrained by the moderate expansion foreseen in EU animal production. These developments should in turn generate a significant accumulation of public stocks of rye and barley.

The EU-15 oilseed sector is predicted to present a gradual improvement in its production potential over the medium-term on account of steady price prospects (fuelled by a sustained demand for vegetable oil which should translate into a strong pattern for oil-rich oilseeds) and productivity increases. The growth in EU demand for oilseed and oilseed products would remain rather moderate over the medium term in the face of modest growth prospects from the livestock sector and greater competition from EU cereals.

The medium-term prospects for the EU-15 rice sector are forecast to remain characterised by a market imbalance which is expected to gradually deteriorate towards unsustainable levels after 2006.

EU-15 beef consumption, which has almost fully recovered after the second BSE scare, is forecast in 2003 to be higher than production for the first time in more than 20 years. This market development, which is expected to persist over the whole 2003-2010 period, should allow for the clearing out of intervention stocks by 2004.

The other meat markets are predicted to recover over the medium-term from the current difficulties (cyclical peak in pigmeat production and outbreak of avian influenza in the Netherlands and to a lesser extent in Belgium and Germany). In spite of the current positive market conditions, EU-15 sheep and goat production is predicted to stagnate and even slightly decrease over the long-term.

The EU-15 dairy sector is predicted to present a gradual improvement after the current short-term imbalance triggered by a slowdown in demand growth for high value-added products and the resulting rise in the production and stock level of bulk products. The market balance for major dairy products is expected to improve over the medium-term, with increasing cheese production and consumption and, at the same time, lower availability of butter and SMP.

Agricultural production in the 10 new Member States would expand slightly as a response to more stable and slightly higher prices, good perspectives on the single market and rural development measures. Compared to the situation for

the EU-15 without enlargement, accession would change some of the dynamics of agricultural markets in the EU, which would modify market outlooks in particular for cereals, meat and dairy products.

Due to the less positive developments in barley and maize prices on world and domestic markets, coarse grain production in the EU-25 would expand only slightly from 140.4 million t in 2004 to 147.3 million t in 2010. The annual marketable surplus of these cereals would peak in 2004 and would then stabilise from 2007 onwards at a lower level. Marketable rye surplus would, however, reach unsustainable levels.

Total beef production should stabilise at around 8.3 million t in EU-25, i.e. slightly above domestic consumption. Beef markets in the new Member States would remain under pressure with falling per capita consumption as beef would remain a meat of low preference for consumers.

Pork production in the EU-25 would expand from 22.2 million t in 2004 to 23.1 million t in 2010. Poultry production would also increase slightly from 10.7 million t to 10.9 million t in 2010. The short-term economic outlook would contribute to less expansive markets, which however would pick up again in the medium-term.

After enlargement, production of butter would decline (mainly in current Member States) from 2.16 million t in 2004 to 2.03 million t in 2010. In the same period, cheese production would expand by 0.5 million t (mainly in the current Member States). Nevertheless, a persistent market surplus for butter and SMP would leave prices for butter and SMP under pressure in the EU-25.

These projections remain subject to some uncertainties that could have major implications on EU markets. In particular, these include future developments on the currency markets, the medium-term outlook for world agricultural markets, the outcome of current multilateral trade negotiations and the pace and strength of the global economic recovery. If more favourable developments in these economic, market and policy factors could slightly improve the overall outlook for EU agricultural markets, a weaker context would in turn significantly affect the predicted balance of some key EU agricultural markets (such as coarse grains and dairy products). These asymmetric impacts have to be borne in mind when examining these projections.

1. INTRODUCTION AND MAIN HYPOTHESES

This publication summarises the main results and underlying assumptions of medium-term projections for some key agricultural products in the current and enlarged European Union for the period 2003-2010¹. The results presented are based on statistical information available at the beginning of May 2003.

These projections are established under a specific set of assumptions. The most important assumptions concern domestic agricultural and trade policies, as well as the outlook for the macroeconomic environment and for world agricultural commodity markets.

- (1) All policy instruments and measures are expected to operate under the current rules or within the changes already decided by the beginning of May 2003 for the 2003-2010 period. In particular, this concerns the **Agenda 2000** reform of the **common agricultural policy (CAP)** in the EU, the **specific conditions of accession of the 10 new Member States** agreed upon in the Copenhagen Summit of December 2002 (notably for the phasing-in of direct payments, the top-up possibility and production quotas), and the **Farm Security and Rural Investment Act (FSRIA) of 2002** in the US.
- (2) It is also assumed that all commitments taken within the **Uruguay Round Agreement on Agriculture (URAA)**, with regard in particular to 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 2003-2010 period**.
- (3) The **trade agreements** that have been concluded by the EU prior to the end of April 2003, notably with the least developed countries (LDCs) and the candidate countries from central and eastern Europe (CEECs) have been taken into account in these market projections. They concern in particular the most recent '**double-profit**' agreements with the candidate countries. The new import regime for medium and low quality wheat and barley introduced at the beginning of 2003 has been taken into account.
- (4) The **EU economy** ended 2002 on a very weak note as its recovery lost momentum in the second half of the year due to global uncertainties and persistent structural rigidities. After a very modest 1.1 % in 2002, economic prospects for 2003 remain bleak, although a recession is likely to be avoided. If continued sluggishness may be expected to prevail in the very short-term, the return of business and consumer confidence, and lower oil prices could generate a moderate recovery in 2003 with

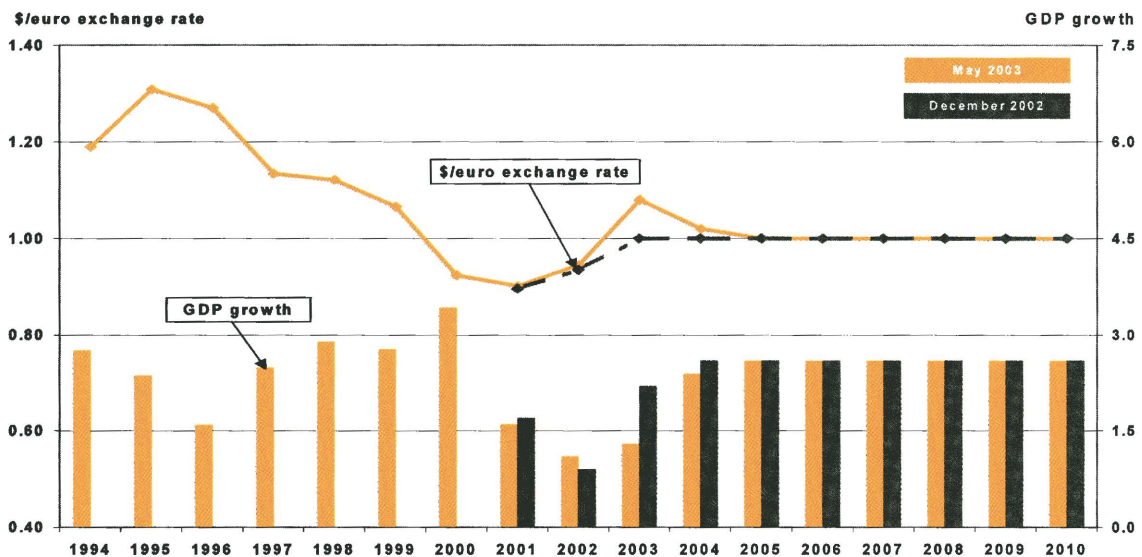
¹ These projections have been undertaken on the basis of two modelling tools. The EU-15 projections have been conducted with a set of partial equilibrium, dynamic models covering the most important arable crops, animal and dairy products. The ESIM model, which is a price driven, world, multi-country non-linear, agricultural sector model has been used to develop the EU-25 projections. For more information on the modelling and methodological framework, cf. *Prospects for agricultural markets 2002-2009*, published in June 2002, European Commission.

average growth reaching 1.3 % (a much weaker picture than predicted last autumn, cf. Graph 1)².

Several factors – including a more supportive international environment, investment spending and higher private consumption underpinned by increases in earnings, subdued inflation and employment growth – are expected to contribute to supporting a strengthening of economic growth and provide the basis for a sustainable expansion of the EU economy over the medium-term. Over the 2004–2010 period, economic growth is expected to average a more solid 2.6 % per annum.

However, a considerable level of short-term uncertainty remains, with notably growing budgetary and current account imbalances in the EU, a more fragile global environment and a weaker and slower return of confidence.

