



European
Commission



Supply of raw materials in the EU: an in depth outlook

***COCERAL / COPA-COGECA Event
"Strategic supply of raw materials in the EU"
Outlook, Competitiveness, Challenges***

European Parliament, 12 October 2016

***Tassos Haniotis
Director***

*Economic analysis, perspectives and evaluations; communication
DG Agriculture and Rural Development
European Commission*

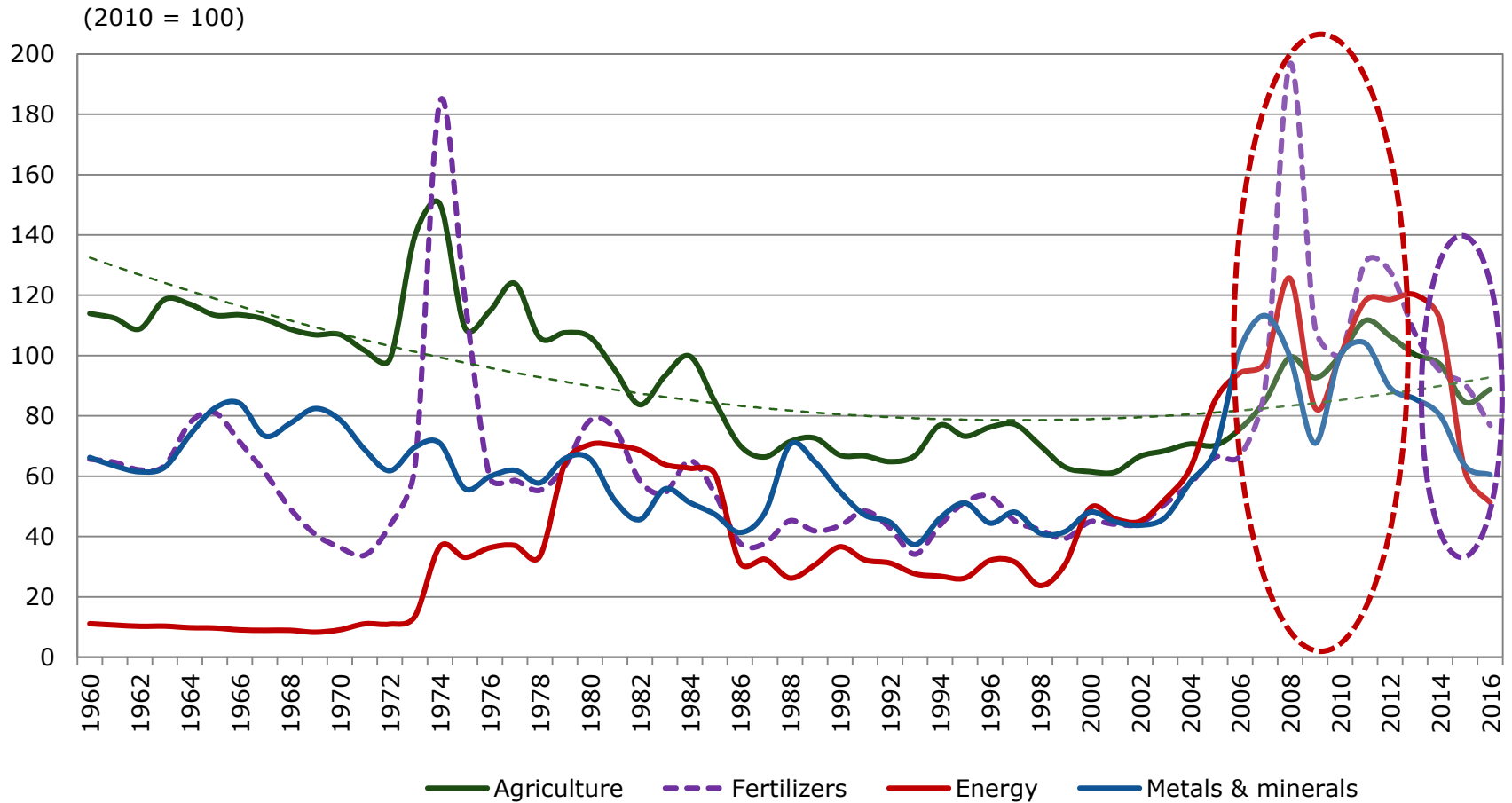
*Agriculture
and Rural
Development*

Outline

- 1. The shifting environment of agricultural markets...**
- 2. ...its impact on existing trends, drivers and challenges...**
- 3. ...and its relevance for EU's cereal sector**

