

European Commission
Directorate-General for Agriculture and Rural Development

PROSPECTS FOR
AGRICULTURAL MARKETS
AND INCOME
IN THE EUROPEAN UNION

2006 – 2013

January 2007

NOTE TO THE READERS

The forecasts presented in this publication consist of a set of market and sector income projections elaborated on the basis of specific assumptions regarding macro-economic 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.

The projections and analyses for the EU-27 have been mainly carried out on the basis of three economic models currently available in the Directorate-General for Agriculture and Rural Development of the European Commission.

This report is based on the information available at the end of November 2006. The changes in legislation proposed or adopted since that date, e.g. on maize intervention, have not been taken into account. Moreover the projections do not take account of any potential outcome of the multilateral trade negotiations within the framework of the Doha Development Round. The analysis covers the period between 2006 and 2013.

List of acronyms and abbreviations

ACP	Africa-Caribbean-Pacific countries
BSE	Bovine Spongiform Encephalopathy
CAP	Common Agricultural Policy
CNDP	Complementary National Direct Payment
Cwe	Carcass weight equivalent
DG AGRI	Directorate-General for Agriculture and Rural Development
EBA	“Everything But Arms” Initiative
EPA	Economic Partnership Agreement
EU	European Union
EU-27	European Union after the enlargement on January, 1 st 2007
EU-25	European Union after the enlargement on May, 1 st 2004
EU-10	Member States that joined the European Union on May, 1 st 2004
EU-2	Bulgaria and Romania
EU-12	All Member States that have joined the EU since May, 1 st 2004
EU-15	Member States of the European Union before May, 1 st 2004
FADN	Farm Accountancy Data Network
FAO	Food and Agriculture Organisation of the United Nations
FAPRI	Food and Agricultural Policy Research Institute
FMD	Foot-and-Mouth Disease
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
H5N1	Highly pathogenic avian influenza virus
Ha	Hectare
Kg	Kilogram
LDCs	Least Developed Countries
Lw	Live weight
Mio	Million
OCDS	Older Cattle Disposal Scheme
OECD	Organisation for Economic Co-operation and Development
SAPS	Single Area Payment Scheme
SMP	Skimmed Milk Powder
T	Metric tonne

TRQ	Tariff-Rate Quota
URAA	Uruguay Round Agreement on Agriculture
US	United States of America
USD	US Dollar
USDA	United States Department of Agriculture
WMP	Whole Milk Powder
WTO	World Trade Organisation

EXECUTIVE SUMMARY

The market projections presented in this report for cereals, oilseeds, sugar, meat and dairy products in the EU-27 were established under a specific set of assumptions. These cover the outlook for the macro-economic environment, with a gradual recovery of EU economic growth and a strengthening of the US\$ over the medium term. World agricultural commodity markets are projected to show growing demand and trade. This report is based on the information available at the end of November 2006. The changes in legislation proposed or adopted since that date, e.g. on maize intervention, have not been taken into account. Moreover the projections do not take account of the potential outcome of the multilateral trade negotiations within the framework of the Doha Development Round. Therefore, the Uruguay Round Agreement on Agriculture and other existing trade commitments are assumed to remain unchanged and to be met over the period 2006-2013. The impact of the 2005 sugar reform has been taken into account.

The medium-term projections depict an outlook for the EU **cereal markets** that would appear moderately positive for most EU cereals thanks to the expansion of domestic consumption and cereal exports. Domestic use of cereals is foreseen to increase slightly thanks to the emerging bioethanol and biomass demand in the wake of the initiatives taken by Member States in the framework of the biofuel directive and the biomass action plan. On the other hand feed demand would stagnate and then slightly decline due to the increasing use of protein feeds residues from biofuel production. The EU would also increasingly benefit from a growing world demand supported by the assumed strengthening of the USD over the medium term. These developments on the internal and external markets would result in relatively balanced cereal markets over the medium term in most EU regions. Public stocks would largely disappear in the majority of EU regions.

Despite these favourable general conditions, the further delayed integration of some land locked Member States in central Europe as well as Bulgaria and Romania into the single market owing to marketing inefficiencies, e.g. transport costs, is identified as a significant downward risk for regional cereal markets. Structural surpluses, particularly of maize, would weigh heavily on the Bulgarian, Hungarian, Romanian and Slovakian markets over the projection period. From 2009 onwards the on-going trade integration, the improving domestic use in Bulgaria and Romania and the introduction of decoupling and mandatory set-aside in Hungary as well as from 2012 in Bulgaria and Romania should lead to a stabilisation and then gradual improvement of regional maize markets. Despite the favourable assessment of possible risk factors, large public stocks of 18 mio t would remain in place in these regions in 2013.

Market perspectives for the EU **oilseed sector** are foreseen to be supported by productivity increases, favourable conditions on world markets and the increasing biodiesel demand in the EU. The production potential for non-food oilseeds would however remain constrained by the limitations of the Blair House agreement (with a maximum production of 1 mio t of soybean meal equivalent on set aside land). Despite the projected moderate increase in oilseed production, the EU will continue to remain a large net importer of oilseeds.

The **sugar** markets are characterised by a phase of transition until 2009 during which the reform of the sugar CMO will be implemented. The market situation for the short term is characterised by a high level of total stocks, the beginning of the restructuring of the sugar industry, the phasing-down of in quota tariffs within the EBA agreement as well as the build-up of the bioethanol industry. From 2010 onwards the sugar markets are expected to reach balance between domestic production, exports and foreseen imports from the least developed countries in the world. The main influencing factor for the size of EU domestic production over the medium to long term would be the quantity of imports realised by EBA countries. Production is forecasted to remain strong in France, Germany, and the UK as well as in Poland. The main medium-term downwards risks are the slow take-up of restructuring as well as the high level of stocks both of which could weigh heavily on the prospects post 2009.

The medium-term perspectives for **animal products** are relatively positive for poultry, pig meat and the dairy markets, while beef meat production is expected to continue to decline. Total per capita meat consumption is projected to increase by 1.5 % altogether by the end of the forecast period.

Beef production is expected to increase in 2006 due to the re-entry of beef from animals over thirty months of age in the UK market, but is projected to decline over the medium term to about 7.7 mio t in 2013 in line with the structural reduction of the dairy herd and the impact of decoupling. As consumption would remain stable throughout the baseline imports are expected to increase in order to fill the gap due to the tight domestic supply and reach 753 000 t by the end of the projection period.

Pig meat production and consumption are expected to increase over the medium term, though at a slower pace than in the past decade, due to the competition from poultry meat and higher feed prices. Extra-EU exports would be facing increasing competition from low-cost producing countries, but EU intra-trade is expected to continue expanding over the forecast period.

The market outlook for **poultry meat** would be affected by the future developments regarding Avian Influenza. The appearance of the H5N1 strain of this virus in the EU in early 2006 has caused a short-term disruption in the market balance of poultry meat, with weakening consumer confidence and export opportunities, and thus falling prices leading to lower production. The current report assumes an effective eradication of the virus by the end of 2006 and no further cases over the medium term. As such the medium-term outlook for EU poultry production remains relatively positive as competitive prices with respect to other meats and strong consumer preference should play in favour of poultry. The conclusion of trade agreements with Brazil and Thailand on a new import regime will result in increased imports in 2007 that would be followed by moderate growth over the medium term. As extra-EU exports are projected to exhibit a continued decline, the EU-27 would become a net importer of poultry meat by the end of the forecast period.

Sheep and goat meat production is projected to decline gradually in line with past long-term trends and the impact of decoupling of ewe premiums in the major producing countries. Imports are expected to increase in order to meet domestic demand that is projected to decline slightly due to restricted availability of the meat.

Overall **meat consumption** is projected to increase from the estimated 85.3 kg/head in 2005 to around 86.8 kg/head by the year 2013. Pig meat, with a share of about 50 % is by

far the most preferred meat by EU consumers, followed by poultry recording a share of around 27 %.

Milk deliveries in 2006 have remained below the 2005 level in the major producing countries despite the increase in production quotas for the 2006/07 quota year. **Milk production** is projected to rebound over the short term as a number of Member States would increase production in order to fill their quotas, and to stabilise by the end of the baseline period at the level of 149 mio t. Over the projection period, subsistence production is expected to decline gradually leading to a modest reduction of total milk production in the EU-12. The EU-27 dairy herd is projected to decline from 24.9 mio heads in 2005 to around 22.5 mio animals by 2013.

EU-27 **cheese** production is expected to expand further over the medium term by 10 % altogether, driven by continued strong increases in the EU-12. A steady growth in domestic consumption would absorb most of the increase in cheese production, limiting the growth in cheese exports, which are projected to stabilise around the level of 540 000 t.

EU-27 **butter** production is foreseen to increase in 2007, before returning to a declining trend over the medium term in response to lower market and intervention prices and the projected increase in the production of higher value-added dairy products. Lower availabilities and increasing competition on the world market would lead to declining butter exports.

After a temporary rebound in 2007, the medium-term development will exhibit the continuation of the downward trend for **SMP** output, albeit at a more limited rate. SMP exports are expected to fall further over the forecast period as the decline in production combined with stable domestic demand would maintain EU prices well above world market prices.

Agricultural income estimates have been compiled on the basis of these market projections and the financial perspectives for the EU over the period 2007-2013. The medium-term income projections display a rather favourable outlook as the EU-27 agricultural income would grow by 23.2 % between 2005 and 2013 in real terms and per labour unit.

This overall gain would mask marked differences between EU-15, EU-10 and EU-2. Whereas agricultural income in the EU-15 would show a more moderate development with a 9.3 % growth over the period 2005-2013, it is foreseen to display a more pronounced picture in the EU-10 and EU-2 where it would rise steadily by 37.1 % and 105.1 % respectively by 2013. Apart from the generally positive price developments this growth in income would be supported by the implementation of the CAP, the integration into the single market and most significantly by the sharp rise in the subsidies granted to agricultural producers in the EU-12.

1. INTRODUCTION

This report summarises the main results and underlying assumptions of medium-term projections for the markets of some key agricultural products (cereals, oilseeds, sugar, meat and dairy) and for the sector income in the European Union for the period 2006-2013. The results presented are based on data and other information available at the end of November 2006. In particular the projections take into account the short-term developments foreseen for 2006 and 2007 on domestic and world markets.

These projections are established under a specific set of assumptions. The most important assumptions cover agricultural and trade policies, as well as the outlook for the macro-economic environment and for world agricultural commodity markets. These working hypotheses have been defined on the basis of the information available, which at the time of the analysis were judged the most plausible:

- (1) The implementation of the **single farm payment** scheme as part of the Common Agricultural Policy (CAP) reform decisions allows Member States to choose among different options, which will influence the degree of “decoupling” of the payments. Member States have communicated their preferred option and, based on this information, it has been estimated that in 2013 approximately 91 % of the budgetary transfers in the form of direct payments (including national envelopes and top-ups) for the arable crops, milk, beef and sheep sectors will be part of the decoupled single farm payment for the EU-27 as a whole. The rate would be higher for the milk (100 %) and arable crop (96 %) sectors than for beef and sheep sectors (79 % and 82 % respectively).
- (2) All transitional measures of the CAP in the **EU-12**, i.e. the phasing-in of direct payments as well as the top-up possibilities and the production quotas are expected to operate under the rules agreed upon in the accession treaties. Ten Member States of the EU-12 adopt the single area payment scheme (SAPS), while Slovenia and Malta implement the EU legislation on direct payments prevailing under Agenda 2000. From 2009 onwards the eight Member States of the 2004 enlargement applying SAPS are assumed to adopt the regionalised system that Romania and Bulgaria would implement in 2012. Slovenia and Malta would implement the regionalised system from 2007 onwards.
- (3) After a reduction to 5 % for the 2004/05 marketing year, the mandatory **set-aside rate** returned to the regulatory 10 % in 2005/06. The set-aside area is assumed to remain fixed at that level for the rest of the period. For those EU-12 Member States which opted for the single area payment scheme, the set-aside obligations would only apply from 2009 onwards and from 2012 onwards in Bulgaria and Romania¹.
- (4) It is also assumed that all commitments taken within the **Uruguay Round Agreement on Agriculture** (URAA), regarding in particular market access and subsidised exports, will be fully respected. Thus, subsidised exports are expected

¹ The application of the SAPS in the new Member States might be further prolonged by 2 years. Should the Council decide positively, the introduction of mandatory set-aside would take place in 2011 in the EU-10 and in 2014 in the EU-2.

not to exceed the annual URAA limits, whereas imports under current and minimum access are fully incorporated.

In addition, since this report is based on the information available at the end of November 2006, no account could be taken of any potential outcome of the multilateral trade negotiations within the framework of the Doha Development Round. Therefore, the URAA commitments are assumed to remain unchanged over the period 2006-2013.

- (5) The **macro-economic environment** in the EU shows signs of a return to robust economic growth in 2006. After reaching annual average GDP growth rates above 2 % in 2004, economic activity has been more subdued in 2005 with a growth rate of 1.7 %. Growth is expected to return to its potential at the beginning of the projection period with 2.8 % in 2006 and reach 2.4 % in 2007 and in 2008 and remain at this level throughout the projection period..

According to the 2006 autumn short-term economic forecasts from the European Commission², the recovery is underpinned by acceleration in domestic demand, with a stimulus from export demand. This includes, more specifically, a relatively strong pick-up in the pace of investment expenditure and a more gradual recovery of private consumption in line with the steady improvement of the labour markets.

Despite the stagnant GDP growth observed in the EU-15 over the last few years, economic growth has remained strong in the EU-10. Expanding domestic consumption and improving economic conditions in the rest of Europe resulted in an average growth rate of 5.2 % in the EU-10 in 2005 which should accelerate to 6.3 % in 2006. Growth would stay strong at 5.6 % in 2007 and remain at a level of 5.4 % over the medium term.

Table 1: Assumptions on macro-economic variables in the European Union, 2004 – 2013

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Population growth (in%)										
EU	0.5%	0.5%	0.3%	0.2%	0.2%	0.2%	0.1%	0.1%	0.1%	0.1%
of which EU15	0.6%	0.6%	0.4%	0.4%	0.3%	0.3%	0.3%	0.2%	0.2%	0.2%
of which EU10	-0.1%	0.0%	-0.2%	-0.2%	-0.2%	-0.2%	-0.2%	-0.2%	-0.2%	-0.2%
of which EU2				-0.4%	-0.4%	-0.4%	-0.4%	-0.4%	-0.5%	-0.5%
GDP growth (in%)										
EU	2.4%	1.7%	2.8%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%
of which EU15	2.3%	1.4%	2.0%	2.2%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%
of which EU10	5.6%	5.2%	6.3%	5.6%	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%
Bulgaria				6.0%	6.2%	6.2%	6.2%	6.2%	6.2%	6.2%
Romania				5.8%	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%
Inflation (in%)										
EU	0.0%	2.2%	2.3%	2.3%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Exchange rate										
US\$/€EUR	1.24	1.24	1.25	1.24	1.22	1.21	1.19	1.18	1.16	1.15

EU-10: Member States that joined the European Union on May, 1st 2004

EU-2: Bulgaria and Romania

² European Commission, Directorate-General for Economic and Financial Affairs. Economic Forecasts, Autumn 2006. *European Economy* No.5/2006.

The international environment should also remain supportive. After a vigorous GDP growth of 6 % in 2004, world economic growth fell to 5.6 % in 2005. The fast pace of world economic activity is expected to be sustained for most of 2006 with a growth of 5.6 %. The medium growth potential is assumed to remain at 5.2 %, the growth rate projected for 2007.

There exists a number of downside risks to this macro-economic outlook, notably further oil price hikes, disorderly exchange rate adjustments and more subdued consumer confidence which, would weigh on private consumption growth and could also hold back investment plans. On the upside, private consumption could increase its currently observed strong pace, boosted, *inter alia*, by the beneficial impact of structural reforms of the major economies of the Eurozone.

The accession of Bulgaria and Romania in 2007 will add two rapidly growing economies with, however a low level of income. The catch-up process is assumed to continue with EU Membership supported by access to the single market as well as to regional funds and implementation of the CAP. The strong decline of population however will weigh heavily on the long-term growth potential of the two countries.

The **\$/€ exchange rate**, which reached approximately 1.3 during the year 2004, depreciated somewhat in the first half of 2005, reaching 1.18 by the end of December 2005. The euro gained strength in 2006, reaching 1.27 in May and falling only slightly in June to 1.26. The second semester was characterised by a slight increase to 1.29 in November. The average exchange rate is estimated at 1.25 for 2006. The euro is assumed to return gradually to 1.15 against the US dollar by 2013, as the impact of the short-term factors contributing to the recent weakening of the US dollar (including the swiftly growing current-account and budget deficits in the US) may be expected to give way to more fundamental structural factors.

2. ARABLE CROPS

2.1. Cereals

2.1.1. Overall prospects

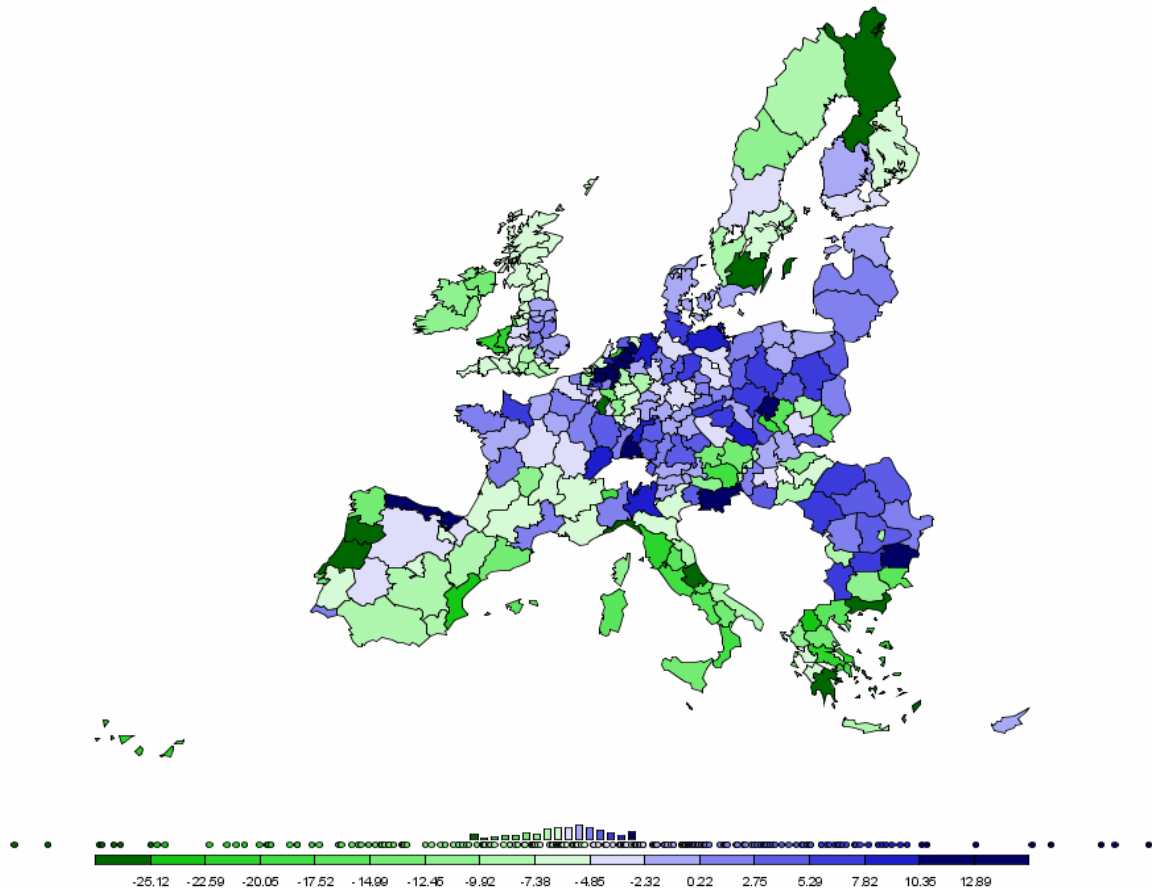
The medium-term projections depict an outlook for the EU cereal markets that would appear moderately positive for most EU regions thanks to the expansion of domestic consumption and cereal exports. Domestic use of cereals is foreseen to increase thanks to the growth in the emerging bioethanol and biomass industry in the wake of the initiatives taken by Member States in the framework of the biofuel directive and the biomass action plan. The slight growth of the livestock sector in combination with the availability of low priced residuals from the biofuel production would lead to a slight decline of cereals in feed use. The EU would also increasingly benefit from a growing world demand supported by the assumed strengthening of the USD over the medium term. These developments on the internal and external markets would result in relatively balanced cereal markets over the medium term in most EU regions.

Despite these favourable general conditions, the further delayed integration of land locked central European Member States into the single market owing to marketing inefficiencies is identified as a significant downward risk for regional cereal markets. Structural surpluses, particularly of maize, would weigh heavily on the Bulgarian, Hungarian, Romanian and Slovakian markets over the projection period, with however a gradual improvement towards the end of the projection period.

2.1.2. Area allocation

Total cereal area would remain fairly stable over the projection period around 51 to 52 mio ha in the EU-25. The accession of Bulgaria and Romania would add around 7.6 mio ha, bringing the total cereal area of the EU-27 towards 59 mio ha. Graph 1 highlights the development at regional level. The trend towards a constant or even lower share of cereals in crop rotation would prevail in marginal regions throughout Europe. This development would also appear in major producing areas due to limited possibilities of further specialisation there. Over the medium term, the EU-12 would in particular further progress in exploiting their crop production potential leading to an expansion in cereal acreage in certain regions. Where crop rotational restrictions would allow for, cereal acreage would also expand in intensive livestock rearing regions. Generally, regions affected by structural changes in area allocation following the sugar reform are expected to show an increase in the overall cereal acreage.