Graph 1. Medium-term development for EU-15 GDP growth (in %) and for the USD/EUR exchange rate (1 EUR = ... USD), 1994–2010, with the projections carried out in December 2002 and May 2003



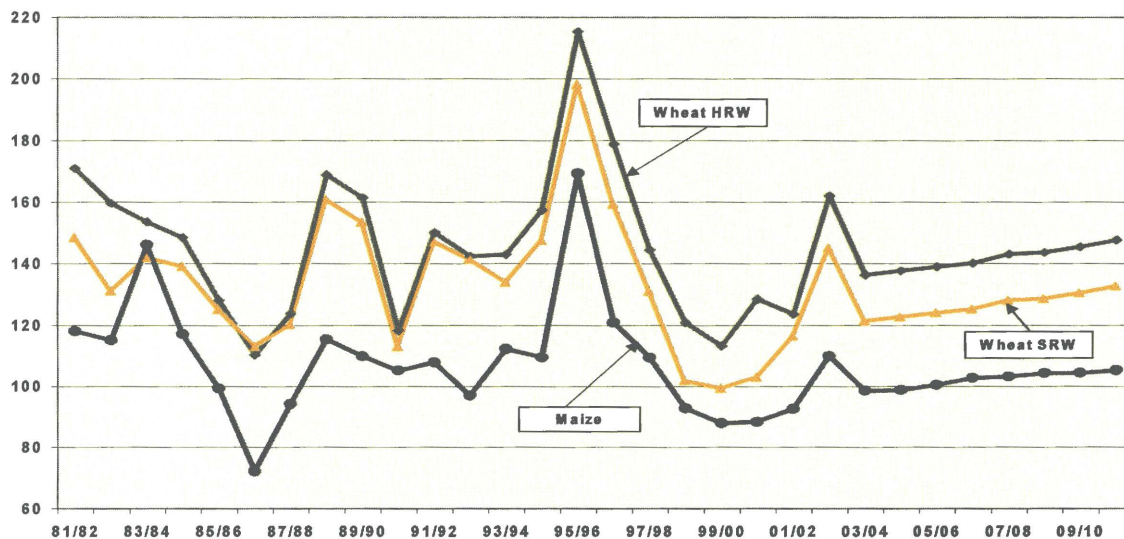
The recent strengthening of the **USD/EUR exchange rate** is expected to continue over the short-term. The euro is then assumed to stabilise around parity against the US dollar as the impact of the short-term factors contributing to the recent strength of the euro may be expected to weaken. This trading pattern would appear more consistent with persistent differentials in economic growth between the US and the EU, and with purchasing power parities.

- (5) Short-term developments on the **world agricultural markets** are expected to remain dominated by the aftermath of the short-term spike in world grain prices generated by unfavourable climatic conditions in some major producing countries, and the sharp fall in dairy prices driven by high supply and weak global demand (cf. Graphs 2 and 3). Over the medium-term, the outlook for world agricultural markets is predicted to remain essentially supported by rising food demand driven by a recovery in the global macroeconomic environment (with more broadly-

² European Commission, Directorate-General for Economic and Financial Affairs. Economic Forecasts, spring 2003. *European Economy* No 2/2003.

based and sustainable growth toward long-run potential), higher population, urbanisation and changes in dietary patterns, particularly in many emerging economies. Improved productivity would continue to account for most of production growth.

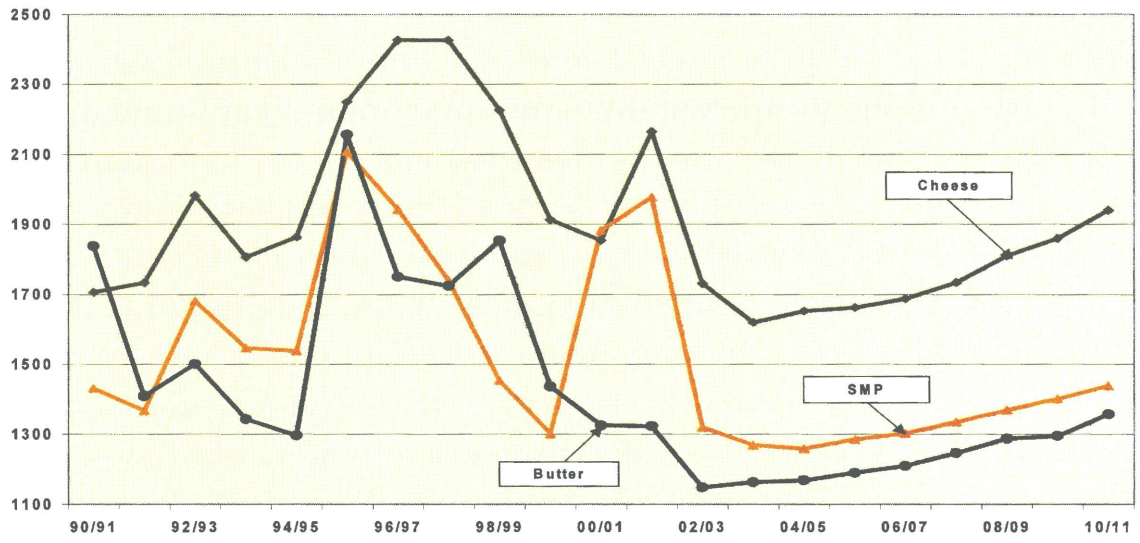
Graph 2. Medium-term development in world cereal prices (USD/t), 1981–2010



World trade in agricultural commodities is expected to display sustained growth, as demand for food products should outpace production in many developing countries. By contrast, commodity prices would demonstrate only moderate nominal growth over the medium-term as the rebuilding of stocks and higher production levels moderate the magnitude and pace of price rises. After a short-term fall in 2003/04, grain prices would trend upwards, with SRW wheat and maize reaching 132 USD/t and 105 USD/t by 2010/11 respectively. Rapeseed and sunflower seed would trade at 272 USD/t and 289 USD/t respectively by 2010/11.

Dairy prices would exhibit a steady, though moderate, recovery, with butter, SMP and cheese prices standing at 1357 USD/t, 1439 USD/t and 1940 USD/t by 2010 respectively. By contrast, meat prices would show more modest increases over the medium-term, notably for beef. Yet, meat prices would develop above the low 2002 levels.

Graph 3. Medium-term development in world prices for dairy products (USD/t, FOB Northern Europe), 1990–2010



2. PROSPECTS FOR AGRICULTURAL MARKETS IN THE EU-15

2.1. Arable crops

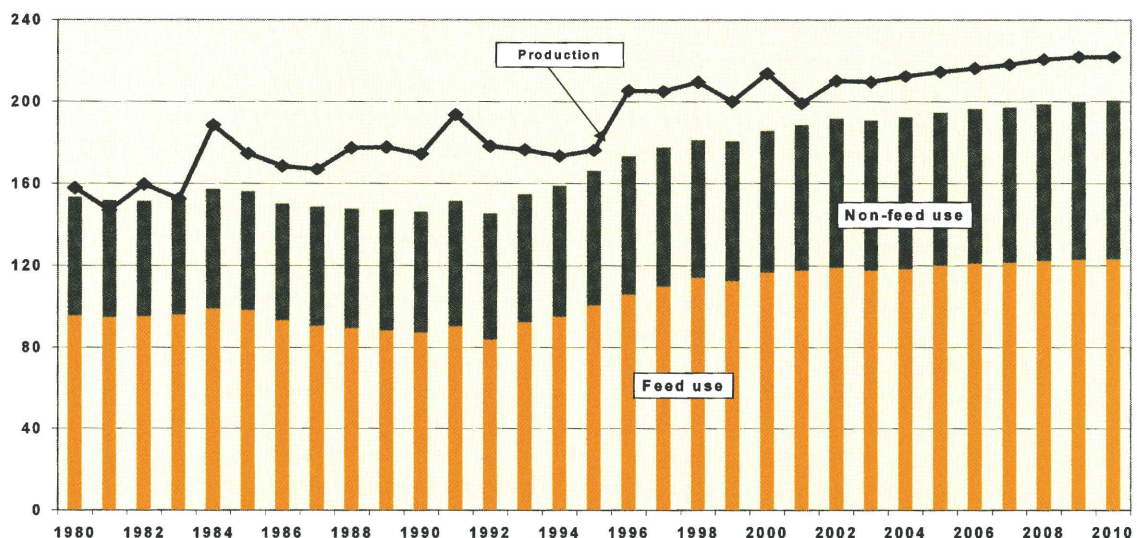
2.1.1. Cereals

In spite of relatively favourable developments expected on the world grain markets and in the currency environment, the medium-term projections depict an outlook for the EU cereal markets that would appear relatively fragile. The recent rise in cereal imports and domestic production, combined with a lower-than-expected increase in cereal export are predicted to trigger a significant growth in total cereal stocks in 2002/03. The further expansion in cereal availability over the medium-term should prevent any reduction of these stocks as the gains on the domestic feed market should remain constrained by the moderate expansion predicted for the EU animal production. These developments should in turn generate a significant accumulation of public stocks of rye and barley.