Prices

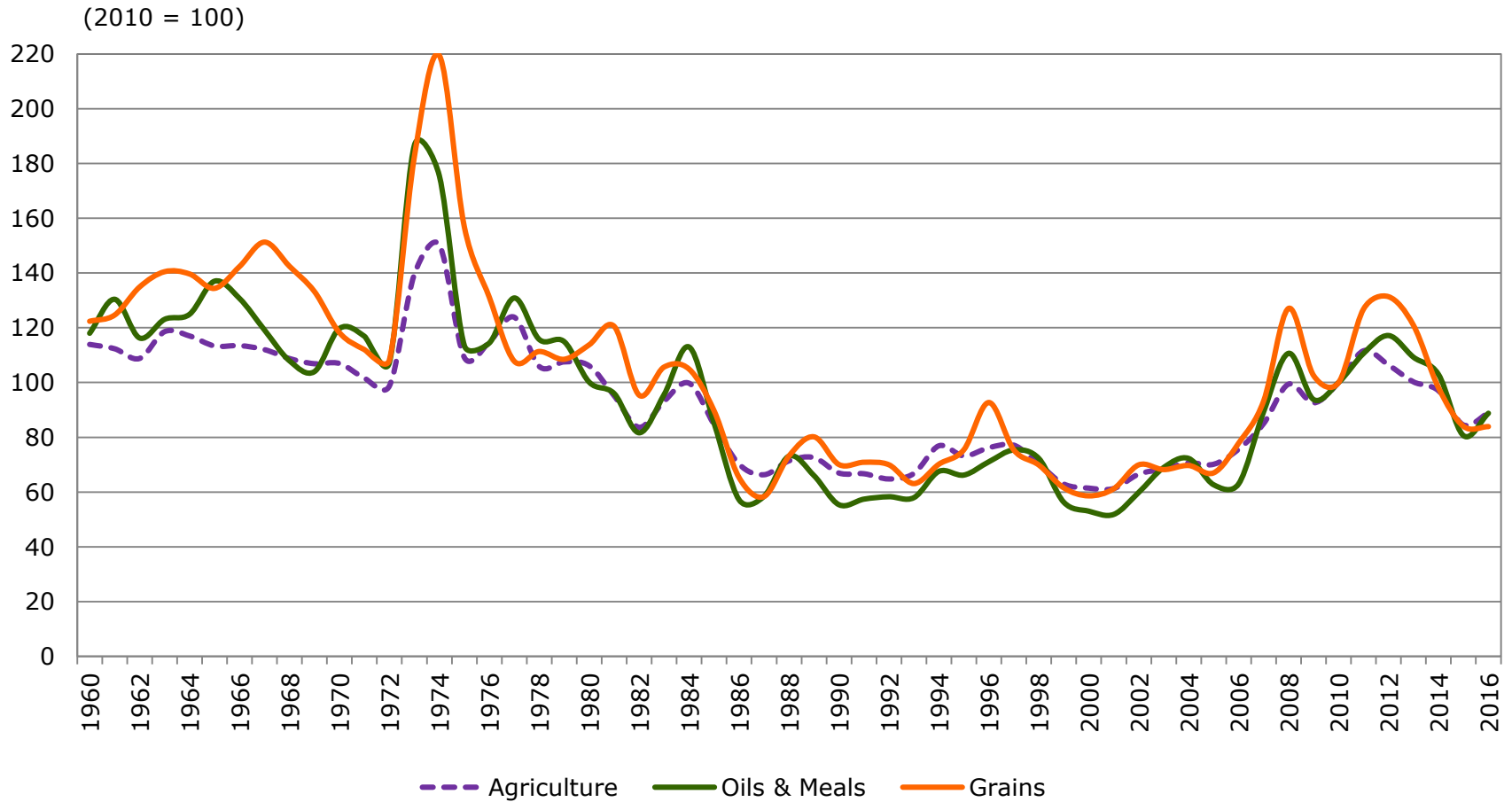
Trends in real commodity prices - 2016



Source: World Bank. (2016 is average for first 9 months)