The medium-term projections only foresee a slight change of area use for the individual cereals. Barley area would continue to slightly lose competitiveness as compared to soft wheat and oilseeds. Barley area would decline from 13.7 mio ha in 2007 to 13.2 mio ha in 2013. Soft wheat area would increase from 22.6 mio ha in 2007 to 23.1 mio ha in 2013. Rye production would continue to benefit from the balanced market situation with high prices particularly for food quality. Rye area would remain stable at 2.9 mio ha. The accession of Bulgaria and Romania increases the maize production potential by a third, i.e. by bringing an additional 3.1 mio ha. The favourable prospects for maize profitability in the main four new maize producing Member States would lead to a slight increase of total maize area of the EU-27 from 9.2 mio ha in 2007 to 9.4 mio ha in 2013, despite the introduction of set-aside in 2009 and 2012 in the EU-10 and EU-2 respectively.

Graph 1: Medium term change in EU-27 cereal area (%)

Set-aside area gradually increased up to 7.2 mio ha in 2006, of which 4 mio ha came from compulsory set-aside. From 2009 onwards, the EU-12 should add 1 mio ha of mandatory set-aside when they shift from the Single Area Payment Scheme towards the regional Single Payment Scheme. Bulgaria and Romania would contribute for a further 0.5 mio ha of mandatory set aside from 2012. The introduction of compulsory set-aside in the land locked EU-12 Member States as well as the expected impact of full decoupling which would accompany the introduction of the regionalised system should contribute to reducing the structural surplus in these regions. The increasing demand of feedstock from the biofuel and biomass sector would likely favour the production of cereals for energy purposes on mandatory set-aside land in intensive production regions by the end of the projection period.

The reform of the sugar Common Market Organisation would entail an increase of cereal and oilseed area of approximately 0.5 mio ha after the transition period finishing in 2009 and consequently a reduction in the area devoted to sugar beet production from 2.2 to 1.7 mio ha. The expected strong expansion of bioethanol production from sugar beet is expected to contribute to a stabilisation of the total sugar beet area, particularly in the most competitive sugar production regions. Of this 0.5 mio ha additional area for cereals, oilseeds and protein crops, about 0.3 mio ha would be allocated to oilseed production, 0.1 mio ha to soft wheat production and about 0.1 mio ha to maize. The impact of the sugar reform on cereal production therefore appears relatively limited to an additional production of around 1.3 mio t of cereals (0.6 mio t of soft wheat and 0.7 mio t of maize). Rapeseed production would also increase by 1.1 mio t.

2.1.3. Cereal yields

Cereal yield growth until 2013 would show a more modest pattern than earlier projections suggested, with an average annual growth estimated at approximately 0.7 % between 2006 and 2013. Cereal yields in the EU-25 would increase from 5.1 t/ha in 2006 to 5.3 t/ha in 2013. In 2013 yield would reach 6.1 t/ha in the EU-15 while they would stand at 3.7 t/ha in the EU-10. In Bulgaria and Romania cereal yields are presently at 3 t/ha and would then slightly increase to 3.1 t/ha at the end of the simulation period. Ongoing restructuring particularly in Romania would continue to leave production below its potential.

Yield growth in the EU-12 is expected to be higher at 1.1 % per year whereas the old Member States should exhibit lower growth of some 0.5 % per year. Maize yields would see a modest growth of 0.4 % per year, with yields appearing to remain virtually stable in the main producing regions in the western part of the EU.

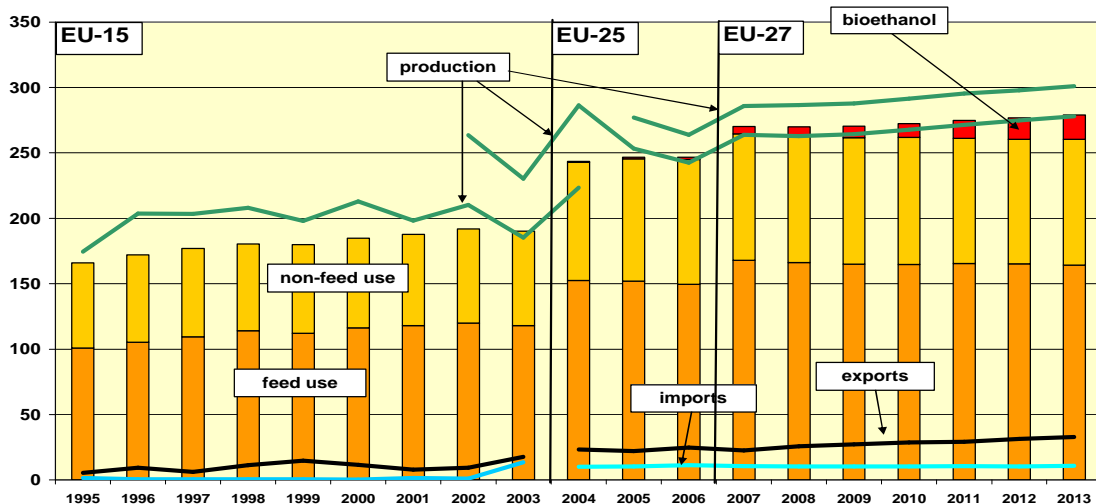
The analysis of the yield growth trends between 1980 and 2006 shows a differentiated pattern between northern and southern as well as western and eastern Member States and most notably between the 1980s and the period between 1995 and 2006. Yield growth in the old Member States slowed down considerably over the last decade. This could suggest that production is at the technological frontier even in the most competitive regions. Therefore, future annual gains in yields would appear limited. Apart from the limited gains from technological progress, the other main factors contributing to this development which realises yields below the potential of new varieties include the impact of higher production standards as well as increasing constraints on resources such as water availability in southern EU Member States. However, in the EU-12, yield growth had picked up shortly before and after accession, though at significantly lower rates than a fully fledged catch-up process would suggest (on account of the slower than expected structural change).

2.1.4. The EU cereal markets

The relatively stable cereal area and the low yield growth should constitute the main factors contributing to the relatively balanced situation on the cereal markets over the projected period for most of the regions in the EU. Cereal production in the EU-27 is expected to reach 301 mio t in 2013, i.e. an increase of 15 mio t from 286 mio t estimated for 2007. Most of this increase would come from wheat production which would expand from 133 mio t to 146 mio t over the projected period and from maize production which would increase from 60 mio t to 65 mio t. In contrast barley production would show a slight fall and then a stabilisation at 58 mio t in 2013 in line with the decline in area use.

The accession of Bulgaria and Romania in 2007 would increase cereal production of the EU by some 22 mio t and expand domestic use by 19.5 mio t on average. Maize would contribute about half of the expansion of production and domestic use.

Graph 2: Development in cereal markets in the EU (mio t), 1995-2013



Domestic consumption of cereals would exhibit a 9 mio t increase over the projection horizon from 270 mio t to 279 mio t in 2013 thanks to the growth in the emerging bioethanol and biomass industry. Domestic use would benefit from the (already visible) expansion in the bioethanol and (later on) biomass sector, following the initiatives taken in many Member States. Cereal demand for bioethanol production would increase by 13 mio t between 2007 and 2013. This strong development represents a significant upwards revision as compared to the July 2006 publication. The figures take into account the potential demand following the implementation of the biofuel directive and are based on energy market projections of PRIMES, an energy market model of the European Commission. The incorporation rates would reach 3.6 % in 2010 and 4.7 % in 2013. This figure would include biodiesel as well.

Total cereal feed demand would slightly fall from 167 mio t in 2007 to 165 mio t in 2013. Soft wheat feed use would decline most and be increasingly replaced by biofuel demand. Several factors would contribute to these developments on the feed market: first, the increase in feeding efficiency will continue, in particular in the EU-12, resulting in lower feed use of cereals per ton of meat and livestock products than recorded in the past. Second, the overall increase in white meat and egg production in the EU is projected to be significantly lower than in the last decade. These developments on the meat markets owe to slower population growth and already high per capita meat consumption in most regions as well as a projected further decline for the EU market share on the world meat markets over the coming years. Thirdly, the projected relatively high cereal prices over the projected period as well as the availability of cheap protein-rich residuals of biofuel production should favour higher protein feed use, particularly in pork, poultry and egg production.

Over the medium term changing price relations would also result in a significant change in the composition of cereal feed use. Barley would maintain regional competitiveness in feed use in the western part of the EU because of the delayed penetration of cheap maize from the land locked EU-12 Member States as well as because of relatively high prices for soft wheat following its increasing use in bioethanol production. Maize feed use would become more attractive during the last half of the projection period. The increasing availability of maize from the land locked EU-12 Member States – following the assumed market integration and improvement of transport infrastructure - would

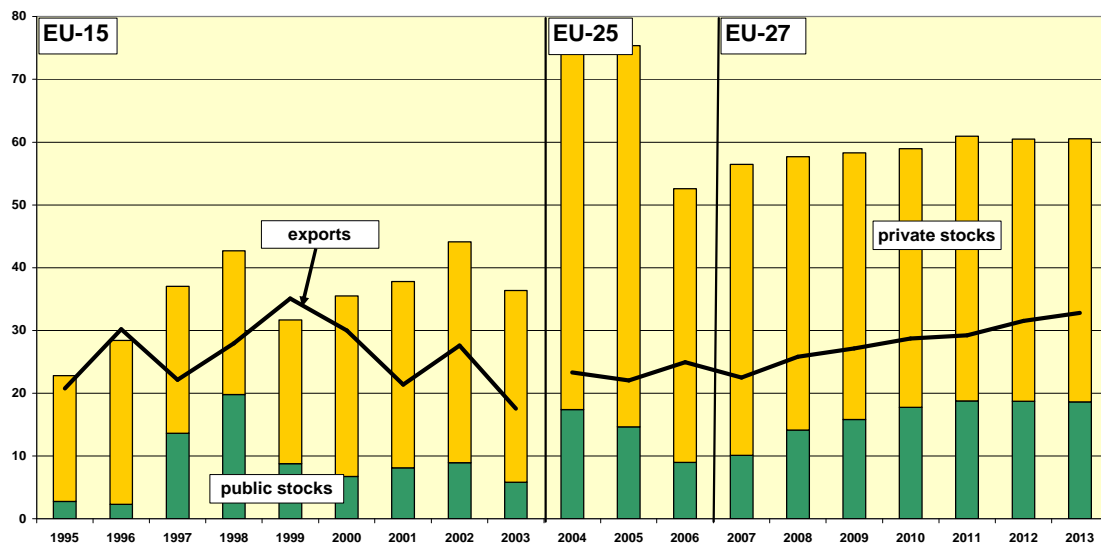
trigger a drop in prices in the western European maize markets from 2009 onwards. This development would take place at the expense of feed wheat and feed barley.

Bulgaria and Romania are expected to show a decline in feed demand following the restructuring of their livestock sector after enlargement. From 2009 onwards feed demand in these two countries would resume expanding and reach 18 mio t in 2013. Human demand would remain stagnating at 3.3 mio t due to the decline in population and despite the continuing strong income growth after accession.

Favourable perspectives on world markets would support an expansion in EU cereal exports over the medium term. Total EU exports would increase from an estimated 22.5 mio t in 2007 to 32.8 mio t in 2013. Soft wheat should notably benefit from these developments. The supportive outlook for world markets would be mainly based on the following factors: (1) the increasing imports of cereals from (North) Africa, Middle East and South East Asian countries; (2) the assumed strengthening of the USD against the euro; (3) the rapid expansion of cereal-based bioethanol production in a number of exporting countries that should enable the EU to expand its market share on the world market until 2013.

Under the political settings of the present WTO agreement and the bilateral trade agreements currently in place, cereal imports should remain fairly stable at around 10 to 11 mio t over the projection period. The accession of Bulgaria and Romania would not significantly change the trade perspectives of the EU.

Graph 3: Development in cereal stocks and exports in the EU (mio t), 1995-2013

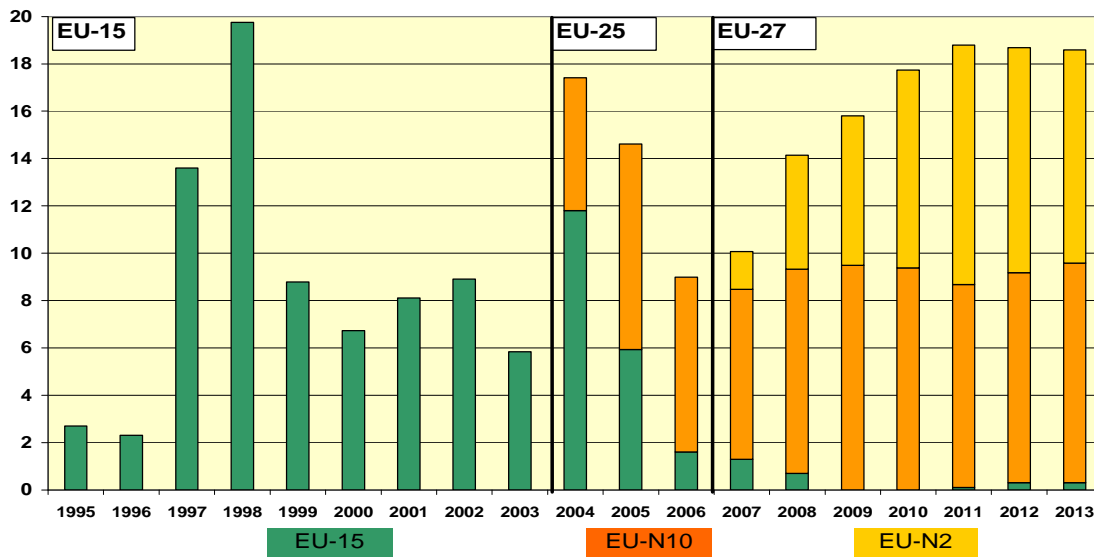


Cereal stocks in the EU should exhibit a marked fall in 2006 from 75 to 53 mio t in the EU-25. In the following years stock levels should continue to stay around that level in the EU-27 before gradually increasing to 60 mio t by 2013. This favourable overall picture however does not reflect the marked regional differences in the separated cereals markets of the EU. Most EU regions are expected to show rather favourable conditions with rapidly declining stocks (notably public stocks) thanks to the lower harvest in 2006 and expanding domestic use, lower yield growth and an increasing participation in world markets. In contrast, market and public stocks would continue to be high in Hungary and Slovakia as well as Romania and Bulgaria over the medium term. The structural surpluses projected in Hungary and Slovakia would however slowly decline

thanks to the development in domestic use (stabilisation of the livestock sector, biofuel demand), higher exports to other EU Member States and third EU countries as well as total decoupling and the introduction of mandatory set-aside from 2009 onwards. A similar development but lagged by several years could be expected in Romania and Bulgaria.

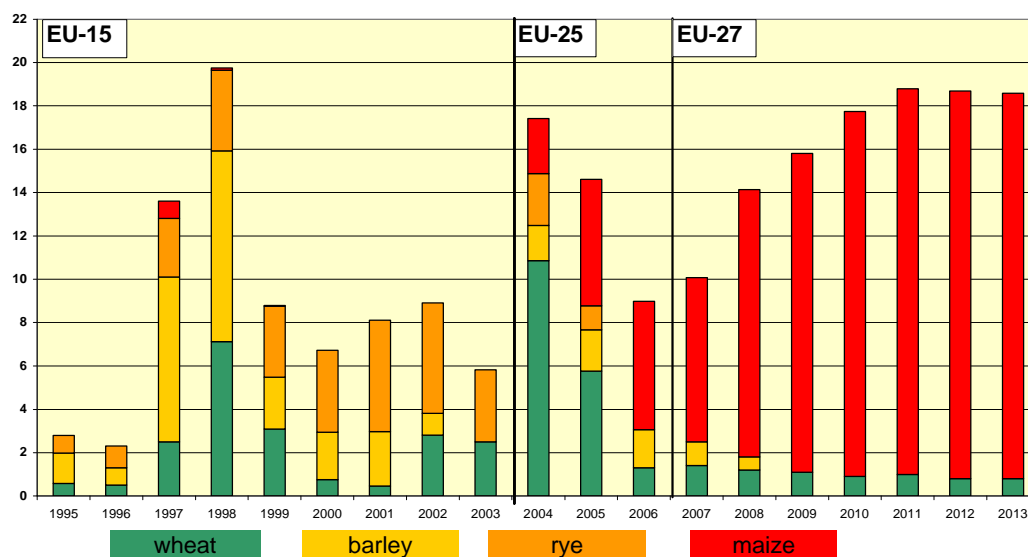
Public stocks of cereals fell from a peak of 17.4 mio t in 2004 to 14.6 mio t in 2005 and are expected to further fall to 9 mio t in 2006. They would then increase to 10.1 mio t in 2007 and 14.1 in 2008 and reach 18.6 mio t in 2013. From 2010 onwards, public stocks in the EU-10 would stabilise between 8 and 10 mio t up to 2013. Most of these public stocks would be located in Hungary and Slovakia and concern mostly maize. In Bulgaria and Romania public stocks would exhibit an increase to 10 mio t in 2011 and then gradually fall to 9 mio t in 2013. Like in Hungary and Slovakia most of these stocks would consist of maize. The other regions of the EU would exhibit a further decline in public stocks by 2009 due to the very supportive market conditions arising mainly from the biofuel sector and export demand.

Graph 4: Regional distribution of public stocks in the EU (mio t), 1995-2013



In the short term most of the public stocks would consist of soft wheat, barley, maize and rye. Rye public stocks would disappear by 2007. Barley stocks would also vanish by 2008. Maize in the EU-12 would gradually gain competitiveness for feed, biomass and biofuel use after 2008 thanks to the gradual integration into the single markets following the assumed improvement of infrastructure. Almost all maize intervention stocks in 2013 would be located in Bulgaria, Hungary, Romania and Slovakia. Soft wheat would slightly lose competitiveness at the end of the period on account of the stiffer competition from feed maize.

In summary, the medium-term prospects for cereal markets for the EU-25 should remain moderately positive for the majority of regions in the EU as the impact of the CAP reform, moderate prospects for yield growth, the expected gradual integration of Bulgaria, Hungary, Slovakia and Romania into the single market in combination with more favourable conditions on world markets are projected to gradually improve the balance of cereal markets until 2013. Specific additional difficulties could only arise for maize on a regional scope, should the expected path of integration and development of the livestock industry of the four countries be slower than expected.

Graph 5: Composition of public stocks in the EU (mio t), 1995-2013

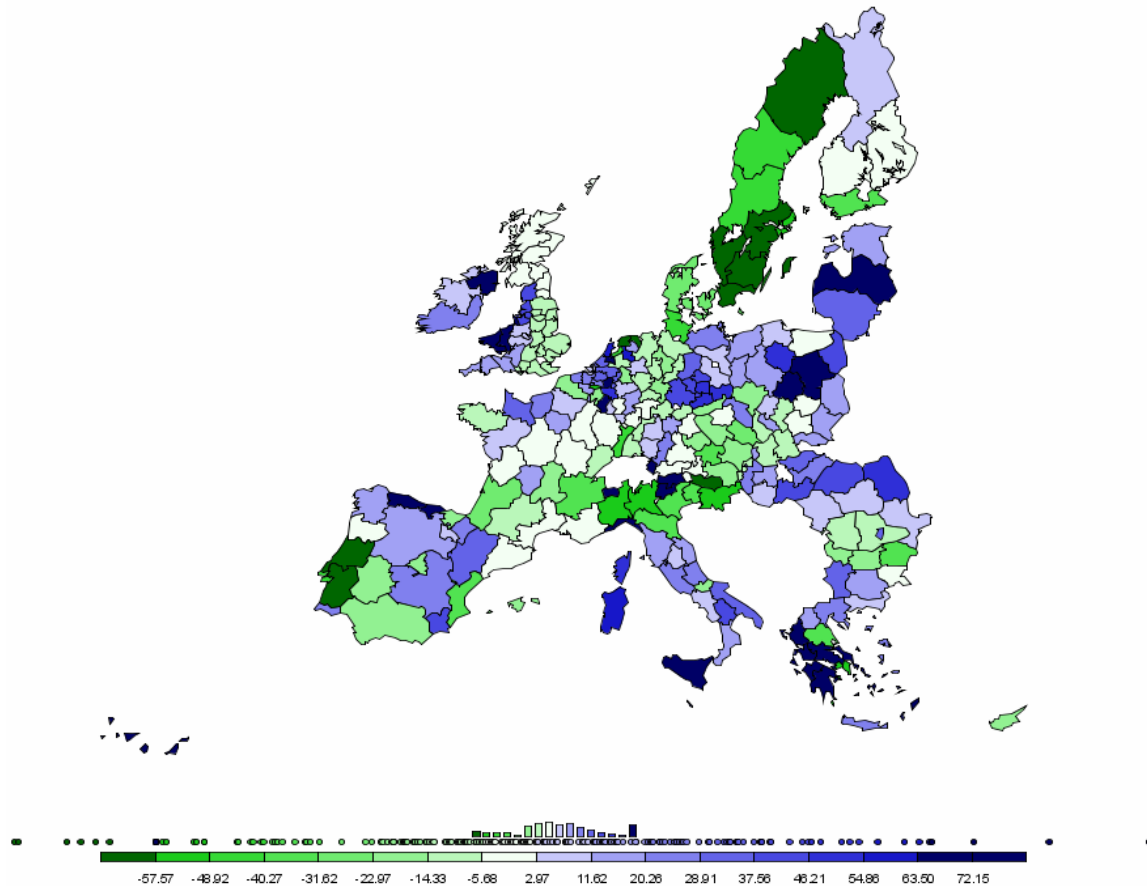
2.1.5. World market perspectives

The short-term outlook for world cereal markets can be characterised by low availabilities in the major exporting countries and regions. World cereal prices reached record levels this year and are expected to stay high until the next harvests enter the markets. Over the medium term, the world markets for cereals should continue to be supported by a combination of factors, notably (1) the expected increase of feed cereal imports in Africa, Middle East and South East Asia, (2) the likely reduction in export supply from some major exporting countries in the wake of the strong expansion of the biofuel production capacities, (3) the severe constraints in water availability frequently faced by some major exporting countries (which might increase due to global warming). These factors could create some export opportunities for the EU, notably for soft wheat and barley and lead to firm cereal prices over the medium term.