After a strong rise to 37.3 million ha in 2002, total cereal area is expected to decline sharply in 2003 to 36.6 million ha on account of unfavourable climatic conditions and price-driven increase in oilseed area. Over the medium-term, the overall decline in average domestic cereal prices and sustained price prospects for oil-rich oilseed are foreseen to generate a slow decline in total cereal area that would reach 36.0 million ha in 2010.

Common wheat and durum wheat should exhibit strong gains, whereas barley would display a declining trend linked to less favourable profitability prospects. The predicted rise in cereal yields (of approximately 1.2 % per annum on average) would more than offset the decline in cereal area and entail a gradual expansion in cereal production over the medium-term to 222 million t in 2010 (Graph 4).

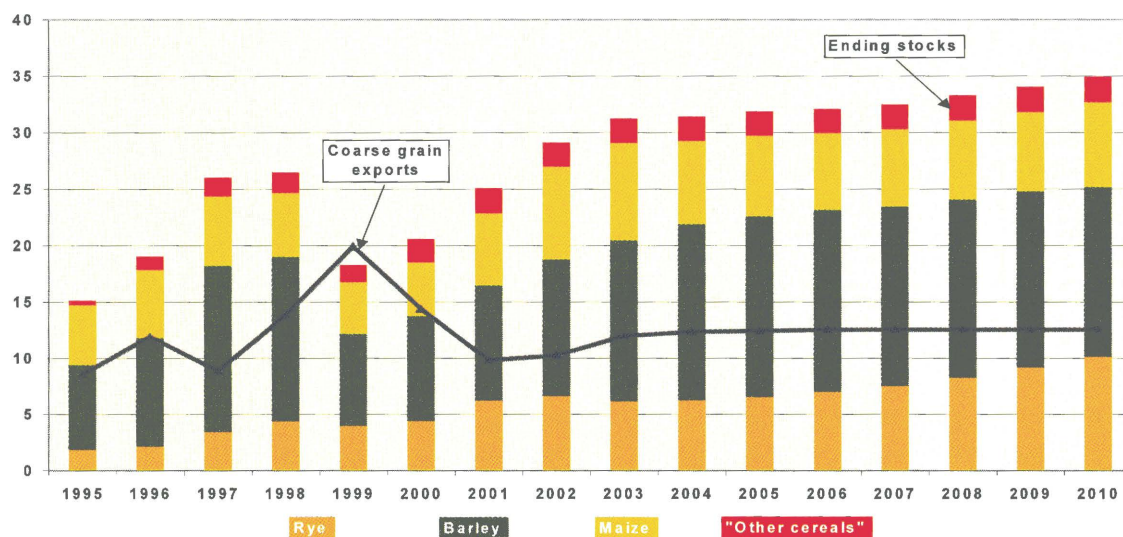
Graph 4. Outlook for cereal supply and demand in the EU (million t), 1980-2010



Most of this additional production would be absorbed by the EU domestic market thanks to renewed gains in the price competitiveness of cereals. The growth in cereal domestic use would be equally shared between feed and non-feed consumption as the growth in the livestock sector is foreseen to slow down significantly (as compared to the post-1992 CAP reform period).

Favourable medium-term perspectives predicted for global demand and world market prices should enable EU exports to stand at approximately 30 million t over the medium-term, i.e. above the annual limit for subsidised exports set by the URAA, thanks to some unsubsidised exports of durum wheat, common wheat and barley/malt³. The recent changes in the import regime for medium and low quality wheat, and barley should stabilise total cereal imports at around 10 million t over the medium-term.

Graph 5. Allocation of the coarse grain production surplus in the EU, 1995–2010 (million t)



The outlook for the common wheat and durum wheat markets appears rather favourable over the medium-term as these cereals should benefit from a steady growth in domestic and external demand which would maintain their market prices in line with world market developments and substantially above support levels.

By contrast, market prospects for barley and rye are forecast to display a slow but continuous deterioration as the adjustment potential of these markets should remain largely constrained by the relatively high market prices of these cereals. As a result, total public stocks of barley and rye would expand beyond 15 million t by 2010 (Graph 5).

2.1.2. Oilseeds

The EU oilseed sector is foreseen to display a gradual improvement in its production potential over the medium-term on account of steady price prospects (fuelled by a sustained demand for vegetable oil which should translate into a strong pattern for oil-rich oilseeds) and productivity increases.

After bottoming out in 2002 at 4.1 million ha with the implementation of the last step of the Agenda 2000 CAP reform, total 'food' oilseed area is foreseen to exhibit a swift rebound in 2003 at 4.5 million ha. Over the medium-term, total 'food' oilseed area would gradually increase up to 5.1 million ha in 2010, with non-food oilseed area stabilising at around 0.9 million ha over the whole period, in line with a 10 % rate of mandatory set-aside.

³ These projections for cereal exports remain conditional upon the assumption that the URAA limits will be fully used.

Oilseed (food) production is predicted to increase over the medium-term to reach 15.0 million t in 2010 as yields resume rising and oilseed area recovers. The growth in EU demand for oilseed and oilseed products would remain rather moderate over the medium-term on account of modest growth prospects from the livestock sector and greater competition from EU cereals.

2.1.3. Rice

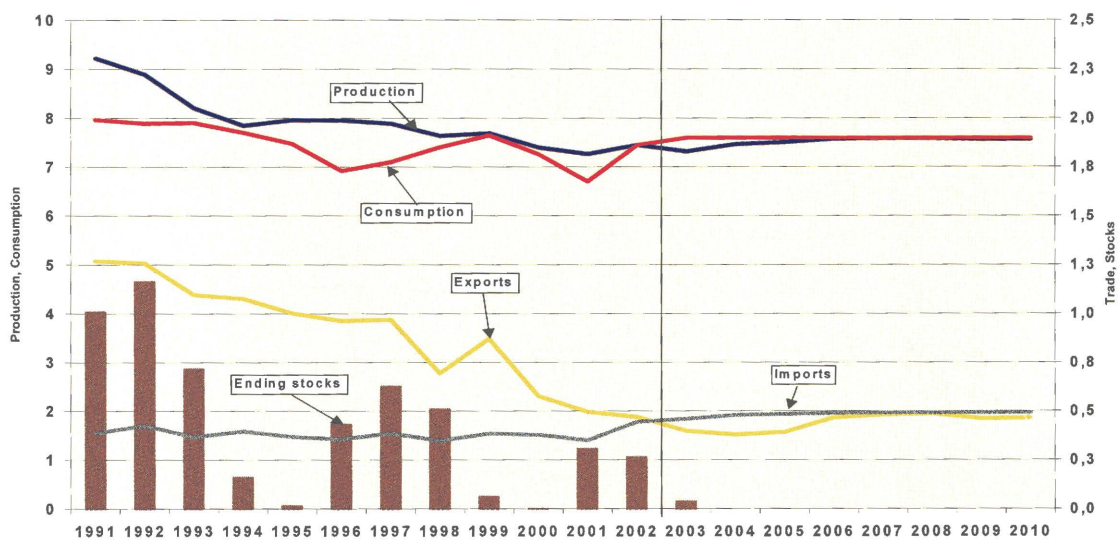
The medium-term prospects of the sector are predicted to remain characterised by a market imbalance which is expected to gradually deteriorate until 2006. The progressive reduction in tariff for rice imports from LDCs adopted under the ‘Everything But Arms’ initiative is then foreseen to dramatically worsen the overall outlook as EU domestic demand would become increasingly, and by the end of the decade almost entirely, satisfied by more competitive imports from these countries. Public stocks would consequently increase rapidly to unsustainable levels, reaching 4.1 million t by 2010, i.e. more than twice the annual production.