Prices

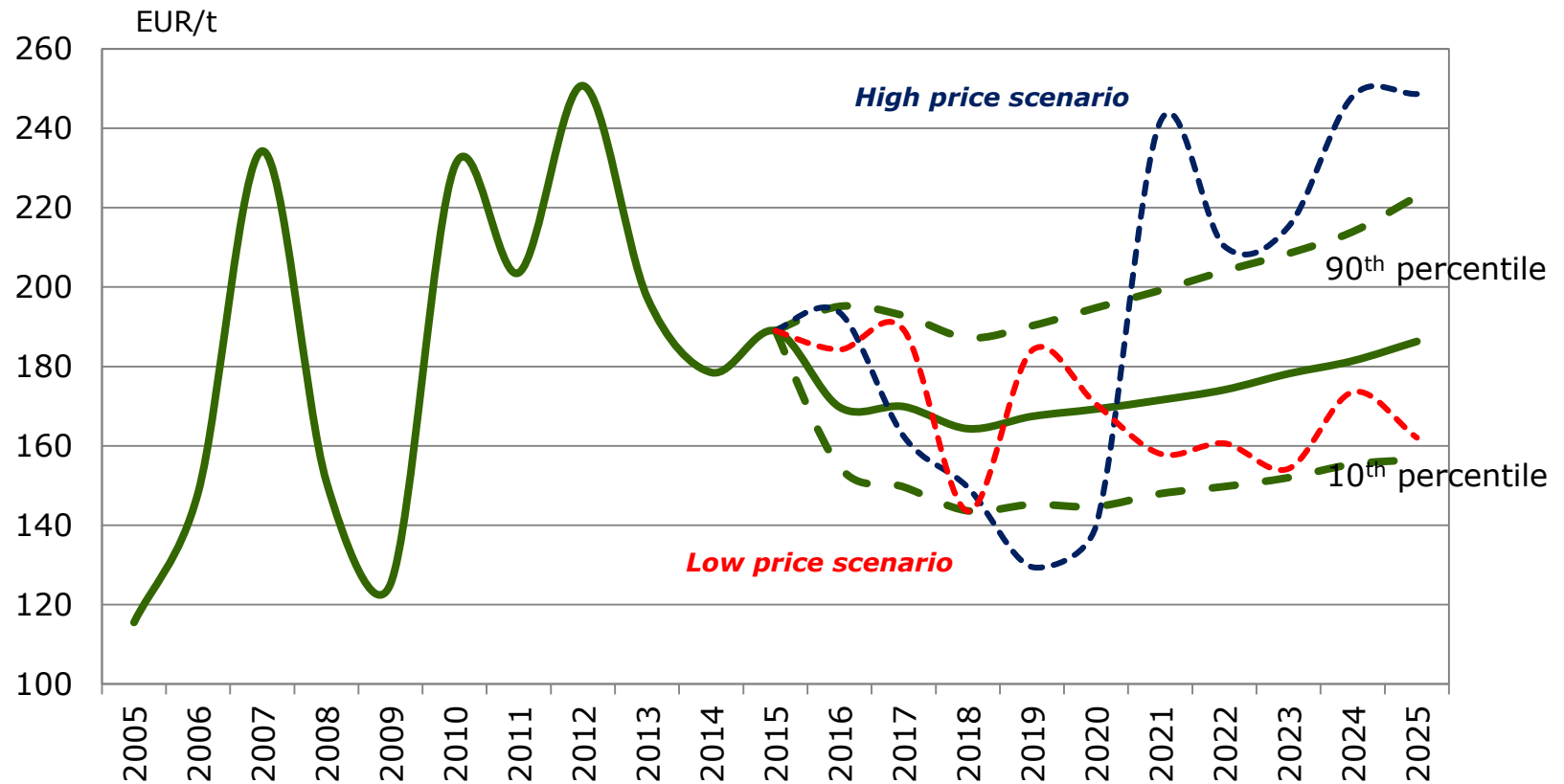
Trends in real grain and oilseed prices - 2016



Source: World Bank. (2016 is average for first 9 months)

Prices

The likely wheat price path



Costs

Commodity price changes during specific periods

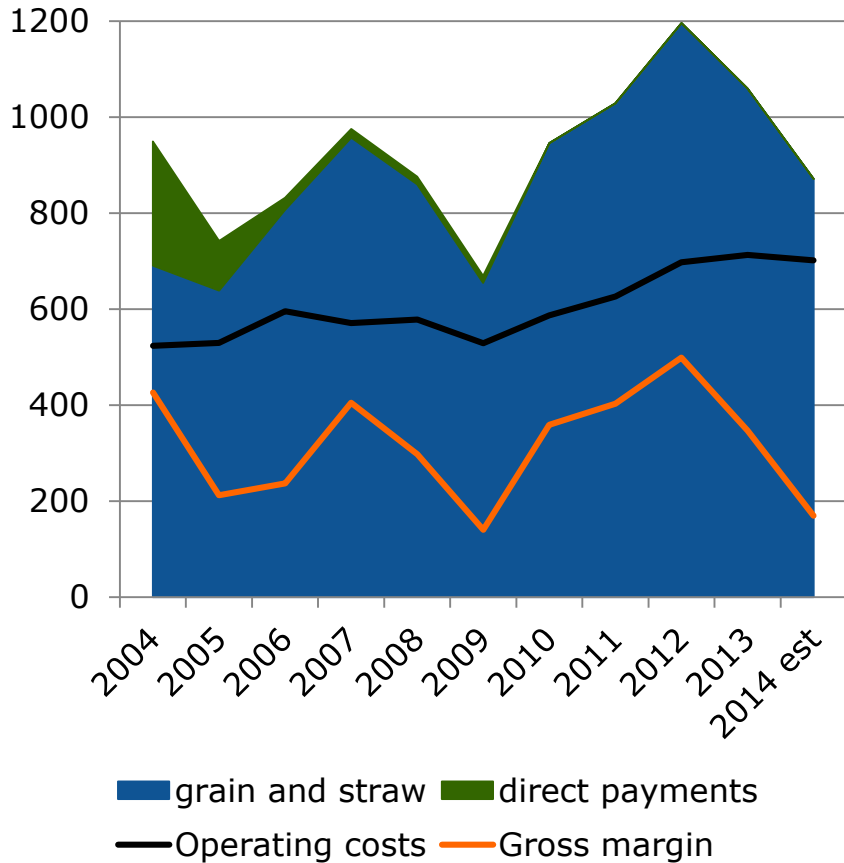
<i>Period</i>	Agriculture	Fertilisers	Energy	Metals/Minerals
2008/1997	29%	336%	298%	107%
2009/2008	-7%	-45%	-34%	-29%
2011/2009	21%	20%	43%	47%
2015/2011	-24%	-31%	-48%	-39%
2015/2008	-15%	-54%	-51%	-36%
2015/1997	10%	100%	95%	32%