2.2. The EU oilseed markets

The medium-term prospects for the EU oilseed market are expected to be supported by productivity increases, the favourable developments projected for world markets (fuelled by continuous positive trends for global demand of vegetable oil) and - more importantly - the increasing demand for biodiesel in the EU. The recent growth in the use of rapeseed oil for biodiesel production has pushed up the market potential for rapeseed and rapeseed oil in Europe. For the first time in 2005 the non-food use of rapeseed oil became more important than the food use.

These developments should provide further incentives for increasing rapeseed production as well as for increasing imports of rapeseed oil as observed in recent years. Rapeseed oil prices reached record levels in the last two years and are bound to further increase. Rapeseed prices on the other hand increased only modestly. One of the reasons for that is the shortage of crushing capacities in the EU. The recent increase of crushing facilities as well as the expected strongly increasing demand for biodiesel should lead to a better transmission of rapeseed oil and rapeseed meal prices to rapeseed prices than in the past. The projections include the recent trends in biodiesel demand and increase of production capacities until 2013.

Graph 6: Medium term change in EU-27 oilseed area (%)

Total oilseed area of rapeseed, sunflower seed and soybean bottomed out in 2002 at 6.6 mio ha before increasing to 7.0 mio ha in 2004 (of which 0.5 mio ha as non-food oilseeds on set-aside land). In 2005 oilseed area fell to around 6.8 mio ha of which 0.8 mio ha of oilseeds on set-aside land. The accession of Bulgaria and Romania adds a substantial production potential of 1.5 mio ha, most notably for sunflower seed. The very favourable medium-term perspectives on the oilseed markets should lead to a steady increase in harvested area to 9.4 mio ha by 2013. The non-food oilseed area is expected to remain stable at 0.8 mio ha in 2013 due to the constraints imposed by the Blair House agreement (with a maximum of 1 mio t of soybean meal equivalent). From 2008 onwards the expansion of rapeseed area appears constrained by the rotational limits reached in most of its producing regions. New varieties of sunflower seed could widen market opportunities for biodiesel as well, though the yield potential of this oilseed seems limited due to the constraining water availability in the main producing regions.

Total oilseed production stood at 19.7 mio t in 2005 and would reach 20.1 mio t in 2006 in the EU-25. Romania and Bulgaria would add 4.8 mio t in 2007. Production in the EU-27 would thus reach 27.8 mio t. Production is estimated to increase to 32.3 mio t supported by the expansion in oilseed area and the strong growth in rapeseed yields (1.8 % per year). Rapeseed production would account for most of the growth as sunflower and soybean seed production should remain relatively stable. Non-food oilseed production on set-aside land would also expand slightly from 2.8 mio t in 2005 to 3.1 mio t in 2013. Any further increase of non-food oilseed production on set-aside

land remains constrained by the Blair House agreement which is projected to limit the total oilseed production potential of the EU.

Domestic demand is foreseen to expand by a further 16 mio t between 2007 and 2013 to stand at 66.4 mio t (mainly for rapeseed, followed by soybeans). This increase of domestic use would be mainly supported by the growing biodiesel demand which would increase by 9 mio t to 18.8 mio t in 2013. Imports of rapeseed oil and biodiesel would increase significantly as well as the blending with other vegetable oils over the projection period in order to meet domestic demand. Biodiesel production would globally double between 2006 and 2013.

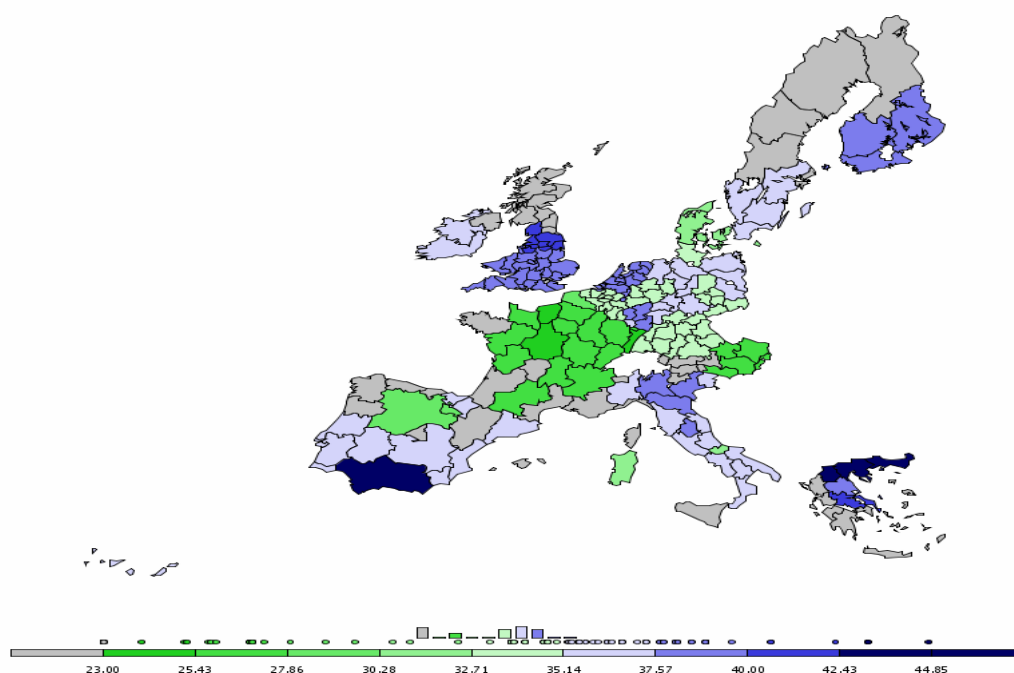
2.3. The sugar market

The reform of the sugar market affects the economic framework for sugar beet production and processing in two stages: (1) the transition phase until 2009/10 with a stepwise reduction of the reference prices, the offer of aided restructuring and phasing-in of increasing import rights for the least developed countries in the framework of the EBA initiative; (2) the complete opening of the EU sugar markets for EBA imports as well as restoring competitiveness of European sugar production from 2010/11 onwards. A restructuring of the sugar industry and sugar beet production would follow the relative regional competitiveness.

The competitiveness of regions is related to production costs for sugar beet, structure of the processing industry and transport systems. Graph 7 displays regions in the EU according to their costs of sugar beet production, based on a FADN data series of 1997 to 1999 for the EU, where available. The competitive production regions (dark green to light green) are mostly located in France, Belgium and parts of Germany. These regions appear suitable also for biofuel production from sugar beet and would be suited to keep most of their present sugar beet production, if processing industries remain competitive.

Blue regions mark higher agricultural production costs and tend to appear vulnerable from the agricultural production side. The dark blue regions such as southern Spain and northern Greece have the highest production costs. The light blue regions in Italy, Ireland and Sweden appear slightly more competitive on a sugar beet production cost basis. However, the production costs of sugar beet is just one factor of competitiveness of the supply chain and could be offset by economies of scale in the sugar processing industry, like in the case of southern regions in the UK vs. Ireland. The latter has slightly lower levels of sugar beet producing costs. Nevertheless the limited scale of Irish sugar beet processing is the limiting factor for its competitiveness.

The availability of FADN data limits a detailed regional analysis for the EU-12. However, low production costs can be found in Poland, the Czech Republic Slovakia and Hungary. Moreover, sugar processing saw significant investments in the past. Therefore, adjustments should take place rather on the basis of considerations of scale and structure of regional sugar production.

Graph 7 Marginal costs of production of sugar beets in EU-15 regions

Many of the medium term perspectives would be defined by the pace of restructuring in the short term because it determines who would bear the costs of adjustment and how much structural burden would be carried forward, i.e. within the transition period until 2009 where restructuring funds would cushion the change or after the transition period when costs would have to be taken on by industry and sugar beet farmers themselves. Nevertheless, over the short to medium term sugar beet production can be expected to decline in the least competitive regions of the EU.

The restructuring would be accompanied by the creation of sustainable new market outlets for sugar beets and beet sugar marked by gains in competitiveness in mainly three areas:

- (1) Beet sugar would increasingly gain in competitiveness relative to the isoglucose production from cereal starch following the stepwise implementation of the reform of the sugar market;
- (2) The recent initiatives taken by the European Commission and Member States in order to foster energy security and increase green house gas savings in the context of the Biofuels Strategy could have positive medium term effects for sugar beet markets with a significant potential. Beet growers in the most competitive regions of the EU, most notably in France, Belgium and Germany would benefit from this trend and find additional market outlets. The size of the future bioethanol production from sugar beet is not yet clear as it depends on future investments decisions but could cover an area of up to 250 000 ha;
- (3) Over the next seven years world market prices for sugar might stand at relatively high level in relation to the surging world bioethanol demand as well as to the lower level of EU exports than in the past. This could have implications for the competition of imports and domestic production in EU markets.

The pace of restructuring of the EU sugar sector would determine how much and when it will profit from these positive medium-term factors. The sugar market projections take these positive as well as some negative medium-term driving factors into account as judged from current conditions and knowledge. Most notably these are:

- the slow uptake of restructuring, estimated for this analysis at 500 000 t for 2007/08;
- the expanding biofuel demand;
- the accession of Bulgaria and Romania adds an import quota of 530 000 t;
- the stepwise increase of the EBA imports over the medium term as well as the assumption of a sufficient competitiveness of sugar production in the concerned exporting countries;
- the binding limit of the WTO export quantities for sugar of 1.3 mio t of unprocessed sugar;
- export and import figures do not display sugar in processed commodities.

The analysis carries important limitations: projections were made for sugar beet in white sugar equivalent only and include explicitly the bioethanol demand. Isoglucose markets from cereal starch were not included into the balances but treated in other commodities such as maize. In deviation to reality and due to technical constraints, the projection year 2006 (marketing year 2006/07) is taken as a normal 12 months campaign and not the exceptional 15 months period fixed for 2006/07. This concerns mainly the level of consumption, trade and stocks.

The projections foresee a gradual reduction of sugar beet production to 16.5 mio t in 2009 from 20.3 mio t in 2005. The post-2009 period would see a further fall of production to 15.6 mio t in 2013. The emerging biofuel production would contribute to stabilise sugar beet production despite the significant price pressure for the beet sugar market due to the slow restructuring and the accumulated high levels of stocks until the end of the transition period in 2009. The sugar beet area would fall from 2.2 mio ha in 2005 (including Bulgaria and Romania) to 1.7 mio ha in 2013 in the EU-27.

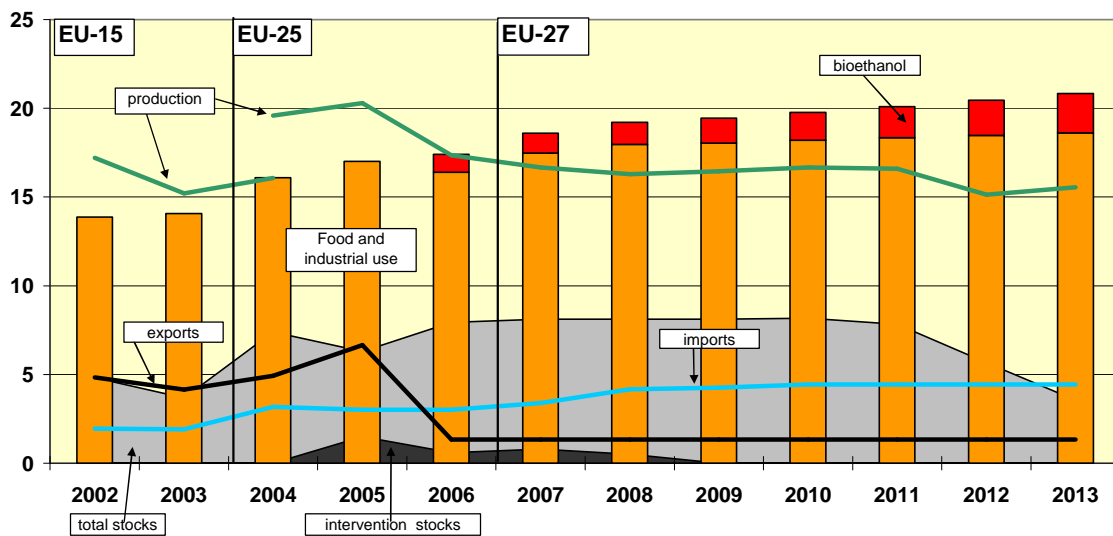
Domestic use of sugar beet would increase from 16.2 mio t and 17 mio t including Bulgaria and Romania in 2005 to 20.8 mio t in the EU-27 by 2013. The main reason for this increase in domestic use would be the emerging biofuel industry which would gradually raise demand to 2.2 mio t of white sugar equivalent until 2013. Additionally sugar demand should increase due to falling prices and the increasing competitiveness vis-à-vis other products in industrial demand such as isoglucose from cereal starch. The accession of Romania and Bulgaria adds some 60 000 t of production and a consumption of around 725 000 t. It is assumed that the production in Romania and Bulgaria would remain in place regardless of any economy of scale considerations.

The main driving element of restructuring would be the level of imports. Here it is assumed that the EBA countries would have the competitiveness to deliver the quantities of the import. From 2010 onwards, these countries would reach a level of imports of around 2.2 mio t. Total imports would reach 4.4 mio t coming mainly from ACP, EBA, Balkan countries as well as from the import quota given after the accession of Bulgaria and Romania. These figures exclude sugar in processed commodities.

Exports of unprocessed sugar would remain at the WTO limit. A lower level of exports would increase significantly the pressure for adjustment.

The high level of stocks seen until 2009 would be reduced over time and fall to 4.2 mio t at the end of the projection period. Sugar stocks would then reach levels that may be considered as normal by other crops standards. The high domestic availability of sugar would lead to pressure on market prices for sugar from 2010 onwards taking account of the assumed slow pace of restructuring until 2009. Most of the pressure would be expected for 2011 and 2012. This development would benefit domestic use. Prices for beets for bioethanol, however, would remain relatively firm throughout the period under the condition that the bioethanol demand expands like foreseen.

Graph 8: Development in sugar markets in the EU (mio t), 2002-2013



The current limited uptake of the restructuring funds bears a major downside risk factor in particular as regards to the potential amount of imports within the EBA initiative and the consequence of high adjustment costs for the sector post 2009. The second major downside risk factor is the high level of total stocks on the markets which would weigh heavily on the medium-term perspectives post 2009. The anticipated reported burden of restructuring could lead to low prices in 2010 and 2011 and represents a major downside risk for the sector.

3. MEAT AND LIVESTOCK

3.1. Beef and veal

The EU beef and veal market was strongly disrupted by the BSE scares of 1996 and 2000/2001 and by the measures that were taken in an effort to keep supply as close as possible to falling consumption. The impact of these measures reinforced the structural reduction of the EU cattle herd due to the constant reduction of the dairy herd linked to the joint effect of production limiting milk quotas and increasing milk yields³. The suckler cow herd, which strongly developed during the nineties, has been slightly

³ It is estimated that between 1990 and 2005 the EU-15 dairy cow herd decreased by nearly 30 %.

declining since the year 2000, due to more stringent stocking density constraints of the CAP. Since then the number of suckler cows has decreased by around 0.2 mio heads which, cumulated with the structural decline of the dairy herd, has brought the total EU-15 cow herd down by almost 1.7 mio animals in 5 years. All these factors had a profound impact on EU-15 beef production which decreased by more than 5 % between 1999 and 2005.

EU-25 beef production declined to the level of 7.8 mio t in 2005, but is expected to increase by 2 % in 2006, the first full year of beef coming from animals over thirty months of age re-entering the UK market⁴. The impact of enlargement in 2007 will be limited due to the low level of beef production in the EU-2, estimated to stand at approximately 214 000 t in 2006. However, Bulgaria and Romania have imported increasing volumes of beef from third countries during recent years.

The main factor influencing medium-term projections on the beef sector is the impact of decoupling, which (combined with an increase in cereal feed prices) is projected to reduce the incentives toward intensive beef production systems and generally reduce production from unprofitable production systems, generating an overall decline in EU beef production.

Market developments in the EU-10 and the 2007 enlargement are not expected to have a deep impact on these projections as the EU-12 only contributes to around 10 % of EU-27 beef and veal production and 9 % of EU-27 consumption. Beef production in the EU-12 originates almost completely from the dairy herd. Even if a limited growth in suckler cow numbers was observed in the past few years, the aggregated EU-10 and EU-2 beef herds would continue to represent a limited share of the total beef herd (around 2 %) throughout the projection period.

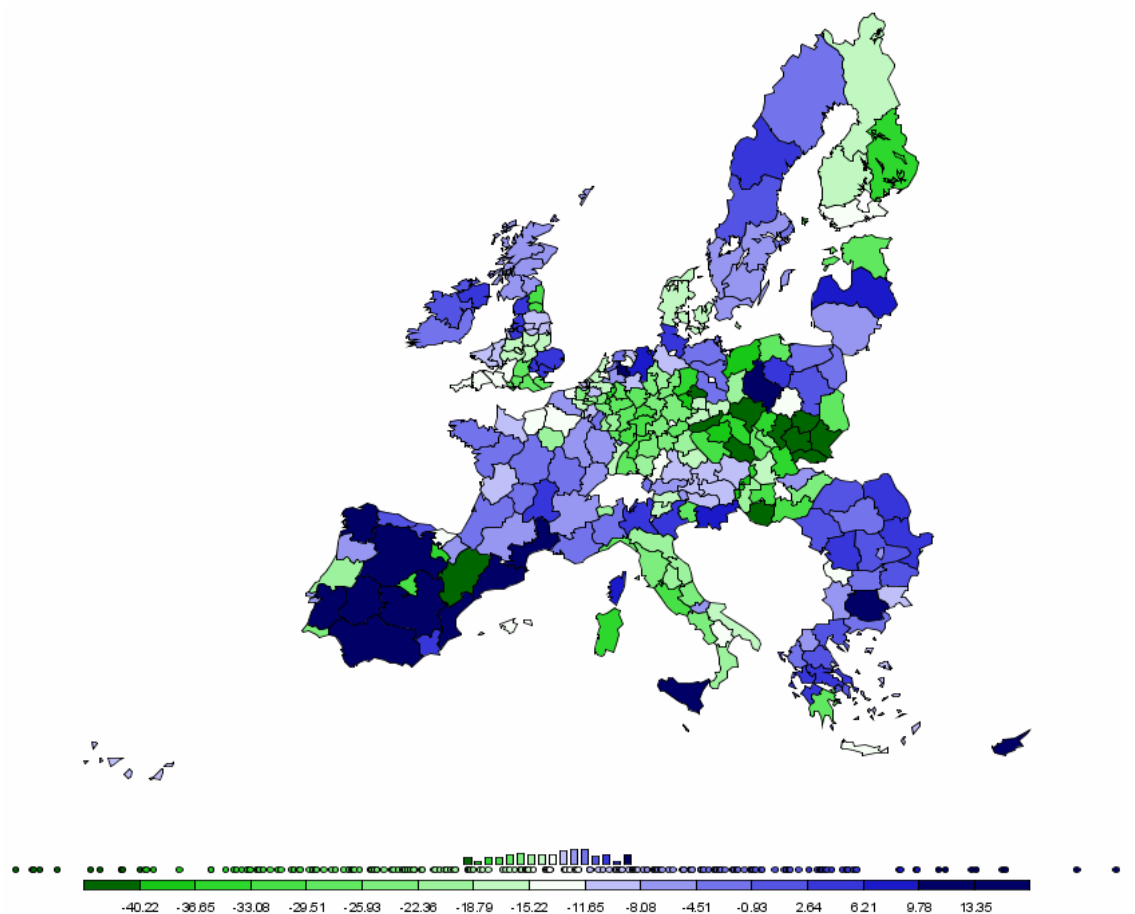
Over the medium term EU-27 beef production is therefore expected to decrease to about 7.7 mio t by 2013, a reduction of around 333 000 tons from 2005. The reduction in overall EU-27 cattle herd would amount to around 6 %, mainly driven by the structural decline in dairy cow herd size, but also in relation with the post CAP reform adjustment in beef activities. Specialised regions in Spain, France, Belgium and the Netherlands, keeping most of their cattle premiums coupled, are expected to expand their fattening herd over the medium term. Mainly dairy oriented beef production in the EU-12 would generally decline. However, latest survey results for the EU-12 show a slightly positive development in suckler cow herds, though on a very low level and following incentives given in some of these Member States in the form of national top-ups of SAPS payments.

The increase in trade flows (both in live animals and beef meat) from the EU-10 to the EU-15 since enlargement resulted in lower beef availabilities and rising prices and accentuated the decline in beef and veal consumption in the EU-10, with beef per capita consumption dropping to 6.2 kg in 2005. After the slight increase in overall EU consumption due to higher availabilities in 2006, beef consumption is projected to stagnate over the medium term as the potential increase fuelled by rising income levels

⁴ Cattle born in the UK before August 1996 are permanently excluded from entering the food chain, these animals can be disposed of under the Older Cattle Disposal Scheme (OCDS).

would be broadly offset by the sustained price increase⁵ for beef and by the low consumer preference for beef meat in the EU-10.