2.2. Meat and livestock

2.2.1. Beef and veal

The recovery in beef consumption was confirmed in 2002, increasing by more than 11 % compared to 2001. As production growth remained relatively low (just +2.6 % compared to the low level of 2001), average producer prices stayed at a relatively high level. These improved market conditions have allowed for substantial sales out of intervention stocks, especially since the fourth quarter of 2002.

Graph 6. Outlook for the EU beef market (million t), 1991-2010



Beef and veal production is estimated to increase up to 7.6 million t in 2006 and then decrease slightly in the following years. These projections are based on the assumption that the OTMS scheme in the United Kingdom will be gradually removed from 2004 onwards.

Lower production, a swift recovery in beef consumption and the impact of the special measures taken in 2000 and 2001 in the wake of the sanitary crisis would entail a gradual improvement of the EU beef market with intervention stocks cleared by 2004. Variations in exports are expected to be sufficient to cope with the cyclical ups and downs in production. Imports are predicted to continue to increase (albeit at a slower pace than in 2002⁵), turning the EU-15 into a small net importer of beef meat.

2.2.2. *Pigmeat*

Pigmeat production, which is assumed to be driven mostly by demand (internal and external), is expected to increase over the forecast period, but at a slower rate than in the past, reaching around 18.6 million t by 2010. The medium- and long-term outlook for pigmeat consumption is, in general, positive since pigmeat is likely to continue to be favoured by consumers, although clearly less than poultry. Per capita pork consumption is predicted to increase from 43.7 kg/year in 2002 to around 45.3 kg/year by 2010.

2.2.3. *Poultry*

The outlook for poultry production⁶ is relatively positive as competitive prices with respect to other meats and strong consumer preference should continue to play in favour of poultry. Per capita consumption is predicted to increase from 22.5 kg/year in 2002 to around 24.2 kg/year by 2010. This trend is in line with the long-term growth of consumption that has been observed in the past.

Poultry imports, which have strongly increased in the last few years⁷, are also predicted to grow over the long-term, albeit at a lower pace, and satisfy part of the EU demand growth.

2.2.4. *Sheep and goatmeat*

In spite of a gradual recovery from the FMD crisis over the short-term, the medium-term outlook is expected to display a slight downward trend both for production and per capita consumption. Sheep and goatmeat imports could increase slightly in response to a somewhat better use of market access commitments granted to some third countries as well as the possible impact of increased quotas for the CEECs.

⁴ An important assumption has been made regarding the continuation of the Over Thirty-Months Scheme (OTMS) in the United Kingdom, currently under review within the UK Food Standards Agency and DEFRA. Instead of interrupting the scheme in spring 2004, as assumed in our previous medium-term forecasts, a gradual lifting of the OTMS has been implemented, more in line with analyses conducted in the United Kingdom. It is therefore assumed that the United Kingdom will allow the slaughter for human consumption of animals born after January 2000, as of the beginning of 2004. The OTMS out-take, after a substantial drop in 2004, will be gradually reduced in the following years.

⁵ Available trade statistics show that imports of beefmeat, after the surge during 2002, are continuing to flow in the first months of 2003. Main origins are Brazil with more than 50 % of imports, followed by Argentina (20 %), Uruguay (9 %) and Poland (6.5 %).

⁶ Production has been severely disrupted in the Netherlands, and to a lesser extent in Belgium and Germany, by an outbreak of avian influenza since March 2003. Official estimates of the impact on production of the avian influenza epidemic were not available at the beginning of May 2003 and were not therefore taken into account in the production projections.

⁷ The latest available trade figures confirm that this surge in poultry imports is slowing down somewhat.

2.3. Milk and dairy products

2.3.1. Milk

Milk production and deliveries to dairies broadly follow the same development, reflecting the evolution of the milk reference quantities. On-farm use of milk (which is not governed by quotas) only plays a minor role and continues its decreasing trend, whereas direct sales are not concerned by the milk quota increases decided under Agenda 2000⁸. Milk deliveries, after an expected short-term overshoot of reference quantities, are assumed to stay within quota levels over the projection period.

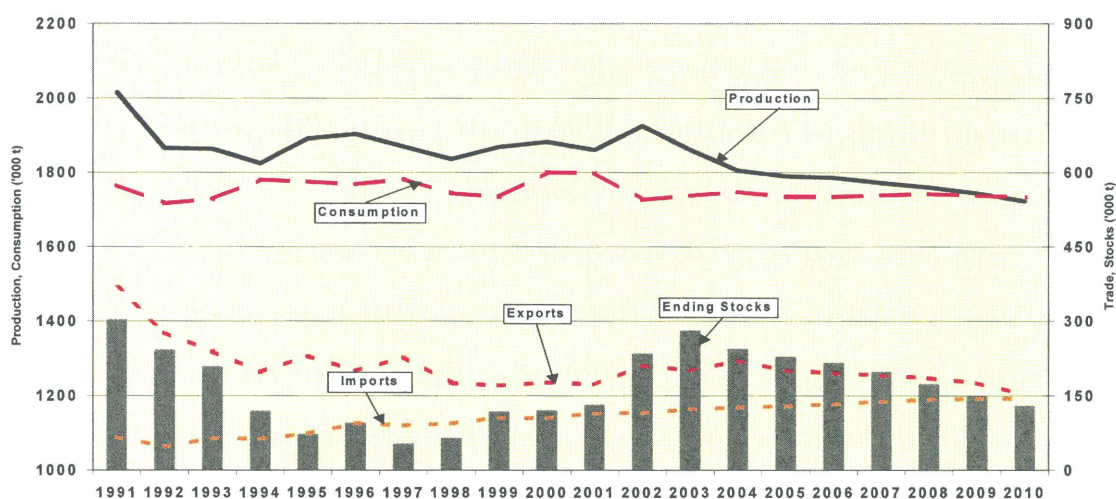
2.3.2. Cheese

The medium- and long-term outlook for cheese consumption is in general positive, though slightly weaker than in the past after the large increases recorded in 2000 and 2001 (+7 % in two years). Per capita consumption is predicted to rise from 18.7 kg in 2002 to about 20 kg by 2010. The steady growth in domestic consumption is expected to absorb most of the increase in cheese production, leaving less to be exported. From 2005 onwards, cheese exports are expected to decrease slightly and then stabilise somewhat at around 445 000 t by 2010.

2.3.3. Butter

The current slowdown in cheese production growth resulted in more milk being channelled into butter production creating a situation of weak prices and high intervention stocks.

Graph 7. Outlook for the EU butter market ('000 t), 1991-2010



Over the medium-term, butter production is predicted to decrease slightly. The Agenda 2000 quota increases foreseen for the period 2005/06-2007/08 are not expected to change this downward trend as the production of other dairy products is predicted to absorb most

⁸ The quota increases are likely to slow down somewhat the long-term decline of the dairy herd. Assuming a further increase in milk yields of around 1.4 % per year on average over the forecast period, the number of dairy cows in the EU is predicted to decline from 19.8 million animals recorded in 2002 (December survey) to around 17.8 million animals by the year 2010.

of the additional deliveries. Furthermore, the lower intervention prices decided under Agenda 2000 will make it less attractive to sell butter and SMP into intervention.

Butter consumption is still tending to decline despite some signs of stabilisation observed over recent years. Projections for per capita consumption are set at 4.5 kg by 2010, compared to around 4.55 kg in 2002.

Market projections for butter show that, after a certain short-term situation of over-supply, the decrease in production should ease somewhat the pressure on intervention stocks, which are expected to be gradually reduced from 2004 onwards.

2.3.4. *Skimmed milk powder*

After a short interruption in 2002, the downward trend both for production and consumption of SMP should continue over the medium- and long-term. The projections suggest a reduction in SMP production from 1 million t in 2001 to around 825 000 t by 2010 (i.e. by around -17 %). While human consumption of SMP is predicted to remain more or less stable, the use of SMP in the animal feed sector, after the sharp drop observed in 2001, is predicted to recover over the short-term and then to decline slightly over time.

Overall, the strong reduction in production that is predicted over the long-term (in line with that observed in the past) together with the expected stabilisation in consumption (that will benefit from lower prices following the implementation of the Agenda 2000 support price cut) is expected to gradually reduce current intervention stocks to zero after 2007.