Source: AGRI calculations on World Bank data.

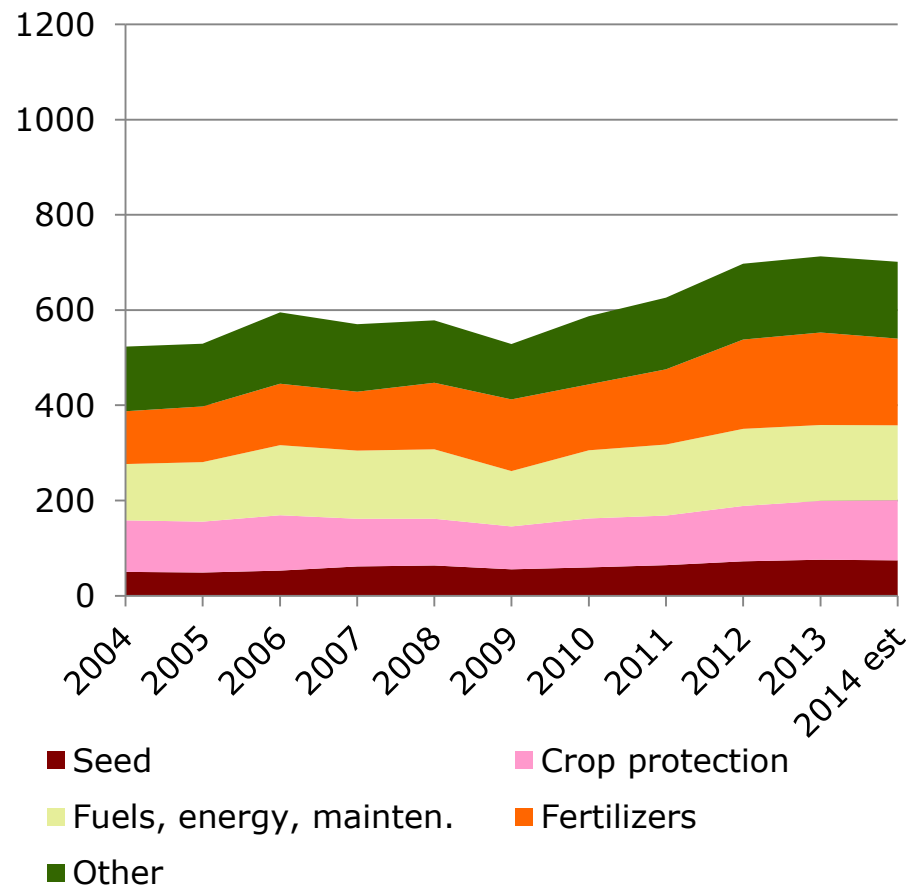
Costs

Developments in cereals: soft wheat

Common wheat – determinants of gross margins, EU avg, €/ha



Common wheat operating costs, EU avg, €/ha