Graph 9: Medium term change in EU-27 cattle herd (%)

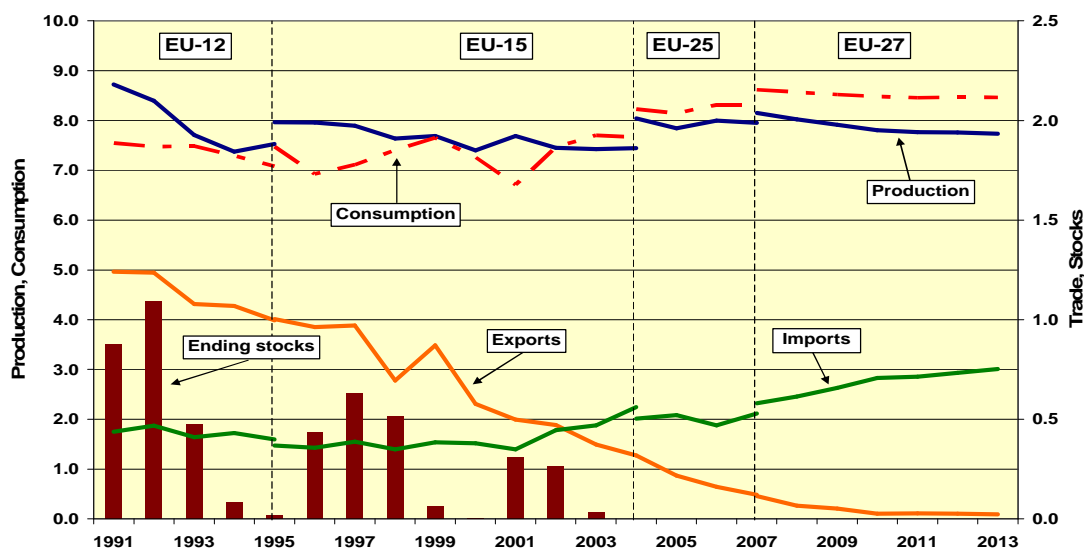


A steady demand and a tight domestic supply are expected to result in firm prices over the projection period. Following a short-term setback in 2006 due to the increase in EU production, the import restrictions imposed on Brazil as a consequence of FMD and the temporary suspension of Argentinean exports, total beef imports are expected to resume their growth and reach 753 000 t by the end of the projection period.

EU-25 meat exports fell by 32 % in 2005 as a combined effect of the strong euro, relatively high internal prices, cuts in export refunds and lower net production. Over the medium term extra-EU meat exports will continue to be constrained by low domestic availability and lower competitiveness and are thus projected to decline further. Higher profitability of EU production due to higher domestic prices and the abolition of export refunds for live animals for slaughter led to a considerable decline in live animal exports in 2005 (-34 %) that are projected to remain at a low level throughout the forecast period.

⁵ Beef market prices have increased substantially in the new Member States upon enlargement, with increases ranging between 10 and 30 %. It is expected that the tight market within the EU would result in firm prices throughout the projection period.

Graph 10 Outlook for the EU beef market (mio t), 1991-2013



3.2. Pig meat

After the 2004 decrease due to the strong contraction of the EU-10⁶ pig herd, EU-25 pig meat production remained stable in 2005. Production in the EU-2 stood at 681 000 t in 2005, implying that the impact of accession on total EU production should be limited. Over the medium term pig meat production is expected to increase at a slower rate than in the nineties, due to the competition of poultry meat on the demand side and higher feed prices. EU-27 pig meat production is projected to reach around 22.5 mio t by 2013, an increase of 3.3 % compared to 2005. Production would mainly expand in Spain, Slovakia and Hungary as well as in typical livestock rearing regions of France, Germany and Italy.

The medium-term outlook for pig meat consumption is in general positive as pig meat is likely to remain favoured by consumers. Per capita consumption in the EU-2 stood at 32.3 kg in 2005, compared to 42.8 kg in the EU-25. Higher availabilities on the domestic market and a partial shift of consumer preferences from poultry meat to pig meat in the course of the Avian Influenza scare contributed to the firm demand in 2006. Over the medium term, EU-27 per capita pork consumption is projected to increase from 42.1 kg in 2005 to 43.1 kg by 2013, with a marked increase in the EU-12 (supported by sustained economic growth and purchasing power).

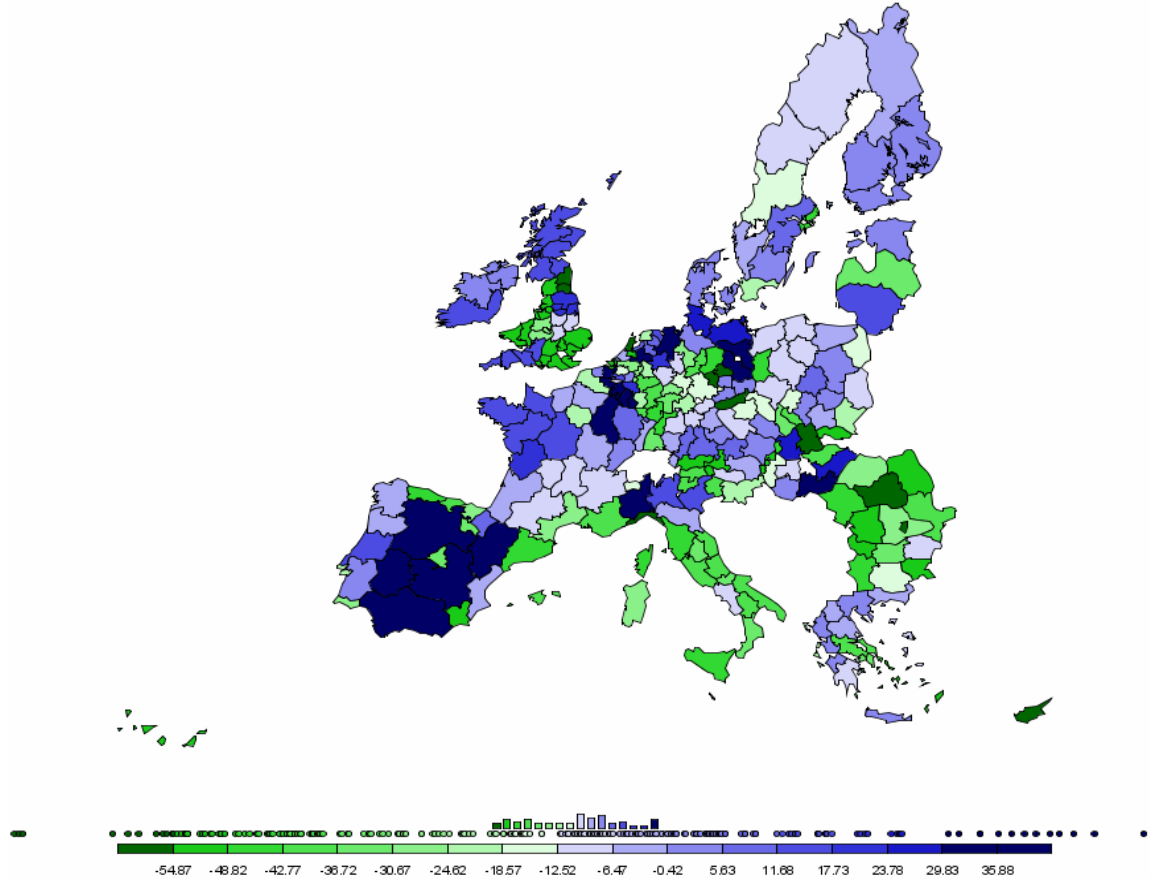
EU-25 pig meat exports declined by 1.7 % in 2005 as the strong euro constrained export opportunities to the Far East, the USA and Africa. The impact of accession will be a reduction of the total volume of extra-EU exports, as the EU-2 accounted for 203 000 t (almost 14 %) of EU-25 exports in 2005. Following a short-term increase of EU-27 exports, driven by the expected favourable conditions on the Russian market⁷, exports

⁶ Pig farmers in the new Member States were strongly affected by the low prices of 2002 and 2003 and their herd decreased by more than 10 % in 2 years (with breeding sows down by more than 15%).

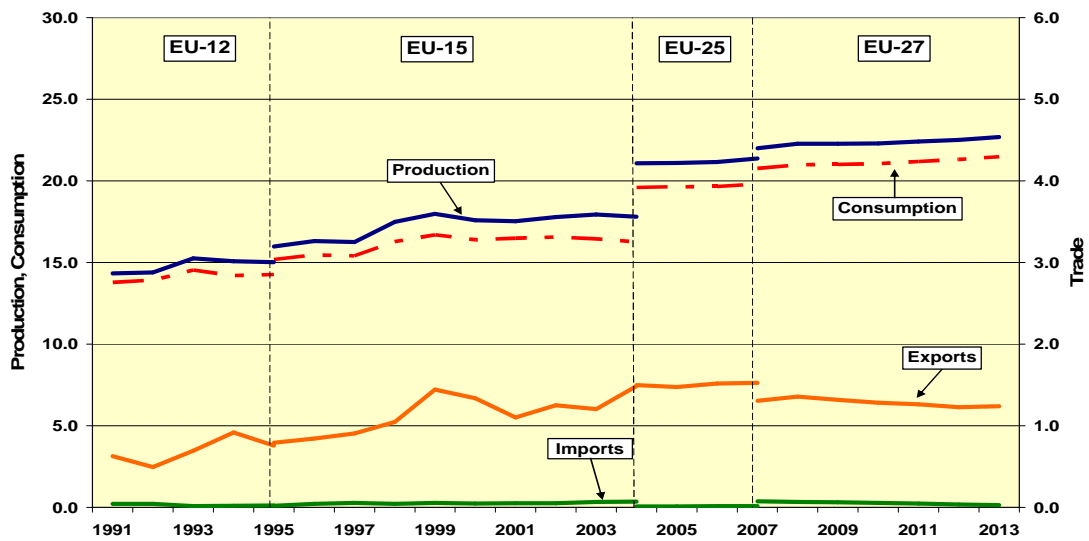
⁷ Russia was considering imposing a ban on all imports of EU animal products from 1 January 2007, due to phyto-sanitary concerns linked to the accession of Bulgaria and Romania. Such a measure could have caused tension on the EU markets, as Russia is the most important destination accounting for 500 000 t of EU exports of pig meat.

will exhibit a declining trend over the medium term, as EU exports would not be able to keep up with increasing competition from low-cost producing countries, who are further helped by the relative strength of the euro and the lower EU production growth. On the other hand, EU intra-trade is expected to continue its expansion.

Graph 11: Medium term change in EU-27 pig meat production (%)



Graph 12 Outlook for the EU pig meat market (mio t), 1991-2013



3.3. Poultry

Poultry meat production increased slightly in 2005 but is expected to decline below the level of 11 mio t in 2006 in response to lower demand due to the Avian Influenza scare.

The impact of Avian Influenza in the EU-27

The highly pathogenic H5N1 influenza strain was detected for the first time in European wild birds by the end of 2005. Precautionary, surveillance and control measures were adopted both at national and EU level in order to prevent a further spreading of the disease within the wild bird population as well as a transmission of the virus into the commercial flock. A limited part of the French and Dutch poultry population (mainly birds which could not practically be moved inside) has been vaccinated.

Despite the protection measures, H5N1 was detected for the first time in a French turkey farm in February 2006. As a consequence, more than 40 third countries banned French and EU poultry exports. A few further outbreaks followed in commercial poultry flock across Europe, but all were efficiently controlled and eradicated. Nevertheless, the public scare related to the disease also led to certain disturbances on the single market.

Several Member States reported a considerable drop in poultry meat consumption and hence an accumulation of private stocks, accompanied by decreasing market prices. The feeding industry announced a 10 % decrease in quantity produced for the first few months of 2006. Due to the heterogeneously developing poultry meat prices across Member States (mainly resulting from a different consumer perception of the real endangerment emanating from the virus), a certain disruption of intra-trade flows emerged within Europe. Responding to economic losses in the poultry sector, some Member States decided to make use of the opportunity to grant state aid.

In order to support producers suffering from market disturbances, the European Commission has increased export refunds since the beginning of 2006 and extended the list of eligible products (export refunds have been exceptionally introduced for chicken cuts between November 2005 and October 2006). But given the weakening external demand linked to the partial ban of European products, this instrument did not fully have the desired effect. In order to equip the Commission with additional flexibility to support the poultry market, the eggs and poultry market regulation was amended in late April 2006, allowing for exceptional market interventions in case of considerable market disruptions caused by a loss in consumer confidence. Beginning of June 2006, the Commission approved the applications of several Member States for Community co-financed compensation payments, granted for a number of different temporary market support measures (destruction/processing of eggs for hatching, destruction of chicks, slaughter of part of a breeding flock, voluntary stamping out /placing of fewer chicks and early slaughter of ready-to-lay pullets).

In the second half of 2006 the poultry meat market returned to more normal patterns, with prices well above their previous year level. However, there remains a certain risk of further Avian Influenza disruptions in the future.

The accession of Bulgaria and Romania in 2007 will lead to an expansion of total EU production of around 0.3 mio t, an increase of 3.5 % in the EU aggregate.

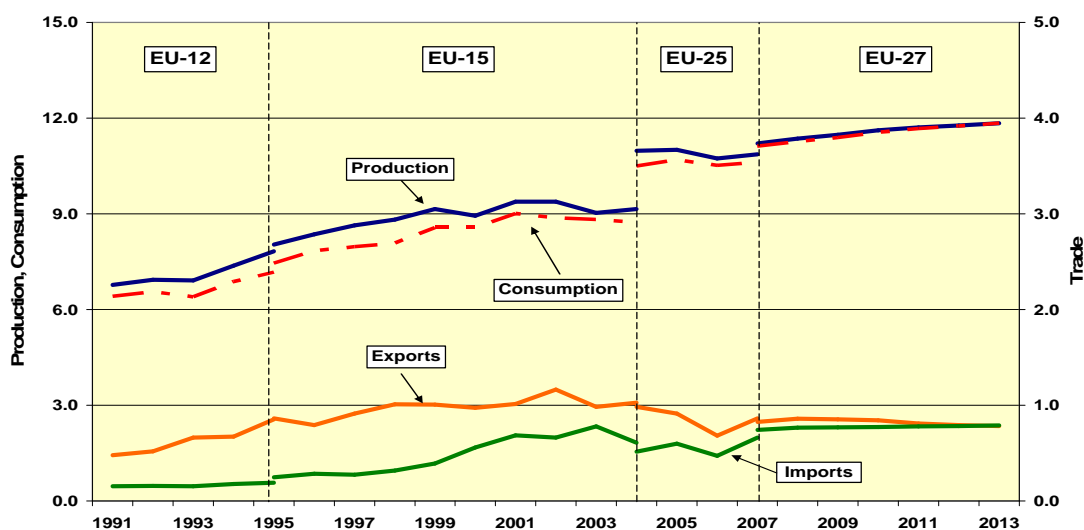
The short-term disruption due to Avian Influenza is not expected to alter the medium-term outlook for poultry production that remains relatively positive as competitive prices with respect to other meats, strong consumer preference and increased use in food preparations should continue to play in favour of poultry. EU-27 per capita consumption is projected to increase from around 23 kg in 2005 to 23.9 kg by 2013, with a stronger growth in the EU-12, where poultry meat should benefit from a growing consumer preference.

Production and consumption are expected to grow at a lower pace than in the nineties, in line with the slow down observed in most recent years (1999-2004), when production only grew by 1.9 % per year on average, as compared to average growth rates of 2.3 % per year over the period 1995-1998.

EU-25 exports recorded another significant decline of 6.3 % in 2005 due to the unfavourable exchange rate and intense competition from Brazil and the US on all markets and particularly in the Middle-East and in Africa. Exports are to decline further in 2006 as a consequence of lower third-country demand conditional on Avian Influenza in the EU. A short-term recovery would be followed by a gradual decline of EU-27 poultry exports over the medium term due to strong competition on the world markets by low cost producers and unfavourable \$/€ and Brazilian Real/€ exchange rates.

Following the sharp drop of imports in 2004 as a consequence of Avian Influenza in South East Asian poultry exporters (e.g. Thailand, which is the second largest poultry exporter to the EU) and of improved custom controls on salted meat, EU imports increased by 16 % in 2005, with a further strong expansion of trade from Brazil but only limited changes from Thailand. The conclusion of agreements with Brazil and Thailand on a new regime for imports into the EU will result in increased quantities in 2007. Imports are then expected to resume their moderate growth, and with extra EU exports on the decline, the EU-27 is projected to become a net importer of poultry meat by the end of the projection period.

Graph 13 Outlook for the EU poultry meat market (mio t), 1991-2013



3.4. Consumption eggs

The prospects for the EU egg production appear moderately positive. Like poultry, egg production recovered from the Avian Influenza in the Netherlands in 2003. Production of eggs reached 6.3 mio t in 2004 and is expected to further increase to 6.4 mio t in 2006. The accession of Bulgaria and Romania will add 0.2 mio t of production. The share of subsistence production is particularly high in egg production and restructuring after accession would mostly concern the market-oriented sector. Their development would be constrained by increased feed costs (as compared to the situation before accession) as well as competition from other regions. Overall production would stay fairly stable over the projection period mainly due to subsistence production. Production in the EU-27 would reach 7.1 mio t in 2013 and remain fairly stable. Consumption would see a slight increase from 6.8 to 7 mio t over the projection period. Exports would remain at 0.1 and 0.2 mio t over the medium term.

3.5. Sheep and goat meat

The EU-25 sheep herd decreased by 1.8 % in 2005, with an even greater decline in breeding ewes (-3.1 %), as the long-term trend of declining sheep breeding flock has been exacerbated by the continuous drought and the long-standing Bluetongue disease in Andalusia, and the anticipation or the beginning of the implementation of the ewe premium decoupling in the Member States.

EU-25 sheep meat production declined slightly in 2005, the reduction mainly taking place in Southern European countries, with Bluetongue and drought having a serious impact in Spain and Portugal. The continued decline in French production was mainly due to a rise in live exports to Spain. On the other hand, production in the UK increased due to decapitalisation, a reduction in ewe lamb replacements and higher live imports.

In 2006, EU-25 production is expected to decrease markedly (-2.5 %), with most of the reduction anticipated in the UK and Ireland given the high culling rates of 2005 following the CAP reform implementation. A further drop is also foreseen in France given the slow restructuring of the flock and the low lambing rate expected because of the summer 2005 drought. Further outbreaks of Bluetongue disease in 2006 will also influence production developments over the short term.

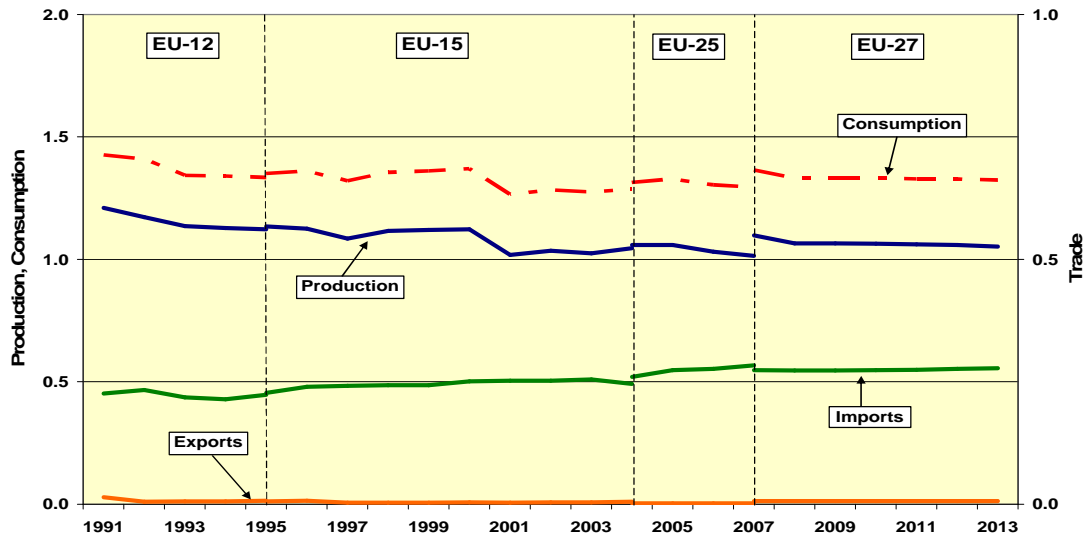
For the first time ever, outbreaks of Bluetongue disease have occurred in Northern Europe during the month of August 2006, affecting some production regions of the Netherlands, Belgium and Germany. France, Italy and Portugal have also reported outbreaks in late autumn, and the ensuing movement restrictions to control the spreading of the Bluetongue disease have disrupted intra-EU trade.

Following enlargement of 2007, EU-27 production is set to reach 1.1 mio t, with Bulgaria and Romania contributing with 28 000 t and 55 000 t of sheep meat production respectively. The medium-term expectations foresee a gradual decline in sheep and goat meat production, in line with past long-term trends and the impact of decoupling of ewe premiums in the major producing countries.

EU-25 imports in 2005 increased by 5 % reaching an absolute level of 274 000 t with New Zealand striving to complete its import quota after a considerable amount of quota was unused in 2004. To fill the gap in supply resulting from the lower production in 2006, imports are expected to reach 277 000 t (+6.2 %), with imports from New Zealand and Australia being supplemented by increasing imports from South America

and Bulgaria. Over the medium term sheep and goat meat imports would increase to meet domestic demand in context of falling production. Per capita consumption is expected to decline slightly over the medium term due to restricted availability of the meat.