Table 1. Area under arable crops and set-aside in the EU-15, 2001–2010 (million ha)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Cereals	36.4	37.3	36.6	36.8	36.5	36.4	36.3	36.2	36.1	36.0
Oilseeds ⁽¹⁾	4.4	4.1	4.5	4.6	4.7	4.9	4.9	5.0	5.0	5.1
Protein crops	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Linseed ⁽²⁾	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Silage ⁽³⁾	4.3	4.3	4.3	4.2	4.2	4.2	4.2	4.2	4.2	4.2
Total arable crops (a)	46.5	47.1	46.7	46.9	46.9	46.8	46.8	46.8	46.7	46.6
Compulsory set-aside	3.9	4.0	4.0	4.0	4.1	4.1	4.1	4.1	4.1	4.2
Voluntary set-aside	2.5	2.0	2.2	2.2	2.2	2.2	2.3	2.3	2.3	2.4
Total set-aside (b)	6.4	6.0	6.2	6.2	6.3	6.3	6.4	6.4	6.5	6.5
TOTAL COP (a+b)	52.9	53.0	52.8	53.2	53.2	53.2	53.2	53.2	53.2	53.2

(1) Excluding non-food oilseeds; (2) Including flax and hemp from 2001/02; (3) Excluding grass silage for Finland and Sweden

Table 2. Total cereals balance sheet in the EU-15, 2001–2010 (million t)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Usable production	198.4	209.4	208.9	211.7	213.8	215.6	217.4	220.0	221.1	222.2
Consumption	188.5	191.6	190.8	192.3	194.5	196.3	197.0	198.7	199.6	200.5
Imports	13.2	15.2	10.6	10.4	10.4	10.4	10.4	10.4	10.4	10.4
Exports	19.9	26.7	29.1	29.7	29.8	30.2	30.4	30.7	31.0	31.3
Beginning stocks	36.4	39.7	46.0	45.6	45.7	45.6	45.2	45.6	46.6	47.4
Ending stocks	39.7	46.0	45.6	45.7	45.6	45.2	45.6	46.6	47.4	48.3
of which intervention	8.1	9.0	12.0	13.4	14.4	15.5	15.8	16.6	17.3	18.1

Table 3. Total wheat balance sheet in the EU-15, 2001–2010 (million t)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Usable production	91.1	103.3	101.4	107.6	107.6	109.3	110.4	112.2	113.2	113.9
Consumption	91.7	95.5	93.3	96.8	97.3	98.9	99.0	100.4	101.2	101.7
Imports	9.5	11.0	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6
Exports	10.2	16.5	17.2	17.4	17.4	17.7	18.0	18.2	18.5	18.8
Beginning stocks	16.0	14.7	16.9	14.4	14.4	13.8	13.2	13.2	13.4	13.5
Ending stocks	14.7	16.9	14.4	14.4	13.8	13.2	13.2	13.4	13.5	13.5
of which intervention	0.5	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Table 4. Coarse grain balance sheet in the EU-15, 2001–2010 (million t)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Usable production	107.3	106.2	107.5	104.1	106.3	106.3	107.0	107.8	107.9	108.3
Consumption	96.8	96.1	97.5	95.4	97.2	97.3	97.9	98.3	98.4	98.7
Imports	3.7	4.2	4.0	3.8	3.8	3.8	3.8	3.8	3.8	3.8
Exports	9.8	10.2	11.9	12.3	12.4	12.5	12.5	12.5	12.5	12.5
Beginning stocks	20.5	25.0	29.0	31.2	31.3	31.8	32.0	32.4	33.2	34.0
Ending stocks	25.0	29.0	31.2	31.3	31.8	32.0	32.4	33.2	34.0	34.9
of which intervention	7.7	8.0	12.0	13.4	14.4	15.5	15.8	16.6	17.3	18.1

Table 5. Total rice balance sheet in the EU-15, 2001–2010 (million t)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Usable production	1.50	1.52	1.57	1.61	1.64	1.66	1.69	1.71	1.73	1.77
Consumption	1.80	1.86	1.90	1.93	1.95	1.97	2.00	2.08	2.11	2.13
Imports	0.56	0.62	0.57	0.58	0.59	0.60	0.75	1.43	1.70	1.96
Exports	0.26	0.22	0.22	0.22	0.22	0.22	0.22	0.22	0.22	0.22
Beginning stocks	0.59	0.57	0.63	0.65	0.70	0.76	0.84	1.06	1.89	2.99
Ending stocks	0.57	0.63	0.65	0.70	0.76	0.84	1.06	1.89	2.99	4.37
of which intervention	0.35	0.40	0.42	0.45	0.52	0.60	0.81	1.63	2.73	4.10

Table 6. Beef/veal projections in the EU-15, 2001-2010 ('000 t cwe)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Production (gross, excluding OTMS)	7713	7502	7372	7517	7551	7610	7621	7624	7598	7600
Import of live animals	28	30	30	30	40	50	51	52	52	52
Export of live animals	51	78	80	80	80	80	80	80	80	80
Production (net)	7691	7454	7322	7467	7511	7580	7592	7596	7570	7572
- Meat from destroyed animals	425									
Available net production	7266	7454	7322	7467	7511	7580	7592	7596	7570	7572
Consumption	6710	7451	7608	7607	7603	7601	7600	7600	7599	7599
Imports (meat)	350	445	460	480	485	489	491	492	493	493
Exports (meat)	498	471	400	380	393	468	483	488	463	465
Beginning stocks	2	309	266	40	0	0	0	0	0	0
Ending stocks of which:	309	266	40	0	0	0	0	0	0	0
- Public Intervention Stocks	259	204	10	0	0	0	0	0	0	0
- Special Purchase Scheme (in storage)	50	62	30	0	-	-	-	-	-	-
Stock changes	307	-43	-226	-40	0	0	0	0	0	0
Special Purchase Scheme (for destruction)	100	20	0	0	0	0	0	0	0	0
p.c. consumption (kg)	17,75	19,66	20,01	19,96	19,91	19,87	19,83	19,79	19,75	19,71

Table 7. Pigmeat projections in the EU-15, 2001-2010 ('000 t cwe)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Production (gross)	17536	17796	17772	17826	18107	18333	18348	18404	18526	18635
Import of live animals	1	0	1	1	1	1	1	1	1	1
Export of live animals	3	7	3	5	5	5	5	5	5	5
Production (net)	17533	17790	17770	17822	18103	18329	18344	18400	18522	18631
Imports	53	51	55	60	72	76	80	83	89	94
Exports	1103	1254	1100	1100	1166	1199	1219	1239	1259	1279
Stock changes	0	25	-25	0	0	0	0	0	0	0
Consumption	16483	16562	16750	16782	17010	17207	17205	17245	17352	17447
p.c. cons. (kg)	43,60	43,69	44,06	44,02	44,55	44,98	44,89	44,91	45,10	45,27

Note: The figures on imports and exports are calculated on the base of the definition of pig carcass weight and exclude therefore offals.

Table 8. Poultrymeat projections in the EU-15, 2001-2010 ('000 t cwe)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Production (gross)	8984	8938	8870	8951	9066	9231	9336	9429	9501	9572
Import of live animals	1	1	1	1	1	1	1	1	1	1
Export of live animals	5	6	5	5	5	5	5	5	5	5
Production (net)	8980	8933	8865	8947	9062	9227	9332	9425	9497	9568
Imports	741	694	694	700	720	732	740	745	748	748
Exports	964	1089	1002	1000	1000	1000	1000	1000	1000	1000
Stock changes	45	0	0	0	0	0	0	0	0	0
Consumption	8712	8538	8558	8647	8782	8959	9072	9170	9245	9316
p.c. cons. (kg)	23,05	22,52	22,51	22,68	23,00	23,42	23,67	23,88	24,03	24,17

Table 9. Sheep/goat projections in the EU-15, 2001-2010 ('000 t cwe)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Production (gross)	1000	1014	1030	1040	1039	1035	1029	1024	1021	1019
Import of live animals	19	18	18	20	22	22	22	22	22	22
Export of live animals	2	2	2	2	2	2	2	2	2	2
Production (net)	1017	1030	1046	1058	1058	1054	1049	1045	1041	1039
Imports	252	266	267	270	273	277	281	285	288	290
Exports	4	4	3	3	3	3	3	3	3	3
Stock changes	0	0	0	0	0	0	0	0	0	0
Consumption	1266	1293	1310	1325	1328	1328	1327	1327	1326	1326
p.c. cons. (kg)	3,35	3,41	3,45	3,48	3,48	3,47	3,46	3,46	3,45	3,44