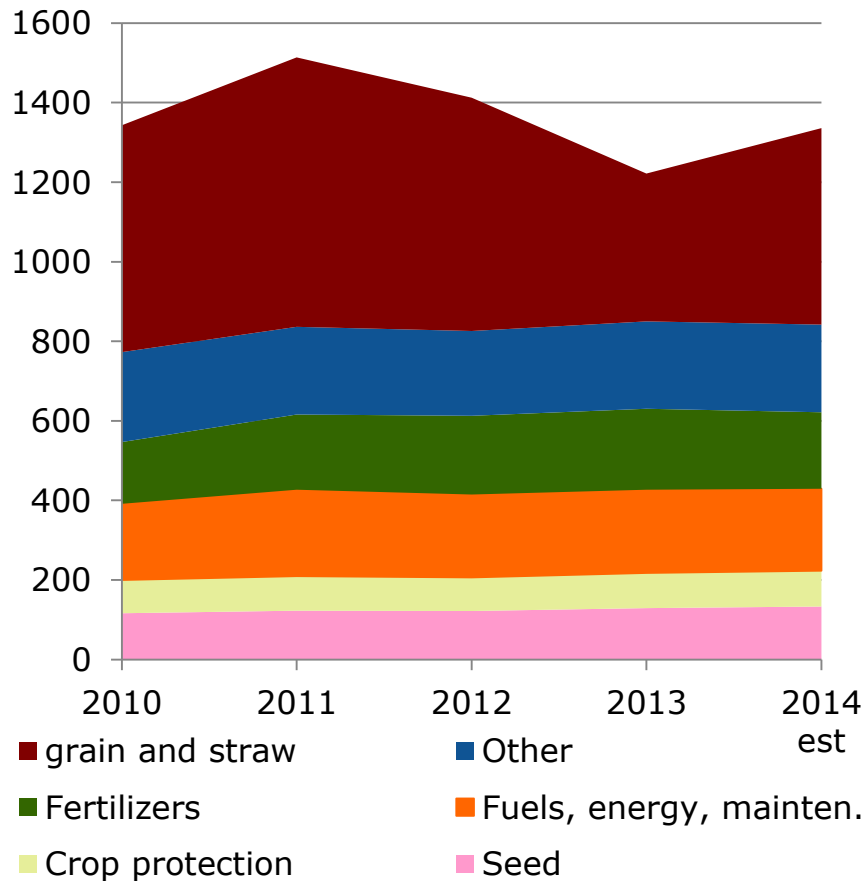


Source: FADN

Costs

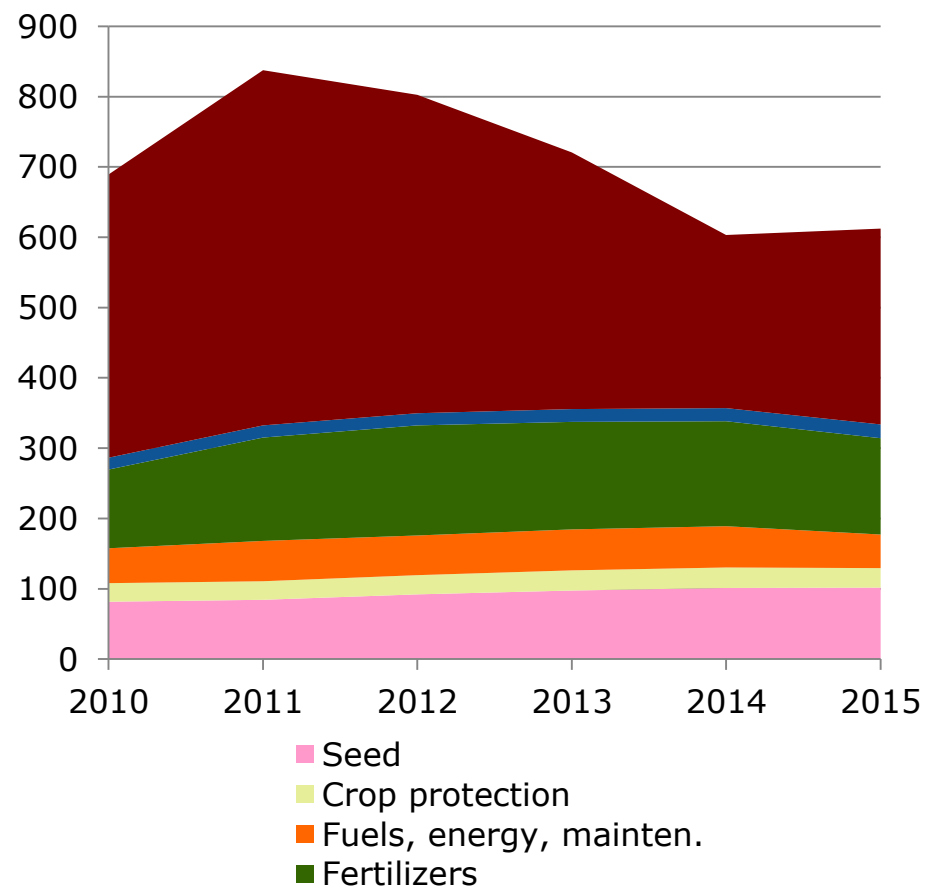
Gross margin maize: comparison with US

Grain maize – determinants of gross margins, EU avg, €/ha



Source: FADN

Grain maize – determinants of gross margins, US avg, \$/acre