Graph 14 Outlook for the EU sheep and goat meat market (mio t), 1991-2013



3.6. Overall meat consumption

Following the 2000/2001 BSE scare and the 2003 Avian Influenza in the Netherlands, the EU consumption pattern was again disrupted in late 2005 and in 2006 due to the highly pathogenic Avian Influenza scare and eventual outbreak. Poultry consumption fell sharply in a number of Member States that is estimated to lead to a decline in aggregate per capita consumption by 0.5 percentage point in the EU-15 and 0.3 percentage point in the EU-10 for 2006. The decline in poultry consumption would not be totally offset by increasing pork and beef and veal consumption, resulting in a drop in the overall EU per capita meat consumption.

As the 2004 enlargement with ten new Member States resulted in a reduction of the average EU meat per capita consumption, the enlargement in 2007 will lead to a further reduction, since average per capita meat consumption in the EU-2 is even lower than that of EU-10 (in 2005, average per capita meat consumption stood at 64.3 kg in the EU-2, 76.2 kg in the EU-10 and 88.7 kg in the EU-15).

Beef and veal consumption in the EU-2 is higher than in the EU-10, due to the preference for low quality beef. Sheep meat is also consumed at a higher per capita rate, at 2.6 kg. Like in the EU-25, pork is by far the preferred meat in the EU-2, where it represents on average approximately 50 % of total meat consumption. Poultry consumption accounts for around 20 % of meat consumed.

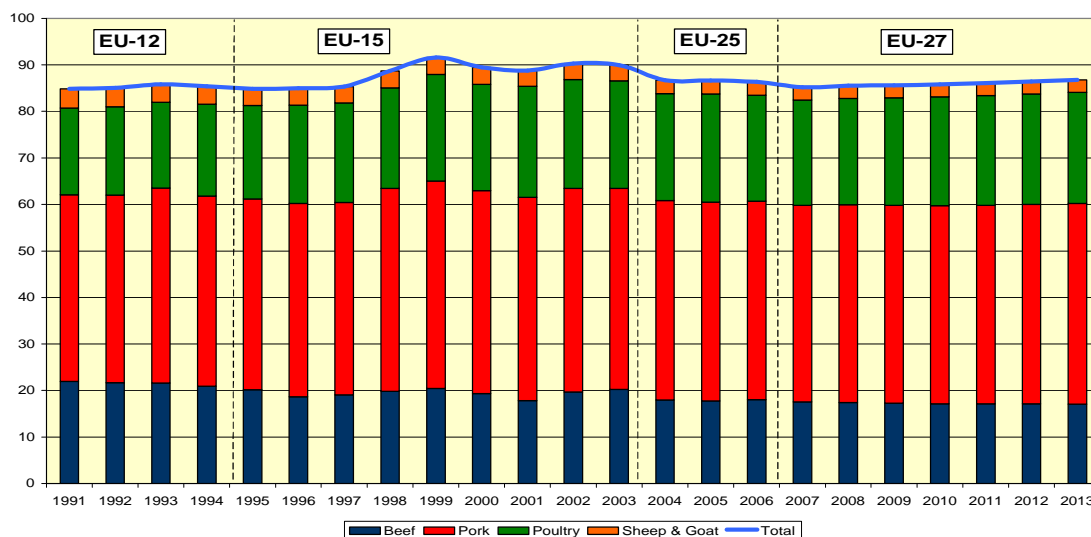
The long-term trend towards higher per capita consumption of meat slowed down at the beginning of the 1990s, but the large increases in meat consumption in 1998, 1999 and in 2002 and 2003 appear to be in contradiction with the view that meat consumption, in general, is saturated.

The forecasts for the overall EU meat consumption that are presented in this document have been established without imposing any overall constraints and reflect the projected

evolution for the individual types of meat as presented above. According to these projections by individual sectors, total meat consumption in the EU-27 is set to increase from 85.3 kg/capita in 2005 to around 86.8 kg/capita by the year 2013.

The following graph shows the evolution of per capita meat consumption in the EU over the period 1991- 2013.

Graph 15 Meat per capita consumption in the EU, 1991 – 2013 (kg/person)



Pig meat, with a share of about 50 % is by far the most preferred meat by EU consumers, followed by poultry, with a share of around 26 %, which has overtaken beef/veal since 1996. The projections up to the year 2013 imply a further expansion of poultry and pork consumption with a corresponding decline in the shares of beef, sheep and goat meat.

3.7. World market perspectives

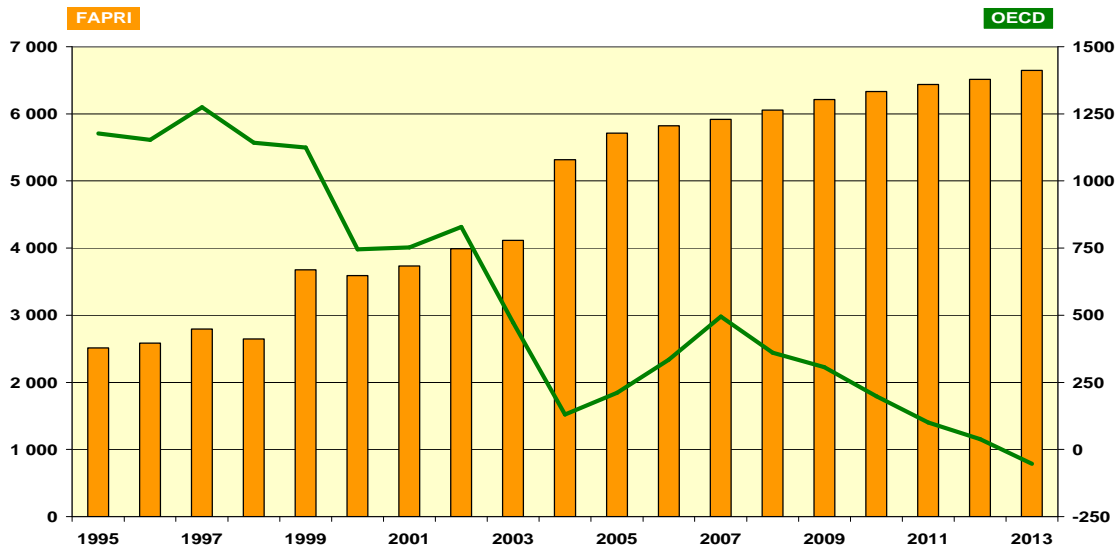
According to FAPRI, USDA and the OECD, the medium-term perspectives for the meat markets would exhibit higher production, consumption and trade. The increase in meat consumption would be generated by a favourable macro-economic environment of sustained economic growth and growing global incomes, in particular in the emerging economies of Asia and Latin America, as well as increasing urbanisation and changes in dietary pattern in most developing regions. Various production constraints in a number of countries would enable consumption to grow faster than production, leading to an increase in low-cost imports. FAPRI predicts an 18 % growth in total meat trade over the period 2005-2013, with low-cost producers of Latin America gaining an increasing share of global meat trade.

The FAPRI projections exhibit a sustained rise in beef trade, growing 16 % between 2005 and 2013. Increased demand for beef will be driven by income and population growth in Egypt, Indonesia, Mexico, the Philippines and Russia, by trade reversals of China and the EU and a recovery of demand from BSE in Japan and South Korea. Brazil would account for most of the gains, capturing an increased share of world beef exports.

In 2004 and 2005, world pig meat trade grew 10.2 % and 9.4 % respectively, benefiting from trade shocks in other meats due to BSE, foot and mouth disease and avian

influenza. The outlook for pig meat trade is projected to display a continuous expansion over the 2005-2013 period (increasing by around 2.4 % per year according to FAPRI), driven by strong import demand from Japan, Taiwan, China and Mexico. Canada would remain in competition with the USA in the Pacific Rim region and in Mexico, while Brazil would capture increasing market shares in Russia and other price-sensitive markets.

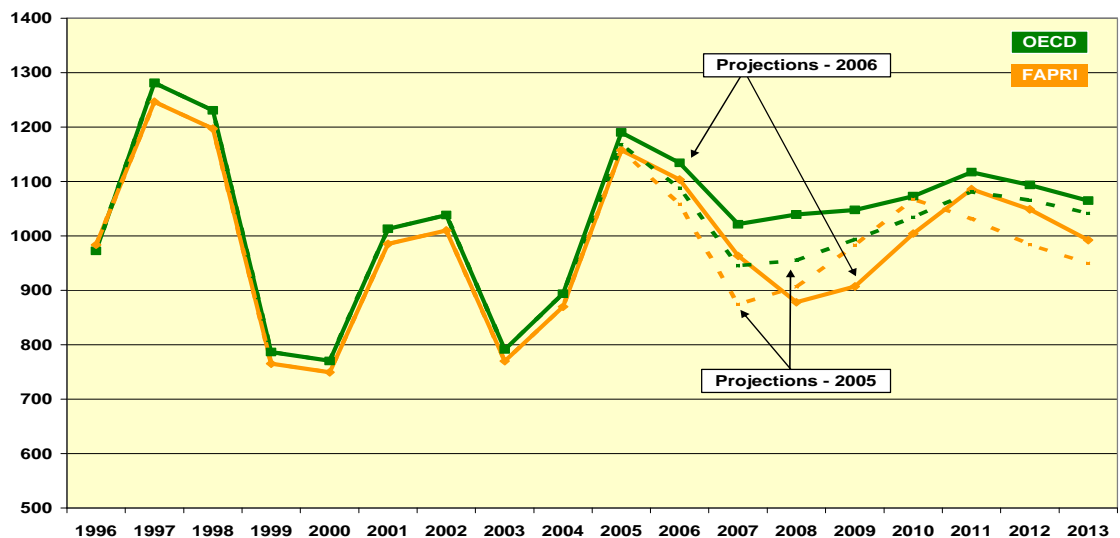
Graph 16 Outlook for beef net imports, 1995-2013 ('000 t cwe)



Ref.: FAPRI (world net imports) and OECD (OECD zone trade).

Trade in poultry meat is expected to recover from Avian Influenza and exhibit an upward trend, with an increase by 22-24 % according to FAPRI and OECD over the 2005-2013 period. Much would depend on the prospects for import demand from China and Japan, as Russian imports are broadly limited by import quotas. On the export side, a weak currency, large availability of cheap feed grains and strong investments in the meat sector are all anticipated to maintain Brazil's strong presence on the world market over the medium term. The FAPRI baseline foresees a strong expansion of US exports over the forecast period (+26 % versus +13 % of USDA).

Graph 17 Outlook for pig meat prices – comparison with the 2005 outlook, 1996 – 2013 (\$/t)



Ref.: Iowa and Southern Minnesota barrow and gilt, 1w.

After the very high prices recorded in the past couple of years, mostly due to the trade disruptions linked to the BSE in North America, beef meat prices are expected to ease gradually and stabilise over the medium term at around 1600 \$/t. Prices would remain supported by a strong import demand, although the changing structure of the world beef market, the emergence of new exporting countries and the increasing competition from other meats should restrain upward beef price tendencies. Poultry and pig meat prices would display very modest gains over the projection horizon as the continued improvement in feed efficiency, structural changes and the swift emergence of low-cost producers would maintain world market prices under pressure.

4. MILK AND DAIRY PRODUCTS

4.1. Milk

Milk production in the EU broadly follows the milk reference quantities, first introduced in 1984 to limit excess milk production. The increasing milk yields linked to improved genetics and feeding, and limited output levels due to production quotas allowed for a dramatic reduction of the dairy herd, which shrunk by around 40 % in 20 years. This trend of declining dairy cow numbers was supported by the increase in fat content for the EU-15 Member States during 1982-1996 (from 3.87 % in 1982 to 4.11 % in 1996), as an increase in fat content reduces the margin for milk deliveries to dairies if the historical reference fat content is exceeded.

The reduction of the EU-25 dairy herd continued in 2005 with a total decline of 1.8 %, mainly resulting from increasing cow productivity and decreasing milk prices⁸ that narrow producer margins. With the exception of Poland and Italy, dairy cow numbers dropped in all major producing countries.

In the 2005 calendar year EU-25 milk production increased slightly, reaching 142.2 mio t with deliveries growing by 1 % to 131.6 mio t. Deliveries in EU-10 increased by 5.4 %, with continued structural changes in the sector.

Deliveries in 2006 have remained below the 2005 level in the major producing countries, despite the increase in production quotas for the 2006/07 quota year. The quota increases decided for the EU-15 for the quota year 2006/07 and the decision to grant all EU-10 Member States their respective restructuring reserves raised the total level of EU-25 milk quotas by 1.2 mio t from the 2006/07 quota year.

The low deliveries in 2006 result from many factors. In Germany and Poland, the leading dairy producers in EU-15 and EU-10 respectively, milk production was reduced significantly in the first three months of 2006 (the end of the 2005/06 quota year) in order to avoid paying high *superlevies* for over-quota production and output could not catch up to the 2005 level since. Unfavourable market conditions are partially behind the decline in the UK, Sweden and Hungary, where production remains structurally below the respective quota levels. The hot and dry weather in July 2006 also caused a further set-back in milk output in a number of Member States. The reduction in EU institutional prices and the introduction of decoupled payments might have already led

⁸ Although the compensation by direct payments have dampened the impact of falling milk prices in the EU-15.

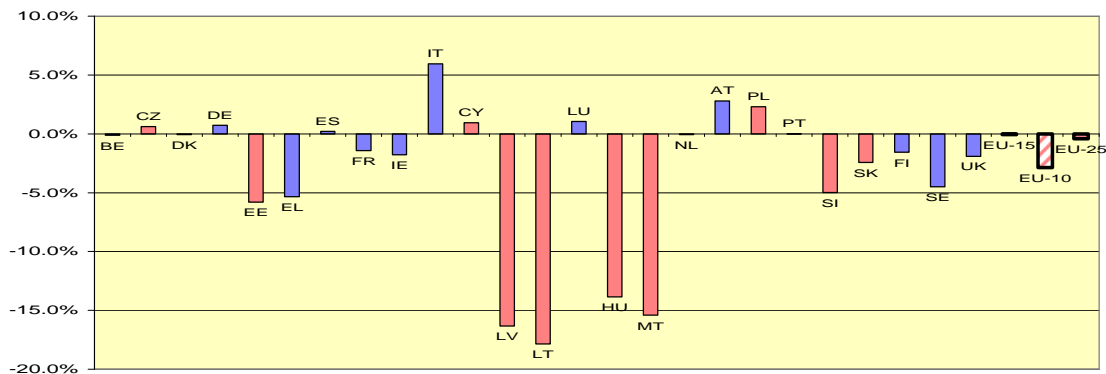
to a number of producers leaving the business. Another possible reason behind the temporary reduction could be the expiry of the transitional periods in the EU-10 on 1 January 2007, which allow for the domestic marketing of milk not fully complying with EU criteria.

After the increase of fat content in 2004 to compensate for the lower level of milk production, the EU-25 average fat content declined slightly in 2005. Due to the lower milk availabilities in 2006, an increase is expected again. As a result, the reduction in milk fat availabilities would be lower than the reduction in milk production.

A stabilisation in the average EU-15 fat content took place in the last decade (bringing the average for 2005 down to 4.06 %) as producers responded to price signals from the dairy processors, who required less fat and more proteins. Fat content in the EU-10 has been increasing over the last ten years, but still remains below the EU-15 average, at 3.91 % in 2005. The increase in the protein content of EU-15 milk has been less remarkable, but has shown a faster pace over the last decade, reaching 3.37 % in 2005. The average protein content in the EU-10 remains below the EU-15 average and has been stable over the past three years at 3.26 % in 2005.

According to provisional calculations for the milk quota year 2005/06, fat adjusted milk deliveries were 0.4 % below the total EU-25 reference quota, as the lower deliveries in a number of Member States were not compensated in full by the aggregated level of overshoots, the latter equalling 1 120 thousand t and mainly coming from Germany, Italy and Poland. EU-15 deliveries were only 53 thousand t below the total reference quantities, while EU-10 deliveries were 507 thousand t, (ie. 2.9 %) below the total reference quantities, with particularly low fulfilment levels in Latvia (-16.3 % of the quota), Lithuania (-17.8 %), Hungary (-13.9 %) and Malta (-15.4 %). The low fulfilment level in Latvia and Lithuania was mainly due to the transformation of direct sales quota into delivery quota.

Graph 18 Fulfilment of delivery quotas in the 2005/2006 marketing year (%)



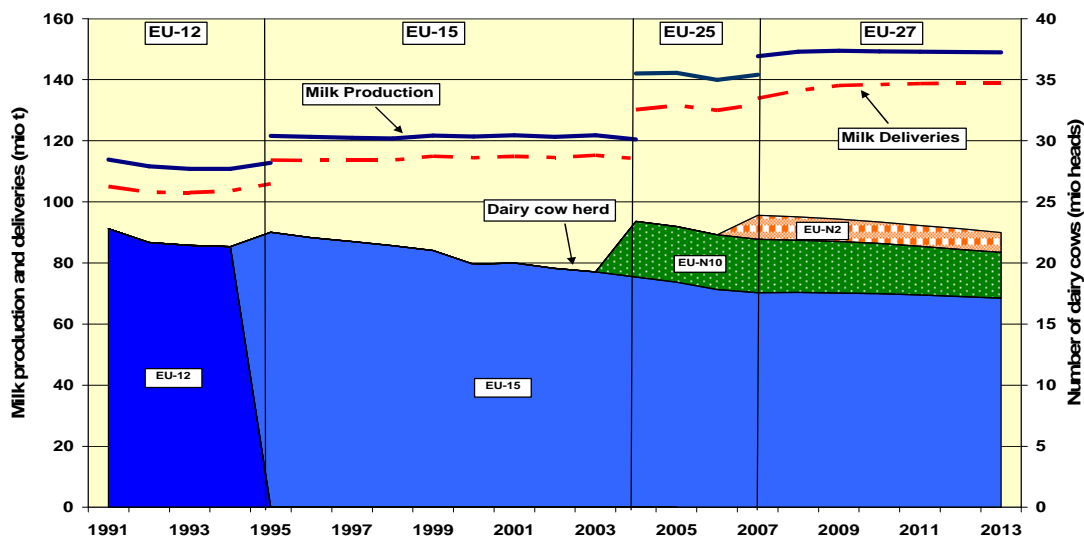
With the approaching enlargement of the EU to 27 members as from January 2007, EU cow's milk production is estimated to increase by approximately 6 mio t that will account for approximately 4 % of the EU-27 production. In the calendar year 2005 milk production in Bulgaria and Romania stood at 1.3 mio t and 5 mio t respectively. The impact on EU deliveries will be even lower (with an expected increase of 1.9 mio t) since only approximately 30 % of the milk produced is being delivered on aggregate, due to the high share of subsistence production. In the calendar year 2005, approximately 803 000 t were delivered to dairies in Bulgaria (62.4 % of milk produced) and 1.1 mio t in Romania (22.3 % of milk produced).

After a decline in 2006, milk production is projected to rebound over the short term as a number of Member States would increase production in order to fill their quotas, and particularly in those EU-15 Member States that are granted further production quotas in the quota years 2007/08 and 2008/09. Over the medium term, EU-27 milk production is expected to stabilise and reach a level of 149 mio t in 2013. Milk deliveries are assumed to fully respect the milk reference quantities in line with the aforementioned quota increase in the EU-15, assuming the full allocation of restructuring reserves for the EU-2 in 2009 and the underlying micro-economic rationale which makes it unprofitable to produce an extra litre of milk when the *superlevy* (associated fine) is higher than the price of milk.

While in the EU-15 production remains closely linked to milk quotas as on-farm consumption (which is not governed by quotas) only plays a minor role, the on-farm use of milk and direct sales are still very important in the EU-12, accounting for almost 22 % of total production in the EU-10 and above 73 % in the EU-2. Over the projection period, subsistence production is expected to decline gradually due primarily to the projected positive development of rural economies and social security systems after enlargement, which should provide viable economic alternatives to subsistence farmers. These developments are projected to trigger a decline in subsistence milk production, leading to a gradual, but modest reduction of total milk production over the medium term. In 2013 EU-10 would account for 20.8 mio t and EU-2 for 5.8 mio t of milk production. At the same time, milk delivery ratios will continue expanding over the projection period.

Assuming a further increase in milk yields of around 1.3 % per year on average over the forecast period, the EU-27 dairy herd is projected to decline from 24.9 mio heads in 2005 to around 22.5 mio animals by 2013.

Graph 19 Outlook for the EU milk production, deliveries and dairy herd, 1991-2013



The average milk yield in the enlarged European Union is forecasted to reach 6.6 t/dairy cow in 2013 compared to the 6.0 t/dairy cow in 2005 (with yields 27 % lower in the EU-10 and 52 % lower in the EU-2 compared to the EU-15 level, though this gap is projected to narrow over the medium term) as a consequence of further efficiency gains and continuous restructuring in the EU-12.