Table 10. Milk production, deliveries and dairy herd in the EU-15, 2001-2010

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Production (mio t)	121,6	121,8	121,6	121,0	121,4	121,7	122,1	122,0	122,0	121,9
Deliveries (mio t)	114,7	115,0	115,0	114,4	114,8	115,3	115,7	115,7	115,7	115,7
Delivery ratio (in %)	94,33	94,41	94,49	94,57	94,63	94,69	94,75	94,80	94,84	94,89
Fat content (in %)	4,09	4,09	4,10	4,10	4,11	4,12	4,12	4,12	4,13	4,13
Milk yield (kg/dairy cow)	6004	6117	6193	6298	6414	6517	6608	6673	6737	6799
Number of dairy cows (000)	20126	19778	19430	19070	18801	18580	18384	18195	18016	17842

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

Table 11. Cheese projections in the EU-15, 2001-2010 ('000 t)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Production	7159	7215	7273	7316	7419	7514	7607	7640	7667	7691
Processed cheese impact	216	218	220	222	224	226	228	230	232	234
Imports	174	147	162	165	169	171	174	176	179	181
Exports	470	480	480	482	492	482	461	446	445	445
Consumption	7059	7096	7184	7229	7325	7432	7548	7601	7632	7660
Stock changes	20	4	-10	-8	-5	-3	0	0	0	0
p.c. consumption (kg)	18,67	18,72	18,90	18,96	19,19	19,43	19,69	19,79	19,84	19,87
Public stocks (private aided stocks)										
Beginning stocks	117	116	120	110	102	97	94	94	94	94
Ending stocks	116	120	110	102	97	94	94	94	94	94
Stock changes	-1	4	-10	-8	-5	-3	0	0	0	0

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

Table 12. Butter projections in the EU-15, 2001-2010 ('000 t)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Production	1860	1924	1860	1804	1788	1784	1771	1759	1743	1721
Imports	114	115	123	126	129	133	138	142	144	144
Exports	172	210	200	220	200	195	190	185	175	152
Consumption	1797	1725	1736	1746	1733	1733	1737	1741	1736	1732
Stock changes	5	103	46	-37	-16	-11	-19	-25	-24	-19
p.c. consumption (kg)	4,75	4,55	4,57	4,58	4,54	4,53	4,53	4,53	4,51	4,49
Public stocks (intervention and private aided stocks)										
Beginning stocks	119	130	234	280	243	227	215	197	172	147
Ending stocks	130	234	280	243	227	215	197	172	147	128
Stock changes	11	103	46	-37	-16	-11	-19	-25	-24	-19

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

Table 13. SMP projections in the EU-15, 2001-2010 ('000 t)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Production *)	1005	1085	1004	927	905	898	900	858	835	825
Imports	57	60	79	91	94	96	96	98	101	107
Exports	143	150	180	200	200	195	188	158	151	150
Consumption	879	870	882	849	849	843	828	798	785	782
- subsidised (feed)	335	430	420	393	395	382	369	361	345	345
- non subsidised	544	440	462	456	454	461	459	437	440	437
Stock changes	40	125	21	-31	-50	-44	-20	0	0	0
p.c. consumption (kg)	2,33	2,29	2,32	2,23	2,22	2,20	2,16	2,08	2,04	2,03
Public stocks (intervention and private aided stocks)										
Beginning stocks	7	0	125	145	115	64	20	0	0	0
Ending stocks	0	125	145	115	64	20	0	0	0	0
Stock changes	-7	125	21	-31	-50	-44	-20	0	0	0

*) Including buttermilk powder, i.e. the balance sheet for SMP presented here follows the methodology of EUROSTAT.

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

3. PROSPECTS FOR AGRICULTURAL MARKETS IN THE EU-25

On 13 December 2002, the Heads of State and Government from the EU and the 10 candidate countries reached agreement on a formula for enlarging the EU to encompass 10 new Member States as of 2004. Following the decision of the Copenhagen Summit, Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia will join the European Union on 1 May 2004. This section summarises the main developments predicted for the EU-25 using a simplified version of the market balance as compared to the previous section, with production, consumption and marketable surplus (i.e. the difference between the first two variables). The marketable surplus represents the part of domestic production which needs to be either exported or stored. However, in order to derive the precise annual level of exports and stock changes, imports should be taken into account.

3.1. The development of agriculture in the new Member States

Overall, the implementation of the CAP would improve the situation of agriculture in the new Member States compared to the situation without membership and under domestic policies. The CAP, in combination with the size of the single market, provides more stable and on average slightly higher prices than domestic policies of the individual Accession States can secure for most products for the years to come.

The new Member States should add about 38 million ha of Utilised Agricultural Area to the 130 million ha of the current Member States, representing an increase of 30 %. This significant production potential in the new Member States would only be gradually used through more intensive production and restructuring. The ongoing successful restructuring process of agriculture and the food industries of the past decade is expected to continue in the future. The CAP's rural development programmes and the structural funds should facilitate this process after accession.

Agricultural production in the 10 new Member States would expand slightly thanks to more stable prices, favourable perspectives on the single market and rural development measures. The current Member States would particularly benefit in the area of meat and dairy products from the relatively rapid increase in consumer income in the new Member States. Compared to the situation in the EU-15 without enlargement, accession would change some of the dynamics of agricultural markets in the EU, which would modify market outlooks in particular for cereals, meat, and dairy products.

3.2. Cereals

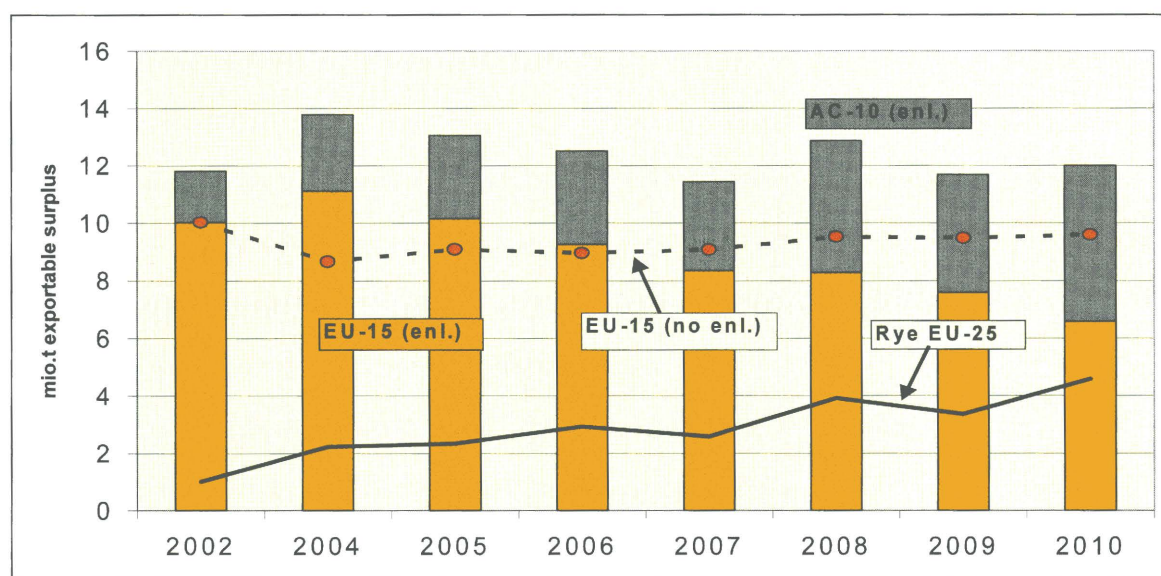
For the EU-25 similar short-term trends can be observed as described in the EU-15 section. The slightly less optimistic development of world market prices for main cereals change medium-term perspectives and the appreciation of the euro against the US dollar should affect cereal markets in the short-term.

Production in the EU-25 would increase from 272 million t in 2004 to 285 million t in 2010. Consumption of cereals would increase from 248 million t to 257 million t. As a result, the EU-25 would expand its marketable surplus from 24.4 million t in 2004 to 27.8 million t in 2010. In the new Member States the marketable surplus would expand from 4.8 million t to 9.1 million t in the same period.

Wheat production would continue to expand in the EU-25 from 128 million t in 2004 to 137.7 million t in 2010 and about half of the marketable surplus of cereals would consist of wheat.

Due to the less positive developments of barley and maize prices on world and domestic markets, coarse grain production would expand only slightly from 140.4 million t in 2004 to 147.3 million t in 2010. The marketable surplus of these cereals would stabilise after a peak of 13.8 million t in 2004 at 12 million t from 2007. The enlarged EU would increase its internal trade of cereals, in particular of barley, where markets in the new Member States would expand, and of maize which would find additional feed demand in the current Member States.