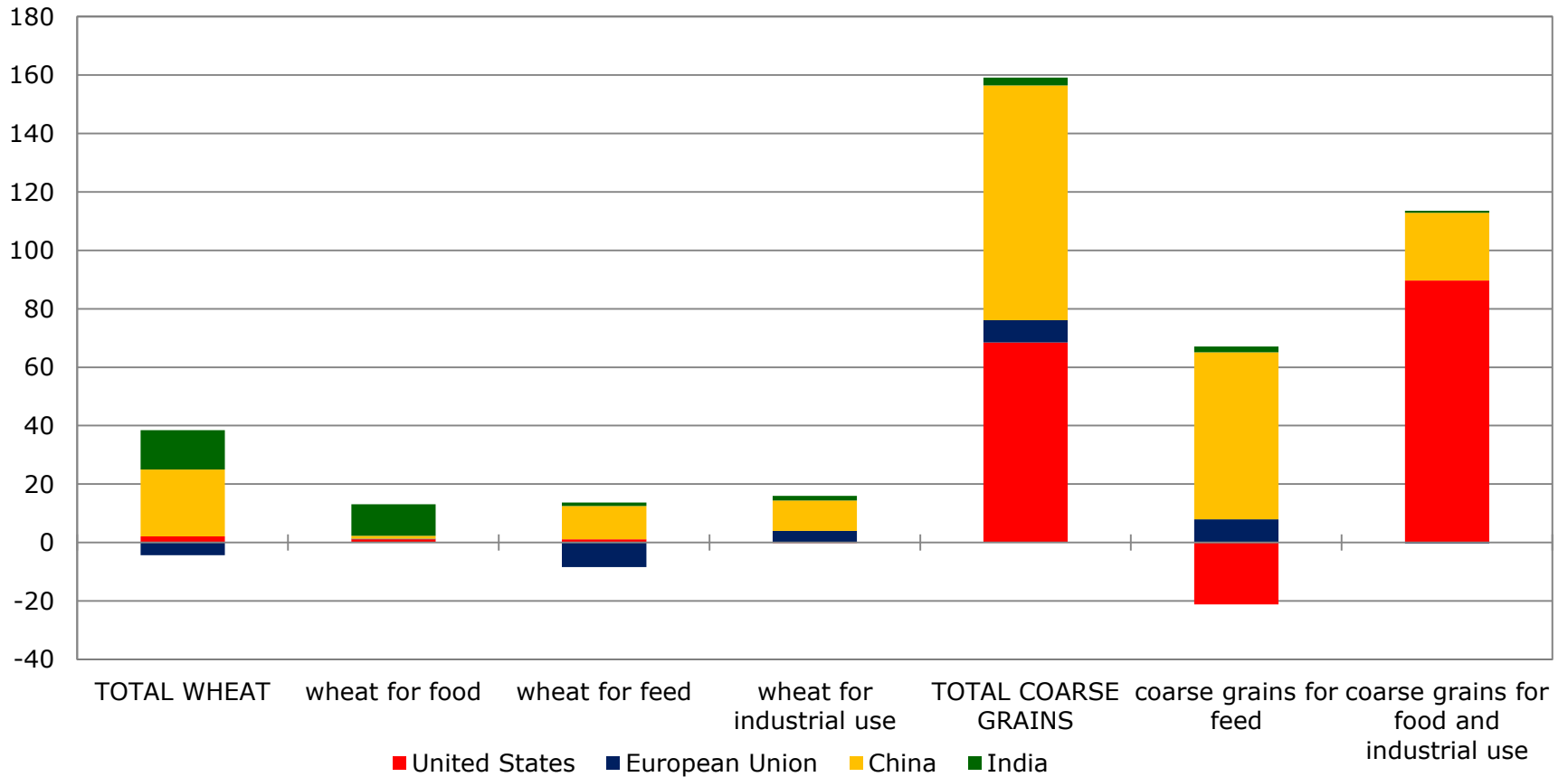


Source: ERS - USDA

Demand

Changes in cereal demand, 2005 to 2014

In million metric tonnes

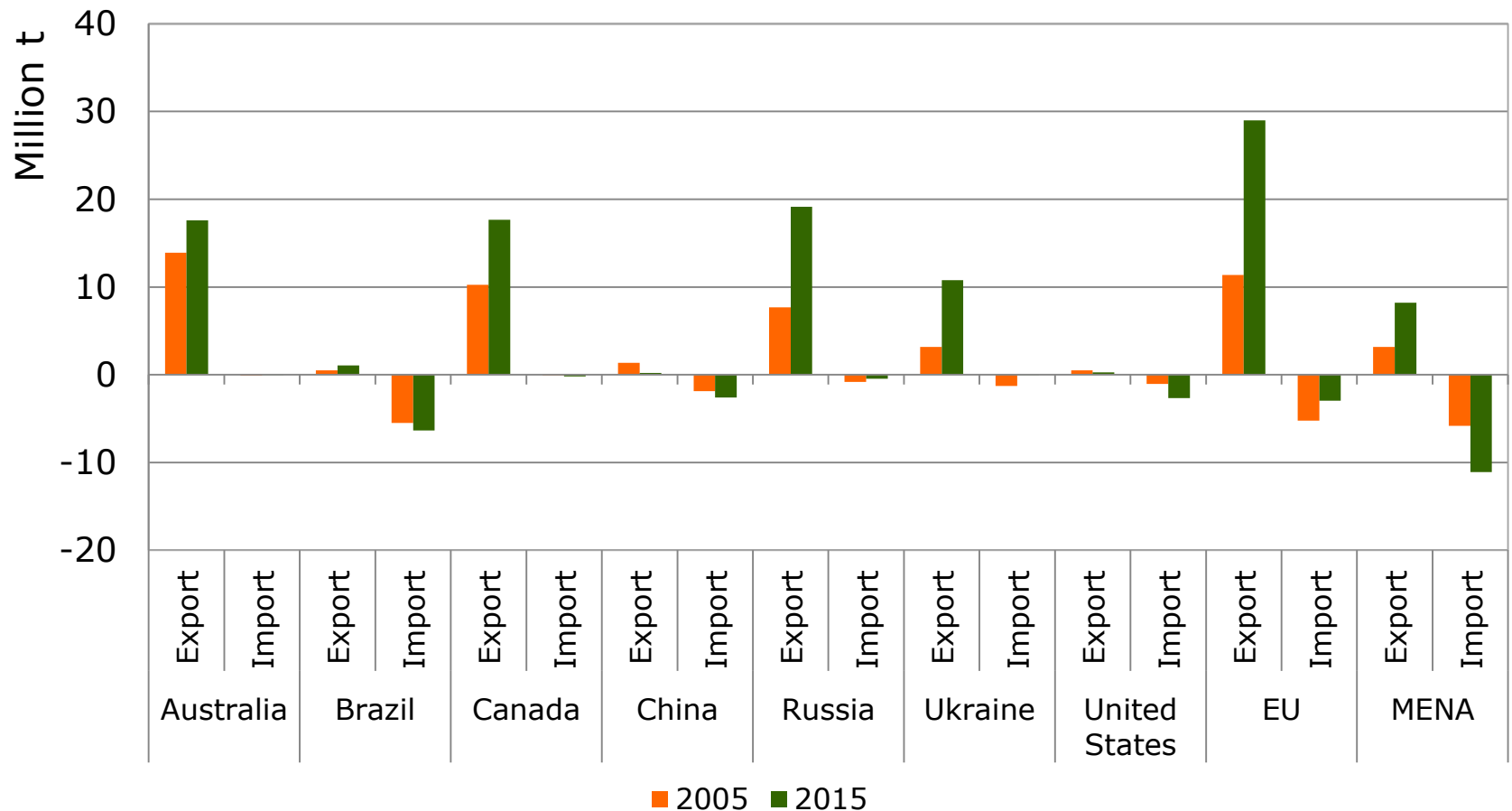


Source: DG Agriculture and Rural Development Outlook