4.2. Cheese

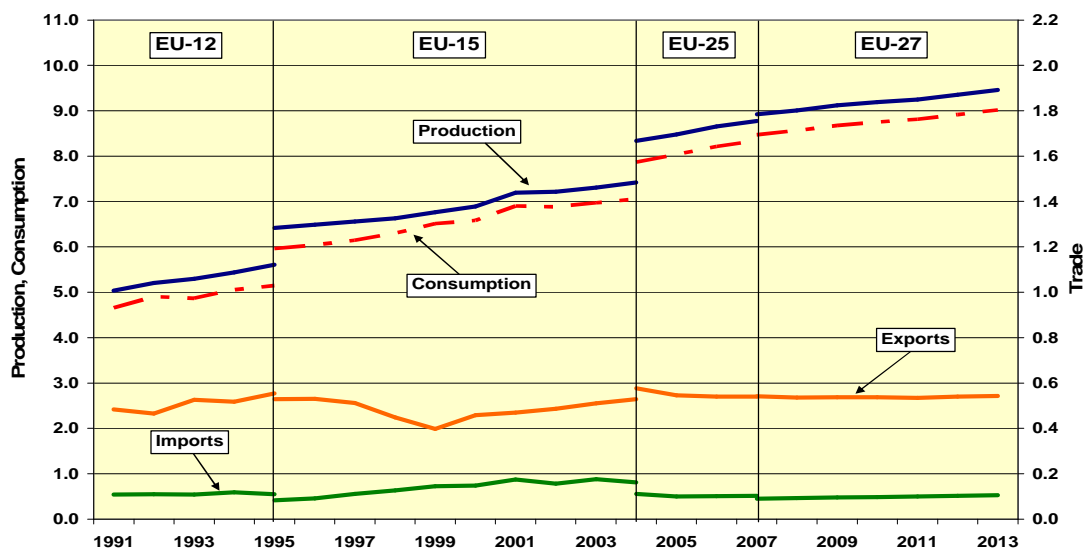
Over the last two decades, the EU cheese sector has been characterised by a strong and steady growth, both for production and consumption. Between 1995 and 2005 EU-15 cheese production increased by 18 %, and EU-10 production by 75 %. Cheese production absorbs more than 40 % of EU milk deliveries and is concentrated in five Member States, namely Germany, France, Italy, the Netherlands and Poland, which represent around 74 % of EU-25 cheese production. Intra-EU-25 cheese trade has increased by almost 37 % between 1999 and 2005.

Following two years of rapid expansion in 2000-2001 (almost 7 % altogether), EU-15 cheese production remained stable in 2002, but has continued its increasing trend over the last three years, growing by around 1.5 % each year. Production in the EU-10 has been increasing rapidly over the last two years, with a cumulated growth of 10.5 % in 2004 and 2005. EU-25 cheese production stood slightly below 8.5 mio t in 2005, an increase of 1.8 % from the 2004 level.

The accession of Bulgaria and Romania will not have a big impact on the EU cheese market as the level of production in these two countries is very low (although cheese production has been increasing over the past years in both countries). In 2005 EU-2 production reached 151 thousand t (+7.3 %), out of which 86 thousand t were produced in Bulgaria and 66 thousand t in Romania (mainly FETA type).

EU-27 cheese production is expected to expand further over the medium term by 10 % altogether between 2005 and 2013, driven by continued strong increases in the EU-12. The projected increase would constrain the expansion of production of bulk dairy products: the additional 824 000 t of cheese that are expected to be produced during the period 2005-2013 (representing roughly 4.5 mio t of milk) will take up almost 85 % of the increase in milk delivered over the same period, thus limiting the amount of milk available for the production of bulk dairy products like butter and SMP.

Graph 20 Outlook for the EU cheese market (mio t), 1991-2013



The medium and long-term outlook for EU-27 cheese consumption is in general positive, although the rate of increase is expected to be lower than in past decades, notably for the old Member States, with per capita consumption in the EU-27 rising from 16.7 kg in 2005 to about 18.2 kg by 2013. The increase will be faster in the EU-12

where per capita cheese consumption is projected to grow by 28 % over the projection period, in line with increasing disposable income and expected changes in dietary patterns towards branded dairy products and processed food products (where cheese is an important ingredient).

In 2005 the growth rate of cheese consumption exceeded that of production, leading to lower EU-25 net exports for the first time after years of expansion. Over the medium term, the steady growth in domestic consumption is expected to absorb most of the increase in cheese production, limiting the growth in cheese exports, which are projected to stabilise around the level of 540 000 t. Accession will not have a major impact on extra-EU trade, as the EU-25 account for a large share of EU-2 extra trade, representing approximately 50 % of EU-2 exports and 80 % of EU-2 imports.

4.3. Butter

After a decline in 2004 EU-25 butter production increased by 0.8 % in 2005. The increase in the EU-15 was accompanied by a growth in the EU-10 as the production of higher value-added products could not absorb the increased fat available due to higher deliveries. In 2006 the decline in milk deliveries and the resulting shortage of milk fat will lead to lower butter production. Germany, France and Ireland are the main butter producers and account for approximately 50% of EU-25 output.

Although butter production in the EU-2 has increased considerably in 2005 (+23.8 %), reaching 15.5 thousand t, the impact of accession on the EU butter market will be limited as the EU-2 will account for only 1 % of total EU production.

Driven by the expected increase of milk deliveries, EU-27 butter production is foreseen to increase in 2007, before returning to a declining trend over the medium term in response to lower market and intervention prices and the projected increase in the production of higher value-added dairy products⁹, which would absorb most of the additional deliveries. EU-27 butter production is expected to decline to 2 mio t in 2013 from 2.2 in 2005 (-8.5 %).

Overall EU-27 butter consumption still tends to follow a declining trend despite some signs of stabilisation during 2001-2003. Nearly 25 % of butter consumption benefits from aid to consumption (e.g. butter destined to the pastry industry). Projections for per capita consumption are set at around 3.9 kg by 2013, compared to the current level of about 4 kg (2.2 kg in the EU-12), i.e. -0.4 % per year on average, despite a slight increase of consumption in the EU-12.

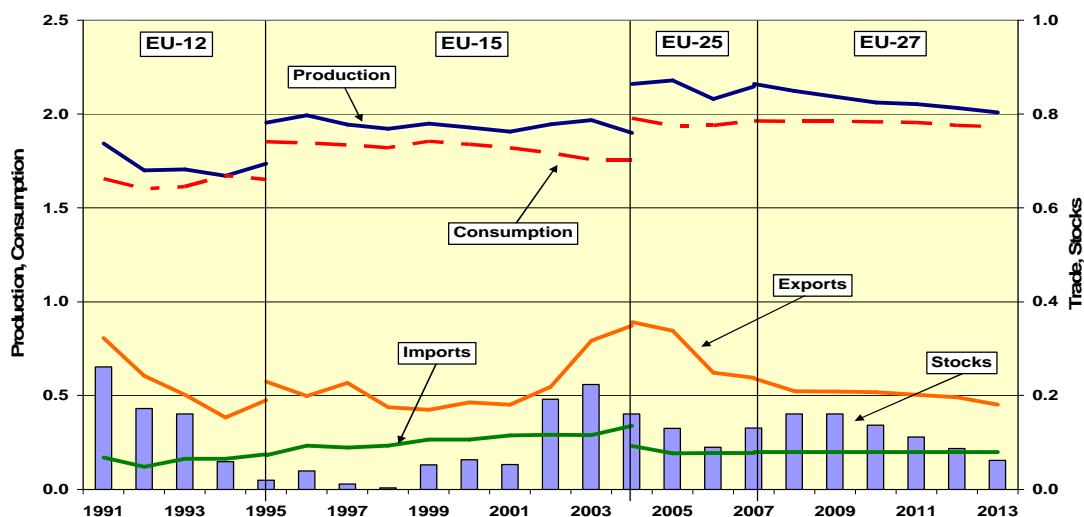
The favourable international market that allowed EU-25 butter exports¹⁰ to reach 356 000 t in 2004 came to an end in 2005 as exports declined by 5 % and are expected to fall further in 2006 to the level of around 250 000 t. Butter exports will continue to

⁹ The present baseline assumes a continuous and strong expansion of other high-value added fresh dairy products that has been observed in recent years, mainly driven by demand in the new Member States. A deviation from this assumption, (ie. a lower rate of increase in FDP) could lead to a further, albeit slight expansion of butter production over the 2007-2009 period, linked to increased milk production and availabilities of fat. However, this will not lead to a deviation from the medium-term trend of declining butter production.

¹⁰ Including butter oil, in butter equivalent.

rely on export subsidies (though at a lower level), and are projected to decrease over the medium term, in line with decreasing EU butter production and due to strong competition from Oceania. Imports, most of which fall within the New Zealand import quota (76 700 t), are projected to stagnate over the medium-term.

Graph 21 Outlook for the EU butter market (mio t), 1991-2013



The projected balance sheet for butter shows that following a short-term increase, intervention stocks would decrease over the medium term, as declining production due to a lower attractiveness of butter would ease the pressure on intervention stocks. Domestic prices are projected to decrease substantially in line with the support price cut under the 2003 CAP reform and to stabilise at a level above support level as supply decreases at a faster rate than consumption. The gap between domestic price and world market prices is projected to remain substantial and should not allow for exports to take place without export refunds.

4.4. Skimmed milk powder

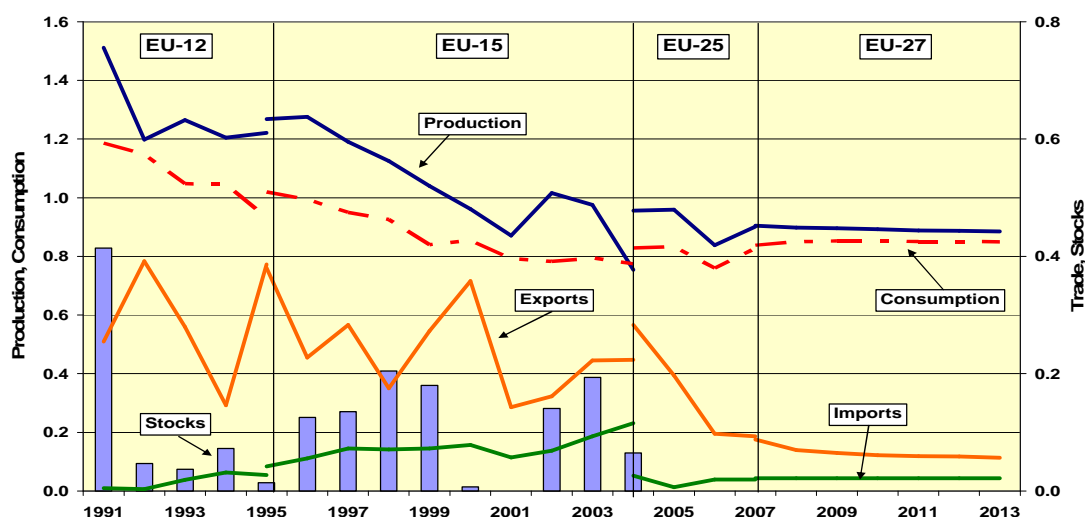
Following a sharp drop in 2004 (-15 %), SMP production stabilised in 2005, showing a marginal growth of 0.3 %. Production in 2006 is foreseen to decline significantly, as the lower milk deliveries coupled with increased protein demand of the fast growing production of cheese and other high value-added dairy products lead to lower availabilities of milk protein for SMP.

Production is concentrated in Germany, France and Poland, who represent more than half of EU-25 SMP production. In the accession countries SMP production remains marginal at the aggregated level of 3 900 t in 2005, with Romanian production at 3 600 t and Bulgarian production at 300 t.

After a temporary rebound in 2007, the medium-term development will exhibit the continuation of the downward trend for SMP output, albeit at a more limited rate. The projections suggest a reduction in SMP production from 963 000 mio t in 2005 to 885 000 t by 2013.

Internal demand remained stable in 2005 and is expected to remain firm throughout the projected period around the level of 850 000 t. The share of SMP aided consumption¹¹ has been declining over the last decade (from nearly 70 % in the beginning of the nineties). In October 2006 the aid level was reduced to zero in line with the CAP reform price cuts and market price developments. The level of aided consumption should remain at zero over the medium term.

Graph 22 Outlook for the EU SMP market (mio t), 1991-2013



EU-25 SMP exports declined by 31 % in 2005 and are expected to fall further over the forecast period as the decline in production combined with stable domestic demand would maintain EU prices well above world market prices, providing no incentives to increase exports.

The decline in availability in 2004 and 2005 has allowed to sell out of intervention almost 194 000 t of SMP, leaving intervention stocks empty. The market for SMP is expected to remain balanced throughout the projection period with no necessity to offer products for intervention buying-in. Domestic prices are projected to remain above intervention price levels as a consequence of shrinking protein availabilities and a firm demand.

4.5. World market perspectives

The OECD and FAPRI foresee that the medium-term outlook for the dairy sector would remain dominated by substantial expansion in global demand for dairy products. The strong demand would be driven by income and population growth in many regions of the world, and by changes in consumer preferences towards dairy products (as meat substitutes). Demand growth is projected to be strongest in the non-OECD zone, most notably in Southeast Asia, the Far East and North Africa.

A significant part of this increasing demand is expected to be met by domestic production, as world milk production would increase over the medium term, with the most rapid expansion taking place in China, India and Latin America. Milk production

¹¹ For the use in calves' feed.

in Oceania is also expected to grow over the forecast period, but would remain highly dependent on weather conditions.

Australia and New Zealand are projected to expand their combined market share in butter, cheese and WMP exports, with a less dynamic development on the world SMP market owing to the lower profitability of SMP exports. The USA is expected to increase SMP exports substantially.

Apart from the EU and Oceania, Uruguay is also forecast to gain from the increase in cheese exports that are expected to grow by 23 % according to both OECD and FAPRI. Ukraine would remain an important exporter of cheese, with export quantities highly dependant on Russian imports, that are expected to stabilise over the medium term as the production growth of butter and SMP would accommodate the increase in domestic demand. Increasing Chinese output would eventually lead to a declining rate of import growth, particularly for WMP. India would account for most of global butter production and would manage to capture an increasing market share that becomes available with the declining world market presence of the EU (as a net exporter).

FAPRI predicts that Southeast Asian countries, together with China and Japan would generate most of the growth in SMP trade, as they rely heavily on imports. These countries are also expected to increase imports of cheese and butter.

The steady growth in import demand and the gradual growth in global supplies are forecasted to generate upward pressure on dairy product prices over the medium term. Supported by the steady rise in global consumption, cheese prices would display relatively high prices over the medium term, after a short-term weakening following the price peak of 2004, with a more pronounced pattern in the OECD projections. The FAPRI and OECD projections diverge on the pace of price developments for milk powders, with SMP and WMP price increasing by 18 % and 16 % in FAPRI projections, while the OECD forecasts a 26 % growth in WMP price, but a stable SMP price. FAPRI expects butter prices to continue growing after a temporary slow down in 2005, and reach 1 946 \$/t by 2013. The OECD projects butter prices to grow at a more limited rate, by 14 % over the 2005-2013 period on aggregate.

These medium-term perspectives remain strongly dependent on the future development in some key (existing or emerging) markets such as Russia and East Asia as the world dairy market is foreseen to remain relatively thin. Furthermore, the trend towards further concentration and globalisation of the dairy industry, and greater differentiation of dairy products is expected to make trade projections for dairy products increasingly complex and dependent on dairy firms' cost structure, production and marketing strategy.

5. AGRICULTURAL INCOME

The medium-term perspectives for the income of the agricultural sector have been compiled on the basis of the medium-term projections for the main agricultural markets and of the economic accounts for agriculture, which constitute the statistical basis of the income measure¹².

¹² Agricultural income is defined as the factor income of the agricultural sector (formerly the net value added at factor cost), expressed in real terms and per annual work unit.

Whereas the medium-term changes in the price and volume components of the arable crops and most animal sectors have been established in line with the market projections, those of the other agricultural sectors –mainly fruit, vegetables, wine and olive oil- have been assumed to follow historical trends.

The subsidy component of agricultural income has been established on the basis of:

- the estimated direct payments for the period 2005-2013 (single farm payment scheme and other direct payments as provided for in Reg. 1782/2003 – 1788/2003 as amended after the enlargement and the second reform package);
- the rural development component from the EAGGF (Guidance and Orientation) as given for the 2000-2006 period for the EU-15, for the 2004-2006 period for the EU-10 and in the financial perspectives as decided by the Commission for the 2007-2013 period for the EU-25¹³. Only the current transfers to agricultural producers as other subsidies on production have been accounted for in the income calculation (thus excluding all the capital grants and investment aids as well as the support to operators outside agriculture). Member States have been assumed to fully use the rural development funds available to them (including the co-financing component of rural development funds);
- the main provisions of the Act of Accession regarding direct payments for the EU-12 (progressive introduction, SAPS and the complementary national direct payments (CNDPs or “top-ups”)) have been accounted for. As regards the CNDPs, it has been assumed that the EU-10 Member States will maintain their CNDP option announced for 2006 over the whole projection horizon (2006-2013) provided that they respect the conditions attached to their granting, notably the upper limit on the financial envelopes. In this respect the possibility for financing the CNDP from the national budget or from co-financing with rural development EU funds has been taken into account where relevant.

On the basis of these hypotheses, the medium-term projections for income display a rather favourable outlook as EU-27 agricultural income would grow by 23.2 % between 2005 and 2013 in real terms and per labour unit. However, this overall gain would mask marked differences between EU-15, EU-10 and EU-2 as well as between individual regions.

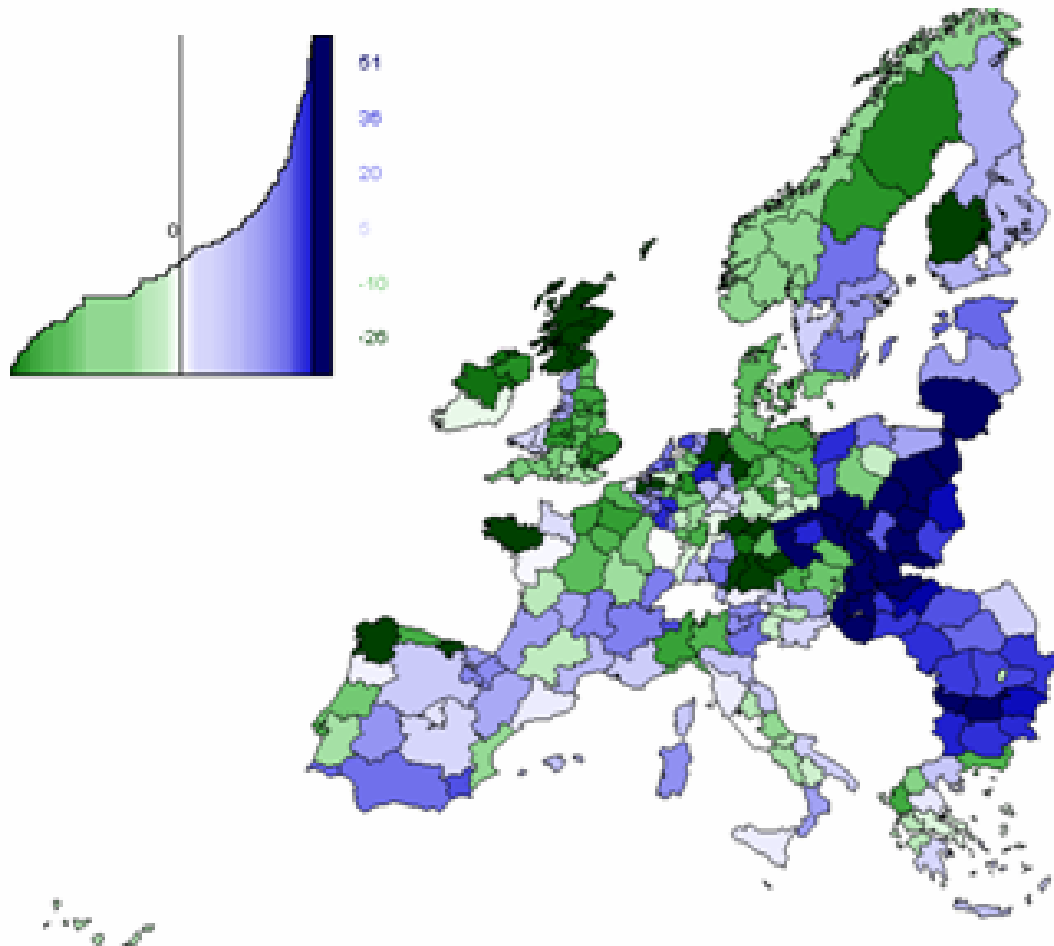
Income perspectives would be relatively positive for most of the regions in the EU-12 which would largely benefit from both their integration into the single market and the full implementation of the CAP. Regions specialised in higher value adding permanent crop, vegetable and livestock production would also face a comparably favourable income outlook.

Agricultural income in the EU-15 would show a more moderate development with a 9.3 % growth over the period 2005-2013. After the decline in 2005 due to lower crop value, the value of production is expected to rebound over the short-term and increase gradually over the medium term driven by the increasing value of crops, beef, pork and

¹³ The decision taken by the Commission on the annual rural development budget for the 25 Member States will be amended once Romania and Bulgaria become members of the EU.

poultry and supported by the expected continuation of the growth in value of fruit and vegetables.

Graph 23: Medium term change in regional value added per hectare as compared to the EU-27 average (%)*



* the estimates presented in this map do not take into account the reduction of agricultural labour, i.e. the effect of structural change.

The positive medium-term developments for crop (and in particular soft wheat, maize and oilseed) and beef values would be driven by the increase in prices, while increasing pork and poultry values would be attributed to higher prices and volumes alike. On the other hand the value of milk production is projected to remain below the 2005 level due to the decline in prices (without taking account of compensation) as a result of the implementation of the reduction in price support in the milk sector as part of CAP reform.

The resulting growth in gross value added of the whole EU-15 agricultural sector would lead to an increase in factor income in nominal terms over the short term that would remain around the 2004 level throughout the projected horizon. The reduction in total agricultural labour input for EU-15 is assumed to stabilise at the historical trend of around 2.3 % per year on average over the projection period. Consequently, agricultural income, when expressed in real terms and per labour unit (i.e. full-time equivalent), is projected to increase by 9.3 % between 2005 and 2013 for the EU-15.