Graph 8. Outlook for marketable surplus of coarse grains and rye in the EU-25 (million t), 2002-2010



Despite the stabilisation of overall coarse grain surpluses, the annual rye marketable surplus would increase significantly continuously from 2 million t in 2004 to 4.5 million t in 2010.

3.3. Meat and livestock

3.3.1. Beef

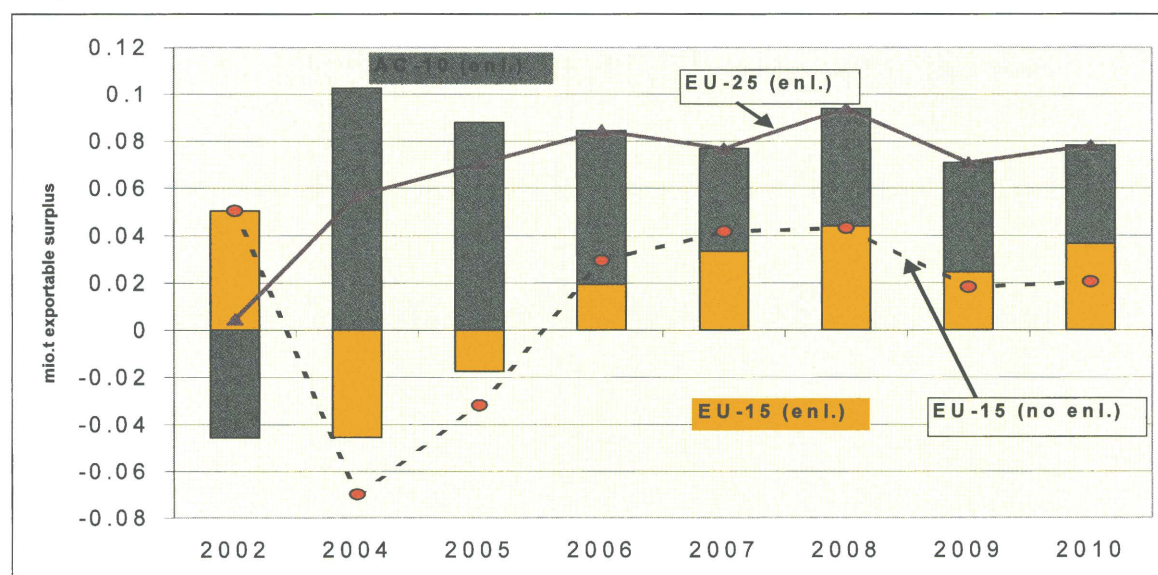
The building up of beef herds in the new Member States would remain limited despite the phasing-in of the coupled direct payments, because the supply of beef would be much more determined by the development of the dairy herd than in current Member States. The new Member States would add 10 % more production and equally 10 % more consumption to the EU-15. However, beef would remain a meat of low preference for consumers in the new Member States which would leave these markets under particular pressure.

Market prospects indicate that beef production in the current EU Member States would remain relatively stable. Total EU-25 beef production would stand at approximately 8.3 million t in 2010.

Accession would lead to a decline of average EU prices of about 70 to 100 EUR/t, compared to the situation without enlargement adding to the downward trend of beef prices foreseen for the medium-term. Agenda 2000 policies give the beef market enough

price flexibility so that structural surpluses would be avoided and marketable surpluses would be roughly stable at 60 – 80 000 t.

Graph 9. Outlook for marketable surplus of beef in the EU-25 (million t), 2002-2010



3.3.2. Pork and poultry

Accession and the effects of the single market would lead to a redirection of trade according to the relative competitiveness of the Member States. One of the prime shifts of trade concerns pork and poultry. Some Accession States have gained increasing competitiveness in the area of poultry production mainly due to foreign direct investments into production and processing of poultry. Upon enlargement an increasing part of poultry production (up to 800 000 t) is predicted to be directed to the current Member States. On the other hand, a part of the pork production in the new Member States would have a comparative disadvantage with respect to quality, i.e. lean meat content, and feed costs. Here the simulations suggest that for the current Member States a market of an additional 300 000 t of pork might open in the new Member States. Without accession the 10 countries would be net exporters of about 170 000 t, however, with significantly higher prices for pork meat than in the current EU.

With these dynamic changes on the single market, production in the EU-25 would expand from 22.2 million t of pork in 2004 to 23.1 million t in 2010. Poultry production would also increase slightly from 10.7 million t to 10.9 million t in 2010. The markets would be less expansive in the short-term due to lower consumer spending, which however would pick up again in the medium-term as economic growth in the EU-25 is expected to return to its long-term trend.

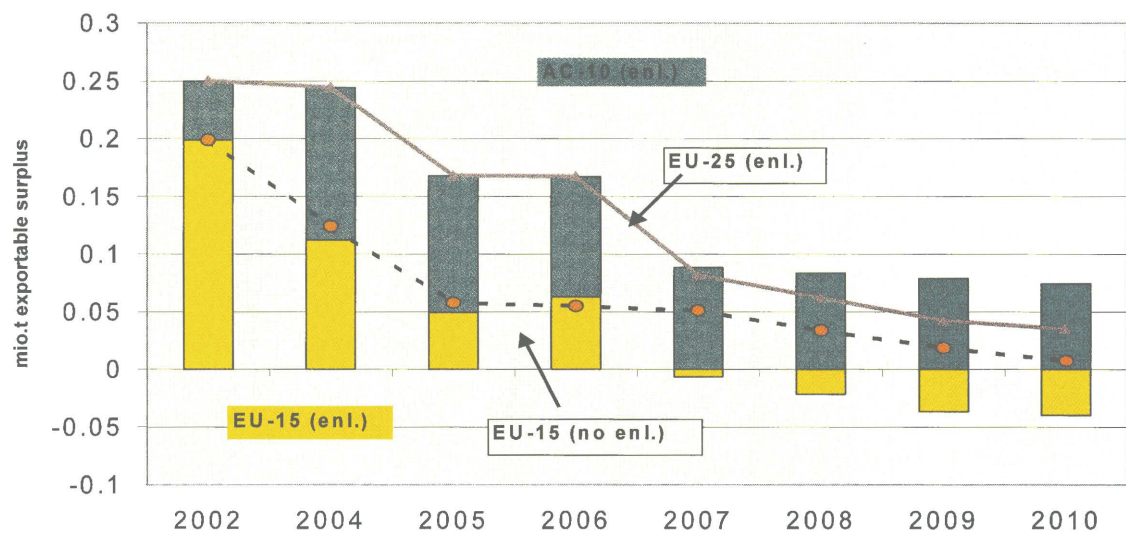
3.4. Milk and dairy products

In 2002 in the 10 Accession States subsistence production still had a significant share in total milk production, accounting for about 16 % of total production. In the projection period, subsistence production would gradually decline due to the expected positive development of rural economies and social security systems after enlargement. This development would offset the foreseen quota increases in the new Member States. For the 10 Accession States total milk production, i.e. subsistence and market production, would remain relatively stable at approximately 22 million t. Market production in the

new Member States would rise according to the quota increases agreed upon during the Copenhagen Summit.

Under Agenda 2000 conditions butter and, to a lesser extent, skimmed milk powder production would expand in the new Member States owing to the increase in their prices after accession. Already the structure of dairy production in the new Member States puts more emphasis on the production of bulk dairy products as opposed to high value-added products such as cheese. About 60 % of all milk produced under quota would be used in the production of bulk products (butter and skimmed milk powder) compared to 40 % in the current Member States. Investments triggered by the positive market situation for high value-added products could however contribute to a change in the dairy structure in the new Member States.

Graph 10. Outlook for marketable surplus of butter in the EU-25 (million t), 2002-2010



After enlargement, production of butter would decline (mainly in current Member States) from 2.16 million t in 2004 to 2.03 million t in 2010. In the same period cheese production would expand by 0.5 million t (mainly in the current Member States). Nevertheless, a persistent market surplus for butter and SMP would leave prices for butter and SMP under pressure in the EU-25. Average producer prices for milk would develop less positively than in the EU-15 without enlargement.