based on OECD-FAO Agricultural Outlook 2015-2024.
 Note: 2005 = 3-year average of (2004-2006) and 2014 = 3-year average of (2013-2015)



European
Commission

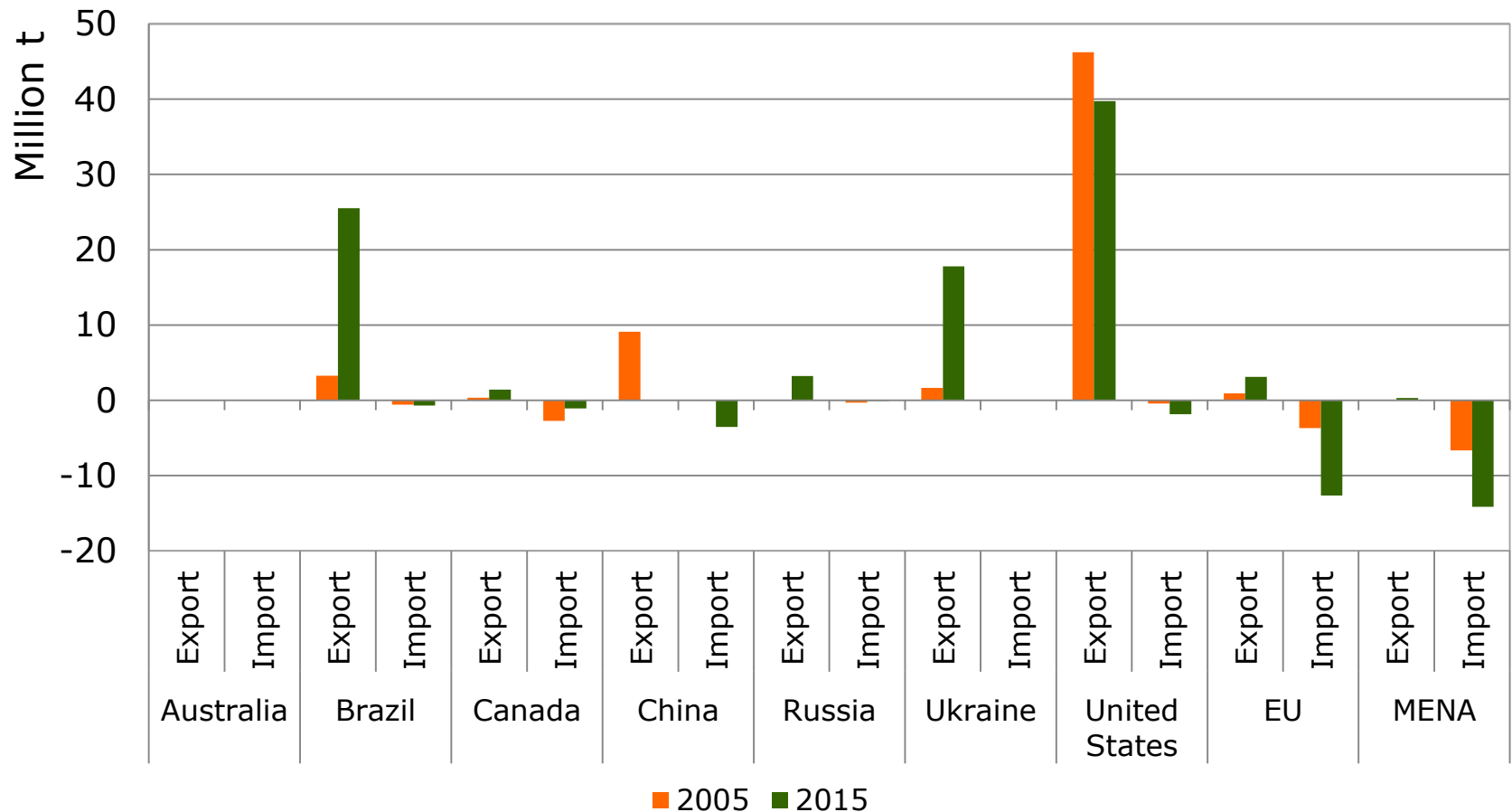
Trade Soft wheat trade flows in 2005 and 2015