Agricultural income in the EU-10 is foreseen to display a more pronounced picture with agricultural income steadily rising to exhibit a 37.1 % increase by 2013. The value of agricultural production would show a gradual increase over the baseline period, driven by increasing crop value and assuming a further increase in the value of fruit and vegetables production.

Table 2 Outlook for agricultural income for EU-27, 2004 – 2013

	2004	2005	2007	2008	2009	2010	2011	2012	2013
Factor income in nominal terms									
EU-27	106	100.0	105.2	109.0	109.8	110.6	110.1	109.9	110.9
EU-15	106	100.0	104.1	106.8	107.1	107.4	106.2	105.5	106.1
EU-10	96	100.0	106.5	114.3	117.1	122.9	124.8	127.0	128.5
EU-2	123	100.0	121.4	138.0	143.9	146.8	152.4	158.0	164.7
Labour input									
EU-27	100	100.0	94.5	91.2	88.1	85.1	82.2	79.4	76.7
EU-15	104	100.0	96.2	94.0	91.8	89.7	87.7	85.6	83.7
EU-10	96	100.0	92.9	89.2	85.6	82.2	78.9	75.8	72.7
EU-2	99	100.0	93.1	88.4	84.0	79.8	75.8	72.0	68.4
Agricultural income in real terms per labour unit									
EU-27	109	100.0	106.9	112.4	115.0	117.6	118.8	120.4	123.2
EU-15	105	100.0	104.5	107.6	108.4	109.1	108.5	108.2	109.3
EU-10	103	100.0	104.7	113.9	118.2	125.9	129.6	133.7	137.1
EU-2	127	100.0	125.2	146.9	158.1	166.4	178.3	190.8	205.1

After the drop in 2005 the value of cereal production is projected to increase, but remain below the level of 2004 (with an exception of the value of maize production that is forecast to increase more rapidly due to favourable market environment). The value of oilseeds is foreseen to increase markedly in the short term and remain well above the 2004 level throughout the baseline period. In the meat sector, pork and poultry production values would show a favourable outlook, with increasing production values throughout the period fuelled by higher volumes and prices. Beef and milk production values are foreseen to decline at a steady pace as a consequence of lower volumes for beef and lower prices for milk.

As a result EU-10 gross value added would increase gradually over the medium term and almost reach the 2004 value by the end of the baseline. The sharp rise in the funds granted to agricultural producers in these Member States would generate an increase of 28.5 % in nominal factor income.

The available funds will be directed to the agricultural sector in the form of direct payments and national top-ups and rural development funds as far as they are transferred to agricultural producers as current payments, with little compensatory elements and do not correspond to capital transfers such as investment grants¹⁴. The large increase in public support in the EU-10, which is largely decoupled, would aim at

¹⁴ These projections assume that the funds available for rural development under the financial perspectives will be fully used by the new Member States.

facilitating and promoting the restructuring and modernisation of the agricultural sector and the rural areas¹⁵.

The agricultural labour input in the EU-10 countries is assumed to fall by 4 % on annual average over the next decade in line with the restructuring of the agricultural sector. This rapid fall in labour force would boost the rise in agricultural income: whereas farm income in real terms would decline marginally by 0.3 % from 2005 to 2013, it would expand by 37.1 % between 2005 and 2013 when expressed per labour unit. When assessed against 2003 (i.e. before enlargement), farm income per labour unit in the EU-10 would increase by 135 %.

Agricultural income in the EU-2 is foreseen to display a positive development with agricultural income steadily rising to exhibit a 105.1 % increase by 2013. The value of agricultural production would increase over the baseline period with a short-term recovery after the 2005 decline to be followed by firm expansion well beyond the 2004 level by the end of the baseline period.

The increase would be driven by increasing maize and rapeseed production values that would offset the decline in the value of other crops and meat products, of which only beef is projected to exhibit a gradual growth owing to favourable prices. The value of milk production would also increase over the medium term. Similarly to the EU-25, the favourable development in value of production depends greatly on the assumed continuation of growing forage, fruit and vegetables production values that have exhibited considerable growth (72 % on aggregate) between 1998 and 2006.

Higher input prices would dampen the increase in production value, but the growth in subsidies after accession to the EU would enable a significant increase in factor income that would expand by 64.7 % in nominal terms by 2013. Assuming a gradual decline in farm labour at the rate of 5 %, factor income in real terms and per labour unit is projected to increase 105.1 % by 2013¹⁶.

The contribution of the EU-12 to the overall EU-27 farm income (in real terms) would nevertheless remain rather limited at around 9 % for the EU-10 and 7 % for the EU-2 in 2013, in line with the low productivity levels in these Member States.

6. UNCERTAINTIES

The market outlook until 2013 is based on a number of assumptions regarding future economic, market and policy developments. In that respect, they are subject to a number of uncertainties. Some of these could have major implications for EU markets and agricultural income. The most important uncertainties can be summarized as follows:

¹⁵ In this framework it should be mentioned that these projections do not fully take into account the multiplier effect of the funds granted as capital transfers on the future growth of the rural and agricultural economies.

¹⁶ The rate of growth presented in this baseline assumes a stable macroeconomic environment in the EU-10 throughout the baseline period. The eventual development in factor income in real terms will highly depend on the actual macroeconomic conditions (and in particular currency appreciation/depreciation, GDP deflation and GDP growth) that could alter the current favourable outlook and limit the possibility to absorb labour outflow from the farm sector.

6.1. Policy and trade environment

Future changes in agricultural and trade policies as well as the outcome of the current round of multilateral trade negotiations may have important implications for the medium-term outlook for agricultural production, consumption, trade and prices as well as the functioning of agricultural markets. This concerns particularly the reduction in export support as well as the increase in market access which could have a significant impact on the perspectives of agricultural markets and income in the European Union.

6.2. Policies on renewable energies

The developments of the bioenergy markets have taken place in a larger political context set out by the obligations under the Kyoto-protocol on greenhouse gas emissions of 1997, the White Paper on “Energy for the future: Renewable sources of energy” (Com(97) 599 final) and the Communication on the implementation of the Community Strategy and Action plan on renewable energy sources (Com(2001) 69 final). In December 2005 the European Commission adopted the biomass action plan designed to increase the use of energy from forestry, agriculture and waste materials which was followed in February 2006 by the Biofuel Strategy.

A number of legal instruments have been adopted most notably the Biofuel Directive (Council Directive 2003/30/EC on the use of biofuels or other renewable fuels on transport) and the Council Directive 2003/96/EC on the taxation of energy products and electricity. The Biofuel Directive defines indicative targets for the biofuel share of all transport fuels at 2 % by 2005 and 5.75 % by 2010 for the EU, while the second Directive allows for tax reductions for energy from biomass. These two Directives establish the economic backbone of the biofuel markets. The increasing crude oil prices in the last months have further contributed to the economic incentives to use biofuels. The Biofuel Directive is currently under revision.

The biofuel Directive as well as the Biomass Action Plan should lead to a significant increase in demand for agricultural commodities and for agricultural land over the medium term. The foreseen development of feedstock demand in the baseline would lead to 18 mio t of cereal use for bioethanol production by 2013 and a crushing of 18.8 mio t of oilseeds for biodiesel. These numbers could be significantly altered should Member States revise the implementation of their national policies.

6.3. Exchange rates and the competitiveness of the EU agricultural sector

Fluctuation in the \$/€ exchange rates could have major implications for the competitiveness of EU agricultural commodities on world markets. The \$/€ exchange rate has considerably fluctuated over the past few years. In November 2002 the euro reached parity with the US \$, then continuously appreciated towards 1.34 \$/€ in December 2004 and from then on started to depreciate again. After a period at rates below 1.2, the euro started to appreciate in 2006 and reach rates of around 1.29 at the end of November 2006.

The movements in the \$/€ exchange rates have affected the competitiveness of European agriculture through changes in output prices and in production costs. The sectors with a high share of exports or imports relative to production should be relatively more affected than those with a large domestic base. The effect on competitiveness is the larger the more the underlying long-term exchange rate is affected. Fluctuations of the \$/€ rate expose the most agricultural markets to asymmetric

risks: a weakening of the euro would improve competitiveness to a lesser extent than an appreciation of the euro would generate competitiveness losses.

For example, a \$/€ exchange rate at parity would lead to an improvement of competitiveness as compared with the baseline assumption of a long term exchange rate at 1.15. The EU would be able to expand its cereal exports without the use of export refunds. Cereal stock levels would be around 10 mio t lower than under the baseline projections and public stocks would largely vanish over the medium term. In contrast, an appreciation of the euro against the dollar to 1.4 would increase the levels of stocks by approximately 40 mio t in 2013 as compared to the baseline projections by mainly creating additional stocks in the EU-15.

6.4. The pace of integration of land locked EU-12 Member States into the single market

The assumptions of the baseline projections foresee a gradual integration of the Hungarian cereal markets and the Bulgarian, Romanian and Slovakian maize markets until 2013. Any change in the pace of market integration should have significant impacts on the level of public stocks in the EU-25. A faster integration would lead to a swift reduction of public stocks over the medium term. On the other hand, a further delay due to persisting problems in the marketing infrastructure and the stabilisation of domestic use could worsen the situation significantly and larger public stocks could build up.

6.5. Disruptions linked to animal disease

A number of animal disease outbreaks have hit major producing and exporting countries in the past few years (BSE in the EU, Japan, Canada, and USA; Avian Influenza in the EU, South East Asia and North America; Foot and Mouth disease in the EU and South America; Newcastle disease in US). The current projections assume normal conditions concerning animal disease over the medium term in the EU, notably as regards Avian Influenza. This means that the current (potential) epidemics are assumed to ease and come rapidly under control and that no new diseases will appear during the projection period.

The recent experience showed that whatever the scale of the epidemics -some outbreaks were limited to a few cases– their impact on markets was dramatic, with disrupted production patterns and trade flows and pronounced effect on market prices. Therefore any appearance of animal disease in the future, either in the EU and/or in the rest of the world, which is more probable than assuming the absence of such outbreak, could have drastic and significant repercussions on trade and (domestic and world) market prices, even if limited to a defined region.

Table A.1 Total cereals market projections for the European Union, 2004-2013 (mio t)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Usable production	286.2	253.3	242.5	285.9	286.6	287.9	291.6	295.3	297.8	301.1
of which EU-15	223.4	195.0	189.6	207.0	205.8	208.6	211.2	213.6	216.2	218.3
EU-10	62.8	58.3	52.9	56.9	57.1	55.7	56.6	57.6	58.7	59.7
EU-2				22.1	23.7	23.6	23.9	24.1	22.9	23.2
Consumption	243.4	246.6	246.8	270.1	269.8	270.3	272.4	274.7	276.8	278.9
of which bioenergy	0.5	1.3	1.9	5.5	7.1	8.9	10.7	13.6	16.5	18.6
of which EU-15	190.3	195.7	196.3	198.0	199.9	199.9	201.4	202.7	204.0	205.0
EU-10	53.1	51.0	50.4	52.6	52.3	52.5	52.3	52.5	52.4	52.4
EU-2				19.5	17.7	18.0	18.7	19.5	20.4	21.5
Imports	10.1	10.2	11.3	10.5	10.4	10.3	10.4	10.4	10.2	10.7
Exports	23.3	22.0	24.9	22.5	25.8	27.1	28.7	29.2	31.5	32.8
Beginning stocks	44.1	74.8	75.4	52.6	56.4	57.6	58.3	59.0	60.9	60.5
Ending stocks	74.8	75.4	52.6	56.4	57.6	58.3	59.0	60.9	60.5	60.5
of which intervention	17.4	14.6	9.0	10.1	14.1	15.8	17.7	18.8	18.7	18.6
of which EU-15	11.8	5.9	1.6	1.3	0.7	0.0	0.0	0.1	0.3	0.3
of which EU-10	5.6	8.7	7.4	7.2	8.6	9.5	9.4	8.6	8.9	9.3
of which EU-2	0.0	0.0	0.0	1.6	4.8	6.3	8.4	10.1	9.5	9.0

EU-10: Member States that joined the European Union on May, 1st 2004

EU-2: Bulgaria and Romania

Table A.2 Total wheat market projections for the European Union, 2004-2013 (mio t)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Usable production	136.0	123.4	116.8	133.5	137.2	137.6	140.0	141.9	143.8	145.7
of which EU-15	111.6	101.4	97.1	104.1	107.4	108.2	110.1	111.5	113.3	114.8
EU-10	24.4	21.9	19.8	20.8	21.5	21.1	21.6	22.0	22.6	23.0
EU-2				8.7	8.3	8.3	8.3	8.4	8.0	8.0
Consumption	116.6	117.6	117.6	124.8	126.7	126.8	128.1	129.1	130.0	131.0
of which EU-15	96.3	98.3	98.2	98.6	100.6	101.1	102.4	103.5	104.5	105.7
EU-10	20.3	19.3	19.4	19.1	19.0	18.8	18.6	18.5	18.3	18.1
EU-2				7.2	7.0	7.0	7.1	7.1	7.1	7.2
Imports	7.4	7.0	6.7	7.1	6.9	7.0	7.0	7.0	7.0	6.9
Exports	13.7	13.6	15.5	13.8	16.1	17.4	19.0	19.7	21.1	21.6
Beginning stocks	12.0	25.0	29.8	15.4	17.4	18.5	18.7	18.4	18.6	18.1
Ending stocks	25.0	29.8	15.4	17.4	18.5	18.7	18.4	18.6	18.1	18.2
of which intervention	10.9	5.8	1.3	1.4	1.2	1.1	0.9	1.0	0.8	0.8
of which EU-15	8.0	3.0	0.0	0.0	0.0	0.0	0.0	0.1	0.3	0.3
of which EU-10	2.9	2.7	1.3	0.5	0.1	0.0	0.0	0.1	0.2	0.5
of which EU-2	0.0	0.0	0.0	0.9	1.1	1.1	0.9	0.8	0.3	0.0

EU-10: Member States that joined the European Union on May, 1st 2004

EU-2: Bulgaria and Romania

Table A.3 Total coarse grain projections for the European Union, 2004-2013 (mio t)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Usable production	150.2	129.9	125.6	152.3	149.3	150.2	151.5	153.3	153.9	155.4
of which EU-15	111.8	93.6	92.5	102.9	98.3	100.4	101.1	102.1	102.9	103.5
EU-10	38.4	36.3	33.1	36.1	35.6	34.6	35.0	35.6	36.1	36.7
EU-2				13.4	15.4	15.3	15.5	15.6	14.9	15.1
Consumption	126.8	129.0	129.2	145.2	143.1	143.5	144.2	145.5	146.8	147.9
of which EU-15	94.0	97.4	98.1	99.4	99.2	98.8	99.0	99.1	99.5	99.3
EU-10	32.8	31.6	31.1	33.5	33.3	33.7	33.7	34.0	34.1	34.3
EU-2				12.3	10.6	10.9	11.5	12.3	13.2	14.2
Imports	2.7	3.2	4.6	3.4	3.5	3.4	3.4	3.5	3.3	3.8
Exports	9.5	8.4	9.4	8.7	9.7	9.7	9.7	9.6	10.4	11.2
Beginning stocks	32.2	49.9	45.6	37.2	39.1	39.1	39.6	40.5	42.3	42.3
Ending stocks	49.9	45.6	37.2	39.1	39.1	39.6	40.5	42.3	42.3	42.4
of which intervention	6.6	8.9	7.7	8.7	12.9	14.7	16.8	17.8	17.9	17.8
of which EU-15	3.6	2.8	1.6	1.3	0.7	0.0	0.0	0.0	0.0	0.0
of which EU-10	0.4	0.2	0.2	6.7	8.5	9.5	9.4	8.5	8.7	8.8
of which EU-2	0.0	0.0	0.0	0.7	3.7	5.2	7.5	9.3	9.2	9.0

EU-10: Member States that joined the European Union on May, 1st 2004

EU-2: Bulgaria and Romania

Table A.4 Soft wheat market projections for the European Union, 2004-2013 (mio t)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Usable production	124.3	114.8	109.3	124.2	127.7	128.0	130.3	132.1	133.9	135.7
of which EU-15	99.9	92.9	89.5	94.9	98.0	98.6	100.5	101.8	103.5	104.8
EU-10	24.3	21.9	19.7	20.7	21.4	21.1	21.5	22.0	22.5	22.9
EU-2				8.7	8.3	8.3	8.3	8.4	8.0	8.0
Consumption	105.7	107.7	107.2	114.4	116.1	116.2	117.4	118.3	119.0	120.0
of which EU-15	85.8	88.8	88.2	88.6	90.5	90.9	92.1	93.1	94.0	95.1
EU-10	19.9	18.9	19.0	18.7	18.6	18.4	18.2	18.1	17.9	17.8
EU-2				7.1	7.0	7.0	7.1	7.1	7.1	7.1
Imports	5.8	5.0	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7
Exports	12.3	12.5	14.3	12.6	14.9	16.2	17.8	18.5	19.9	20.4
Beginning stocks	9.6	21.5	21.1	13.6	15.5	16.9	17.2	17.1	17.2	16.9
Ending stocks	21.5	21.1	13.6	15.5	16.9	17.2	17.1	17.2	16.9	16.9
of which intervention	10.9	5.8	1.3	1.4	1.2	1.1	0.9	1.0	0.8	0.8
of which EU-15	8.0	3.0	0.0	0.0	0.0	0.0	0.0	0.1	0.3	0.3
of which EU-10	2.9	2.7	1.3	0.5	0.1	0.0	0.0	0.1	0.2	0.5
of which EU-2	0.0	0.0	0.0	0.9	1.1	1.1	0.9	0.8	0.3	0.0

EU-10: Member States that joined the European Union on May, 1st 2004

EU-2: Bulgaria and Romania

Table A.5 Barley market projections for the European Union, 2004-2013 (mio t)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Usable production	60.9	52.6	53.6	60.6	55.9	57.3	57.4	57.9	58.1	58.5
of which EU-15	51.2	43.2	44.9	49.3	45.0	46.5	46.5	46.9	47.1	47.4
EU-10	9.7	9.4	8.7	9.5	8.8	8.7	8.8	8.9	9.0	9.2
EU-2				1.8	2.1	2.1	2.1	2.1	2.0	1.9
Consumption	47.8	47.4	48.8	54.0	52.6	52.1	51.5	51.0	50.9	50.1
of which EU-15	38.9	39.1	40.1	43.0	41.8	41.1	40.6	40.1	40.1	39.3
EU-10	8.9	8.3	8.7	9.5	9.3	9.5	9.4	9.4	9.3	9.4
EU-2				1.5	1.4	1.4	1.5	1.5	1.5	1.5
Imports	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Exports	6.7	5.8	6.3	6.4	7.1	6.9	6.8	6.6	7.5	8.3
Beginning stocks	8.2	15.8	14.6	13.5	14.0	10.6	9.3	8.7	9.3	9.3
Ending stocks	15.8	14.6	13.5	14.0	10.6	9.3	8.7	9.3	9.3	9.6
of which intervention	1.6	1.9	1.8	1.1	0.6	0.0	0.0	0.0	0.0	0.0
of which EU-15	1.2	1.7	1.6	1.3	0.7	0.0	0.0	0.0	0.0	0.0
of which EU-10	0.4	0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
of which EU-2	0.0	0.0	0.0	-0.2	-0.1	0.0	0.0	0.0	0.0	0.0

EU-10: Member States that joined the European Union on May, 1st 2004

EU-2: Bulgaria and Romania

Table A.6 Maize market projections for the European Union, 2004-2013 (mio t)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Usable production	53.1	47.7	44.6	60.4	62.0	61.9	63.0	64.1	64.4	65.3
of which EU-15	41.0	35.0	32.8	37.5	37.1	37.7	38.2	38.8	39.4	39.6
EU-10	12.1	12.7	11.8	11.8	12.0	11.5	11.8	12.2	12.5	12.9
EU-2				11.1	12.8	12.7	12.9	13.1	12.6	12.8
Consumption	46.2	49.3	47.8	59.3	58.3	59.2	60.8	62.2	63.6	65.2
of which EU-15	37.7	41.3	39.7	39.8	40.4	40.7	41.2	41.7	42.0	42.5
EU-10	8.5	8.0	8.1	9.1	9.2	9.5	9.9	10.1	10.4	10.5
EU-2				10.4	8.7	9.0	9.6	10.4	11.3	12.3
Imports	2.1	2.5	2.6	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Exports	1.7	2.0	2.2	1.9	2.3	2.5	2.5	2.5	2.5	2.5
Beginning stocks	12.2	19.5	18.4	15.6	17.3	21.1	23.8	26.1	27.9	28.8
Ending stocks	19.5	18.4	15.6	17.3	21.1	23.8	26.1	27.9	28.8	28.9
of which intervention	2.5	5.8	5.9	7.6	12.3	14.7	16.8	17.8	17.9	17.8
of which EU-15	0.2	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
of which EU-10	2.3	5.8	5.9	6.7	8.5	9.5	9.4	8.5	8.7	8.8
of which EU-2	0.0	0.0	0.0	0.9	3.8	5.2	7.5	9.3	9.2	9.0

EU-10: Member States that joined the European Union on May, 1st 2004

EU-2: Bulgaria and Romania

Table A.7 Total oilseed market projections for the European Union, 2004-2013 (mio t)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Usable production	20.1	19.7	20.1	27.8	28.8	28.9	30.0	30.5	31.5	32.3
of which EU-15	15.2	15.3	15.3	18.1	19.1	19.4	20.1	20.5	21.2	21.9
EU-10	4.9	4.4	4.8	4.9	4.8	4.5	4.8	4.8	5.1	5.0
EU-2				4.8	4.8	5.0	5.1	5.3	5.3	5.4
of which non-food set aside	1.8	2.8	2.6	2.7	2.8	2.9	3.0	3.0	3.1	3.1
Consumption	36.5	41.0	44.3	50.9	53.6	55.1	58.8	60.3	64.3	66.4
of which bioenergy	4.6	7.4	7.9	10.1	11.0	12.9	15.5	16.6	18.4	18.8
of which EU-15	34.1	38.5	41.7	42.8	45.4	46.7	50.2	51.6	55.5	57.4
EU-10	2.4	2.5	2.6	2.7	2.7	2.8	2.8	2.9	3.0	3.1
EU-2				5.4	5.5	5.6	5.7	5.8	5.8	5.9
Imports	20.5	21.9	23.7	25.8	26.3	27.8	29.6	30.3	33.7	34.7
Exports	1.8	0.6	0.5	2.2	2.2	1.3	0.3	0.3	0.3	0.3
Beginning stocks	7.7	8.4	8.5	8.5	9.1	8.5	8.8	9.4	9.6	10.4
Ending stocks	8.4	8.5	8.5	9.1	8.5	8.8	9.4	9.6	10.4	10.7

EU-10: Member States that joined the European Union on May, 1st 2004

EU-2: Bulgaria and Romania

Table A.8 Sugar market projections for the European Union, 2004-2013 (mio t)

	2004	2005	2006*	2007	2008	2009	2010	2011	2012	2013
Usable production	19.6	20.3	17.4	16.7	16.4	16.5	16.7	16.7	15.2	15.6
of which bioenergy	0.0	0.0	1.0	1.1	1.3	1.4	1.6	1.8	2.0	2.2
of which EU-15	16.1	16.5	14.4	13.7	13.4	13.6	13.9	13.8	12.5	12.9
EU-10	3.5	3.6	3.0	3.0	2.9	2.8	2.8	2.8	2.6	2.7
EU-2		0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Consumption	16.1	17.0	17.4	18.6	19.2	19.4	19.8	20.1	20.5	20.8
of which bioenergy	0.0	0.0	1.0	1.1	1.3	1.4	1.6	1.8	2.0	2.2
of which EU-15	13.8	14.3	14.5	14.9	15.3	15.4	15.6	15.9	16.1	16.3
EU-10	2.3	2.7	2.9	3.0	3.1	3.2	3.3	3.3	3.4	3.5
EU-2		0.8	0.8	0.7	0.8	0.9	0.9	0.9	0.9	1.0
Imports	3.2	3.0	3.0	3.4	4.2	4.3	4.4	4.4	4.4	4.4
Exports	4.9	6.7	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3
Beginning stocks	7.4	6.3	7.9	8.1	8.1	8.1	8.2	7.8	5.7	3.5
Ending stocks	6.3	7.9	8.1	8.1	8.1	8.2	7.8	5.7	3.5	3.5
of which intervention	0.0	1.5	0.6	0.6	0.6	0.6	0.0	0.0	0.0	0.0

EU-10: Member States that joined the European Union on May, 1st 2004

EU-2: Bulgaria and Romania

2006*: The analyses assumes a 12 months campaign year 2006/07. In fact, the campaign has been exceptionally prolonged to 15 months, i.e. 01.07.2006 -30.09.2007. Therefore, figures for 2006 should be interpreted with care.