Table 14. Total cereals balance sheet in the EU-25, 2002–2010 (million t)

	2002	2004	2005	2006	2007	2008	2009	2010
Production	265.63	272.37	274.05	275.92	277.12	280.87	281.47	285.01
Consumption:	244.65	247.99	249.61	251.16	252.99	253.67	255.34	257.21
of which feed consumption	153.85	156.75	157.68	158.50	159.45	159.54	160.29	161.50
Marketable Surplus	20.98	24.38	24.44	24.76	24.13	27.20	26.13	27.80

Table 15. Total wheat balance sheet in the EU-25, 2002–2010 (million t)

	2002	2004	2005	2006	2007	2008	2009	2010
Production	125.22	128.31	129.73	131.22	132.50	134.64	135.72	137.77
of which soft wheat	115.89	118.85	120.21	121.63	122.86	124.94	125.96	127.95
Consumption	116.02	117.68	118.34	118.93	119.78	120.29	121.25	121.94
of which feed consumption	54.27	55.67	55.81	55.88	56.01	56.17	56.36	56.55
Marketable Surplus	9.20	10.63	11.40	12.28	12.72	14.35	14.47	15.83

Table 16. Total coarse grains balance sheet in the EU-25, 2002–2010 (million t)

	2002	2004	2005	2006	2007	2008	2009	2010
Production	140.44	144.08	144.34	144.72	144.64	146.25	145.77	147.26
Consumption:	128.63	130.31	131.28	132.22	133.21	133.38	134.09	135.27
of which feed consumption:	99.57	101.09	101.87	102.63	103.45	103.37	103.92	104.95
Marketable Surplus	11.81	13.77	13.06	12.50	11.43	12.87	11.68	11.99

Table 17. Barley wheat balance sheet in the EU-25, 2002–2010 (million t)

	2002	2004	2005	2006	2007	2008	2009	2010
Production	56.70	57.12	56.80	56.50	56.17	56.11	55.75	55.63
Consumption:	50.93	49.83	50.42	51.06	51.67	51.41	51.66	52.34
of which feed consumption	38.28	36.96	37.48	38.05	38.59	38.23	38.42	39.06
Marketable Surplus	5.77	7.29	6.38	5.44	4.50	4.71	4.08	3.29

Table 18. Maize balance sheet in the EU-25, 2002–2010 (million t)

	2002	2004	2005	2006	2007	2008	2009	2010
Production	49.86	51.44	51.88	52.13	52.68	53.24	53.73	54.23
Consumption:	46.48	49.29	49.59	49.80	50.10	50.41	50.80	51.18
of which feed consumption	38.04	40.57	40.82	40.99	41.23	41.49	41.82	42.18
Marketable Surplus	3.38	2.16	2.30	2.33	2.58	2.82	2.93	3.05

Table 19. Rye balance sheet in the EU-25, 2002–2010 (million t)

	2002	2004	2005	2006	2007	2008	2009	2010
Production	10.96	12.34	12.47	12.95	12.59	13.78	13.11	14.31
Consumption:	8.99	8.96	8.97	9.01	9.05	9.09	9.14	9.18
of which feed consumption	4.50	4.54	4.53	4.53	4.52	4.52	4.51	4.50
Marketable Surplus	1.07	2.62	2.73	3.16	2.77	3.89	3.19	4.32

Table 20. Total beef balance sheet in the EU-25, 2002–2010 (million t)

	2002	2004	2005	2006	2007	2008	2009	2010
Production	8.23	8.24	8.29	8.29	8.33	8.35	8.37	8.33
Consumption	8.22	8.19	8.22	8.20	8.25	8.25	8.30	8.25
Marketable Surplus	0.00	0.06	0.07	0.08	0.08	0.09	0.07	0.08

Table 21. Pork balance sheet in the EU-25, 2002–2010 (million t)

	2002	2004	2005	2006	2007	2008	2009	2010
Production	21.34	22.27	22.43	22.59	22.69	22.85	23.01	23.07
Consumption	20.10	20.68	20.84	21.00	21.18	21.33	21.48	21.54
Marketable Surplus	1.25	1.59	1.58	1.59	1.52	1.52	1.53	1.53

Table 22. Poultry balance sheet in the EU-25, 2002–2010 (million t)

	2002	2004	2005	2006	2007	2008	2009	2010
Production	10.58	10.74	10.80	10.72	10.78	10.85	10.91	10.93
Consumption	9.80	10.12	10.18	10.29	10.35	10.41	10.46	10.48
Marketable Surplus	0.78	0.62	0.63	0.43	0.43	0.44	0.45	0.45

Table 23. Total milk production in the EU-25, 2002–2010 (million t)

	2002	2004	2005	2006	2007	2008	2009	2010
Production								
EU-15	121.20	120.51	120.93	121.35	121.77	121.71	121.65	121.59
AC-10	22.67	22.57	22.52	22.40	22.27	22.24	22.20	22.16
EU-25	143.87	143.08	143.45	143.75	144.04	143.94	143.85	143.75
EU av. producer price	292.87	296.02	279.48	263.03	244.01	242.44	242.31	241.96

Table 24. Total butter balance sheet in the EU-25, 2002–2010 (million t)

	2002	2004	2005	2006	2007	2008	2009	2010
Production	2.21	2.16	2.13	2.09	2.06	2.05	2.04	2.03
Consumption	1.96	1.92	1.96	1.93	1.98	1.99	2.00	2.00
Marketable Surplus	0.25	0.24	0.17	0.17	0.08	0.06	0.04	0.03

Table 25. Total cheese balance sheet in the EU-25, 2002–2010 (million t)

	2002	2004	2005	2006	2007	2008	2009	2010
Production	8.01	8.02	8.16	8.31	8.46	8.49	8.53	8.54
Domestic Use	7.84	7.89	8.04	8.20	8.37	8.41	8.46	8.47
Marketable Surplus	0.17	0.13	0.12	0.11	0.09	0.08	0.07	0.07

4. UNCERTAINTIES

These projections for EU agricultural markets are based on a number of assumptions regarding future economic, market and policy developments. In that respect, they are subject to some uncertainties that could have major implications for EU markets. The most important uncertainties can be summarised as follows:

- (1) **Developments on the currency market** could have a pronounced impact on the future prospects for the EU markets. If a weaker euro, as observed over the last few years could provide a further boost to the competitiveness of the EU agricultural sector, it is estimated that it would not drastically change the overall picture. By contrast, a stronger euro, trading above 1.15-1.20 against the US dollar as currently seen on financial markets, would significantly affect the competitiveness of EU products both on their internal markets *vis-à-vis* imported products and on the world markets. By reducing the EU's ability to export without export refunds, it would also render the WTO limits on subsidised exports increasingly binding in certain sectors such as cereals (notably for common wheat and barley), pork and poultry and, to a lesser extent, cheese. Consequently, the sectors benefiting from public storage could show a rapid increase in intervention stocks (estimated at more than 10-15 million t of additional stocks for cereals by 2010/11). Changes in the exchange rate of individual exporting countries (such as Brazil and Argentina) could also further alter future market perspectives in the EU.
- (2) These projections remain conditional on the **medium-term outlook for world agricultural markets**, in terms of both global demand and prices, that directly influence the ability of the European Union to export significant quantities onto the world market and release some pressure from the internal markets. The predicted moderate increase in world trade and prices over the medium-term used in these projections is strongly conditioned by the slow adjustment of agricultural supply to the expansion of food demand in some regions of the world. However, the extent to which production would become increasingly outpaced by a rising domestic consumption remains unclear as the scope for further production increase in some major importing regions constitutes a key uncertainty for the medium-term outlook, notably for crop products. Furthermore, the capacity of major and/or emerging exporting regions (such as Brazil for meat products and the Black Sea region for cereals) to export increasing quantities on the world market constitutes a source of growing uncertainty for EU markets.
- (3) The future course of agricultural policy in many regions as well as the **outcome of the current multilateral trade negotiations** may have important implications for the medium-term outlook of agricultural products. Further trade liberalisation, notably in terms of reduced export support and border protection could have a very significant impact in determining future trends in agricultural markets in the EU.
- (4) There remain significant sources of uncertainty regarding the strength and sustainability of the **economic recovery** on which these market projections are based. A weaker economic outlook in the EU and/or in the world could significantly affect future developments on agricultural markets, notably through

its impact on import demand from transition and developing economies (with meat and dairy products most affected).

European Commission

CAP reports
Prospects for agricultural markets 2003-2010

Luxembourg: Office for Official Publications of the European Communities

2004 — 28 pp. — 21 x 29.7 cm

ISBN 92-894-5883-6

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ISBN 92-894-5883-6



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