Table A.9 Area under arable crops and set-aside in the EU, 2004-2013 (mio ha)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Cereals	52.4	51.5	50.5	59.0	59.2	58.8	59.2	59.2	59.2	59.2
of which EU-15	36.9	36.0	35.2	35.3	35.4	35.5	35.8	35.7	35.9	35.8
EU-10	15.5	15.5	15.3	16.1	16.1	15.5	15.6	15.7	15.9	16.0
EU-2				7.6	7.8	7.8	7.8	7.8	7.4	7.5
Soft wheat	19.7	19.8	18.6	22.6	22.9	22.7	23.1	23.0	23.2	23.1
Durum wheat	3.9	3.5	3.1	3.4	3.5	3.5	3.5	3.5	3.5	3.5
Barley	12.9	13.1	13.1	13.7	13.2	13.4	13.3	13.3	13.2	13.2
Maize	6.5	6.1	5.8	9.2	9.4	9.3	9.4	9.4	9.3	9.4
Rye	2.8	2.5	2.5	2.9	2.9	2.9	2.9	2.9	2.9	2.9
Other cereals	7.0	7.1	6.9	7.2	7.3	7.1	7.1	7.1	7.1	7.1
Oilseeds (1)	6.5	6.0	6.5	8.3	8.4	8.2	8.4	8.5	8.6	8.6
of which EU-15	4.6	4.0	4.4	4.6	4.8	4.8	4.9	4.9	4.9	5.0
EU-10	1.9	1.9	2.1	2.2	2.1	1.9	2.0	2.0	2.1	2.1
EU-2				1.5	1.5	1.5	1.5	1.5	1.5	1.5
Rapeseed	4.0	3.9	4.3	4.6	4.8	4.6	4.8	4.8	4.9	4.9
Sunseed	2.2	1.7	2.0	3.2	3.1	3.1	3.1	3.2	3.1	3.2
Soyabeans	0.3	0.3	0.3	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Sugar beet	2.2	2.2	2.0	1.9	1.9	1.8	1.8	1.8	1.7	1.7
Protein crops	1.4	1.4	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Flax and Hemp	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Silage (2)	5.1	5.2	4.9	4.9	4.9	4.8	4.8	4.8	4.7	4.7
Total selected arable crops	67.8	66.4	65.4	75.6	75.8	75.2	75.7	75.7	75.6	75.6
Compulsatory set-aside	1.9	4.0	4.0	4.0	4.0	5.0	5.0	5.0	5.5	5.5
of which EU-15	1.9	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
EU-10	0.0	0.0	0.0	0.0	0.0	1.0	1.0	1.0	1.0	1.0
EU-2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.5
of which non-food oilseeds	0.5	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Voluntary set-aside	3.1	3.0	3.2	3.2	3.2	3.2	3.2	3.2	3.3	3.3
Total set aside	5.0	7.0	7.2	7.3	7.2	8.2	8.2	8.2	8.7	8.8
Total	72.2	72.6	71.8	82.0	82.2	82.5	83.1	83.1	83.6	83.5

(1) major oilseeds including non set-aside land;

(2) excluding grass silage;

EU-10: Member States that joined the European Union on May, 1st 2004

EU-2: Bulgaria and Romania

Table A.10 Beef/veal market projections for the EU-27, 2004 – 2013 ('000 t cwe)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Gross Indigenous Production	8 418	8 163	8 270	8 205	8 064	7 953	7 837	7 801	7 787	7 759
Live Imports	0	1	2	2	2	2	2	2	2	2
Live Exports	111	98	57	53	45	42	38	35	31	28
Net Production	8 307	8 066	8 214	8 154	8 020	7 914	7 801	7 768	7 758	7 733
of which EU-15	7 446	7 276	7 372	7 348	7 239	7 152	7 056	7 034	7 028	7 006
of which EU-10	595	568	628	602	593	588	586	583	580	577
of which EU-2	266	222	214	204	188	174	159	151	150	150
Import	548	613	572	580	615	657	708	714	734	753
Exports	315	214	155	114	67	52	27	28	26	23
Stocks changes	0	0	0	0	0	0	0	0	0	0
Consumption	8 540	8 465	8 631	8 620	8 568	8 519	8 482	8 454	8 466	8 462
Per Capita Consumption	17.5	17.3	17.6	17.5	17.4	17.3	17.2	17.1	17.1	17.1
of which EU-15	20.0	20.0	20.2	20.2	20.0	19.8	19.7	19.6	19.5	19.5
of which EU-10	7.6	6.2	6.5	6.2	6.2	6.3	6.3	6.3	6.3	6.4
of which EU-2	10.6	10.8	11.0	10.6	10.7	10.8	10.9	11.0	11.1	11.2
Ending stocks (Intervention)	0	0	0	0	0	0	0	0	0	0

EU-10: Member States that joined the European Union on May, 1st 2004

EU-2: Bulgaria and Romania

Table A.11 Pig meat market projections for the EU-27, 2004 – 2013 ('000 t cwe)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Gross Indigenous Production	21 813	21 809	21 858	22 031	22 202	22 195	22 218	22 317	22 412	22 554
Live Imports	0	0	0	0	0	0	0	0	0	0
Live Exports	15	28	31	44	44	44	44	44	44	44
Net Production	21 799	21 781	21 827	21 987	22 159	22 151	22 174	22 274	22 369	22 510
of which EU-15	17 809	17 922	17 872	18 065	18 193	18 154	18 139	18 213	18 316	18 433
of which EU-10	3 273	3 179	3 279	3 293	3 347	3 392	3 439	3 474	3 479	3 512
of which EU-2	717	681	676	629	619	606	596	587	574	564
Import	47	81	88	77	70	63	55	47	38	29
Exports	1 327	1 270	1 303	1 305	1 298	1 260	1 226	1 206	1 173	1 164
Stocks changes	0	0	0	0	0	0	0	0	0	0
Consumption	20 519	20 592	20 613	20 760	20 931	20 954	21 004	21 115	21 234	21 376
Per Capita Consumption	42.2	42.1	42.1	42.3	42.5	42.5	42.5	42.7	42.9	43.1
of which EU-15	42.5	42.3	42.2	42.4	42.6	42.5	42.4	42.6	42.8	43.0
of which EU-10	45.0	45.1	45.1	45.3	45.6	45.9	46.2	46.2	46.3	46.4
of which EU-2	31.2	32.3	32.9	33.0	33.2	33.8	34.5	35.2	35.5	35.9

EU-10: Member States that joined the European Union on May, 1st 2004

EU-2: Bulgaria and Romania

Table A.12 Poultry meat market projections for the EU-27, 2004 – 2013 ('000 t cwe)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Gross Indigenous Production	11 358	11 397	11 081	11 233	11 387	11 505	11 652	11 736	11 796	11 863
Live Imports	0	0	0	0	0	0	0	0	0	0
Live Exports	15	28	31	31	31	31	31	31	31	31
Net Production	11 343	11 370	11 049	11 201	11 356	11 474	11 621	11 704	11 765	11 832
of which EU-15	9 153	9 217	8 766	8 852	9 000	9 056	9 170	9 239	9 281	9 334
of which EU-10	1 815	1 786	1 967	2 016	2 042	2 106	2 142	2 158	2 178	2 195
of which EU-2	375	367	317	334	314	312	309	307	306	303
Import	621	747	635	742	764	769	772	779	782	788
Exports	933	880	649	825	859	851	842	810	793	782
Consumption	11 031	11 237	11 035	11 119	11 261	11 392	11 551	11 673	11 754	11 838
Per Capita Consumption	22.7	23.0	22.5	22.6	22.9	23.1	23.4	23.6	23.7	23.9
of which EU-15	22.7	23.0	22.5	22.7	22.9	23.1	23.3	23.5	23.6	23.7
of which EU-10	24.1	24.7	24.4	24.6	24.9	25.2	25.7	25.9	26.2	26.6
of which EU-2	18.0	18.6	17.6	17.2	17.7	18.2	18.7	19.2	19.7	20.2

EU-10: Member States that joined the European Union on May, 1st 2004

EU-2: Bulgaria and Romania

Table A.13 Sheep/Goat meat market projections for the EU-27, 2004–2013 ('000 t cwe)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Net Production	1 138	1 144	1 113	1 098	1 065	1 065	1 064	1 061	1 058	1 053
of which EU-15	1 044	1 044	1 018	1 002	972	972	971	967	965	960
of which EU-10	14	14	14	13	13	13	13	13	13	12
of which EU-2	80	85	81	83	81	81	81	81	80	80
Import	253	266	268	274	273	273	273	275	276	278
Exports	5	5	6	6	6	6	6	6	6	6
Consumption	1 386	1 404	1 375	1 366	1 332	1 332	1 331	1 329	1 328	1 324
Per Capita Consumption	2.8	2.9	2.8	2.8	2.7	2.7	2.7	2.7	2.7	2.7
of which EU-15	3.4	3.4	3.3	3.3	3.2	3.2	3.2	3.2	3.2	3.2
of which EU-10	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
of which EU-2	2.4	2.6	2.4	2.5	2.4	2.4	2.3	2.3	2.3	2.3

EU-10: Member States that joined the European Union on May, 1st 2004

EU-2: Bulgaria and Romania

Table A.14 Meat per capita consumption projections in the EU, 2004 – 2013 (kg/head)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
EU-27										
Beef and Veal	17.5	17.3	17.6	17.5	17.4	17.3	17.2	17.1	17.1	17.1
Pork	42.2	42.1	42.1	42.3	42.5	42.5	42.5	42.7	42.9	43.1
Poultry	22.7	23.0	22.5	22.6	22.9	23.1	23.4	23.6	23.7	23.9
Sheep Goat	2.8	2.9	2.8	2.8	2.7	2.7	2.7	2.7	2.7	2.7
Total EU-27	85.2	85.3	85.0	85.2	85.5	85.6	85.8	86.1	86.4	86.8
of which EU-15										
Beef and Veal	20.0	20.0	20.2	20.2	20.0	19.8	19.7	19.6	19.5	19.5
Pork	42.5	42.3	42.2	42.4	42.6	42.5	42.4	42.6	42.8	43.0
Poultry	22.7	23.0	22.5	22.7	22.9	23.1	23.3	23.5	23.6	23.7
Sheep Goat	3.4	3.4	3.3	3.3	3.2	3.2	3.2	3.2	3.2	3.2
Total EU-15	88.6	88.7	88.3	88.5	88.7	88.6	88.6	88.9	89.1	89.4
of which EU-10										
Beef and Veal	7.6	6.2	6.5	6.2	6.2	6.3	6.3	6.3	6.3	6.4
Pork	45.0	45.1	45.1	45.3	45.6	45.9	46.2	46.2	46.3	46.4
Poultry	24.1	24.7	24.4	24.6	24.9	25.2	25.7	25.9	26.2	26.6
Sheep Goat	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Total EU-10	77.0	76.2	76.2	76.3	77.0	77.6	78.5	78.6	79.0	79.6
of which EU-2										
Beef and Veal	10.6	10.8	11.0	10.6	10.7	10.8	10.9	11.0	11.1	11.2
Pork	31.2	32.3	32.9	33.0	33.2	33.8	34.5	35.2	35.5	35.9
Poultry	18.0	18.6	17.6	17.2	17.7	18.2	18.7	19.2	19.7	20.2
Sheep Goat	2.4	2.6	2.4	2.5	2.4	2.4	2.3	2.3	2.3	2.3
Total EU-2	62.3	64.3	63.9	63.3	64.0	65.1	66.4	67.6	68.6	69.6

EU-10: Member States that joined the European Union on May, 1st 2004

EU-2: Bulgaria and Romania

Table A.15 Consumption egg market projections for the EU-27, 2004 – 2013 (mio t)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Usable production	6.3	6.3	6.4	6.9	7.0	7.0	7.1	7.1	7.1	7.1
of which EU-15	5.3	5.3	5.4	5.7	5.7	5.8	5.8	5.8	5.8	5.8
EU-10	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
EU-2				0.2	0.2	0.2	0.2	0.2	0.2	0.2
Consumption	6.2	6.3	6.4	6.8	6.9	6.9	6.9	7.0	7.0	7.0
Imports	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exports	0.3	0.1	0.1	0.1	0.2	0.2	0.2	0.1	0.1	0.1
Per capita consumption	13.5	13.6	13.8	14.8	14.8	14.9	14.9	14.9	15.0	15.1
EU-15	13.7	13.8	13.8	13.8	13.8	13.9	13.9	13.9	14.0	14.0
EU-10	12.7	12.6	13.7	13.8	13.9	13.9	14.0	14.1	14.1	14.2
EU-2	13.9	14.2	14.4	15.2	15.5	15.7	16.0	16.3	16.6	17.0

EU-10: Member States that joined the European Union on May, 1st 2004

EU-2: Bulgaria and Romania

Table A.16 Milk production, deliveries and dairy herd in the EU-27, 2004 – 2013

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Total production (mio t)	148.4	148.5	146.2	147.7	149.2	149.4	149.3	149.2	149.1	149.0
of which EU-15	120.4	120.6	119.1	120.6	121.9	122.3	122.3	122.3	122.3	122.3
of which EU-10	21.6	21.6	20.8	21.0	21.2	21.2	21.1	21.0	20.9	20.8
of which EU-2	6.4	6.3	6.2	6.1	6.0	5.9	5.8	5.8	5.8	5.8
Deliveries (mio t)	132.0	133.5	131.9	133.9	136.5	138.1	138.4	138.7	138.9	138.9
Delivery ratio (in %)	89.0	89.9	90.2	90.6	91.5	92.4	92.7	93.0	93.2	93.3
Fat content (in %)	4.06	4.04	4.05	4.04	4.05	4.05	4.05	4.05	4.06	4.06
Protein content (in %)	3.36	3.35	3.36	3.36	3.36	3.36	3.36	3.37	3.37	3.37
Milk yield (kg/dairy cow)	5857	5953	6019	6182	6272	6333	6389	6462	6541	6620
of which EU-15	6396	6545	6677	6869	6931	6976	6991	7040	7091	7144
of which EU-10	4725	4761	4664	4793	4962	5020	5136	5273	5427	5586
of which EU-2	3291	3175	3142	3112	3152	3220	3327	3377	3463	3533
Dairy cows (mio heads)	25.3	24.9	24.3	23.9	23.8	23.6	23.4	23.1	22.8	22.5
of which EU-15	18.8	18.4	17.8	17.6	17.6	17.5	17.5	17.4	17.2	17.1
of which EU-10	4.6	4.5	4.5	4.4	4.3	4.2	4.1	4.0	3.9	3.7
of which EU-2	1.9	2.0	2.0	1.9	1.9	1.8	1.8	1.7	1.7	1.7

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

EU-10: Member States of the European Union from May, 1st 2004

EU-2: Bulgaria and Romania

Table A.17 Cheese market projections for the EU-27, 2004 – 2013 ('000 t)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Total production (1)	8 474	8 633	8 805	8 923	9 006	9 117	9 192	9 248	9 356	9 456
of which EU-15	7 420	7 521	7 629	7 730	7 756	7 799	7 847	7 873	7 971	8 030
of which EU-10	913	960	1 023	1 045	1 074	1 143	1 181	1 221	1 242	1 271
of which EU-2	141	151	153	149	176	175	164	153	143	154
Imports	106	88	90	91	93	95	97	101	103	106
Exports	583	546	544	541	536	537	538	536	541	543
Human consumption (2)	7 997	8 175	8 351	8 473	8 564	8 676	8 752	8 813	8 918	9 019
Per capita consumption (kg)	16.4	16.7	17.0	17.2	17.4	17.6	17.7	17.8	18.0	18.2
of which EU-15	18.4	18.6	18.8	19.0	19.1	19.2	19.2	19.2	19.4	19.5
of which EU-10	11.0	11.6	12.6	12.9	13.5	14.1	14.7	15.3	15.8	16.4
of which EU-2	4.4	4.7	4.7	4.6	4.7	4.8	4.9	5.1	5.2	5.3

(1) Including cheese used for processed cheese. Excluding farm cheese

(2) Excluding processed cheese and farm cheese.

EU-10: Member States that joined the European Union on May, 1st 2004

EU-2: Bulgaria and Romania

Table A.18 Butter market projections for the EU-27, 2004 – 2013 ('000 t)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Total production	2 174	2 195	2 096	2 160	2 123	2 092	2 062	2 053	2 032	2 008
of which EU-15	1 901	1 917	1 833	1 887	1 863	1 834	1 808	1 807	1 797	1 785
of which EU-10	261	262	248	260	246	243	239	232	222	210
of which EU-2	13	16	15	13	14	15	14	13	13	13
Imports	93	74	80	80	80	80	80	80	80	80
Exports	348	333	248	236	209	209	207	202	196	180
Total consumption	1 981	1 967	1 967	1 963	1 963	1 963	1 959	1 955	1 940	1 932
per capita consumption (kg)	4.07	4.02	4.01	4.00	3.99	3.98	3.97	3.95	3.92	3.90
of which EU-15	4.57	4.51	4.49	4.46	4.43	4.41	4.38	4.35	4.30	4.25
of which EU-10	2.88	2.86	2.87	2.89	2.97	3.02	3.04	3.12	3.14	3.21
of which EU-2	0.59	0.60	0.62	0.59	0.60	0.62	0.65	0.67	0.70	0.73
Intervention Stocks										
Ending stocks	161	130	90	131	161	161	137	112	87	62
Stock changes	-62	-31	-40	41	30	0	-24	-25	-25	-25

EU-10: Member States that joined the European Union on May, 1st 2004

EU-2: Bulgaria and Romania

Table A.19 SMP market projections for the EU-27, 2004 – 2013 ('000 t)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Total production	962	963	842	905	898	895	892	888	888	885
of which EU-15	754	761	637	694	693	693	694	691	691	690
of which EU-10	202	198	201	208	201	198	195	193	193	192
of which EU-2	6	4	4	3	4	4	4	3	3	3
Imports	30	9	22	22	22	22	22	22	22	22
Exports	276	193	93	88	70	65	61	59	59	57
Total consumption	845	844	771	838	850	852	853	850	851	850
of which EU-15	775	779	711	774	788	791	793	791	792	793
of which EU-10	54	54	49	54	51	50	49	48	47	47
of which EU-2	16	11	11	11	11	11	11	11	11	10
Stock changes	- 129	- 65	0	0	0	0	0	0	0	0
Intervention Stocks										
Ending stocks	65	0	0	0	0	0	0	0	0	0
Stock changes	-129	-65	0	0	0	0	0	0	0	0

EU-10: Member States that joined the European Union on May, 1st 2004

EU-2: Bulgaria and Romania