Source: GTA
 2005 = avg (2003, 2004, 2005)
 2015 = avg (2013, 2014, 2015)

Trade

Maize trade flows in 2005 and 2015



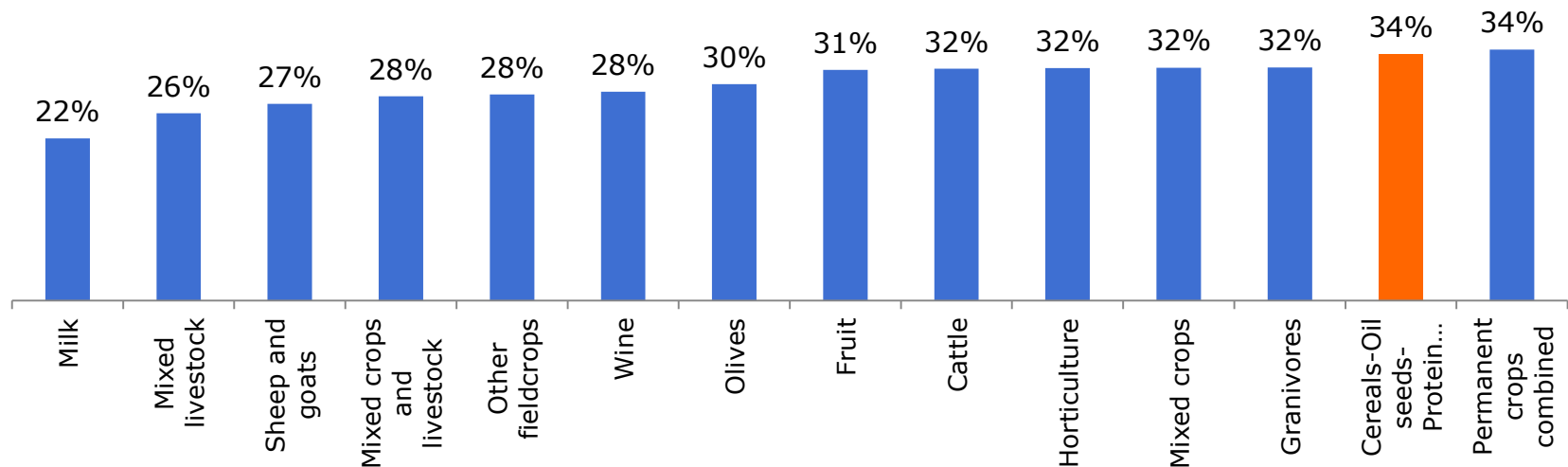
Source: GTA
 2005 = avg (2003, 2004, 2005)
 2015 = avg (2013, 2014, 2015)

Income Challenges - Relevance for cereals

At output and input side terms of trade have changed

Income under pressure

**Share of farms where
farm income (FNVA) losses exceed 30%
by type of farming, avg 2007-2013**



Addressing Challenges - Relevance for cereals

At output and input side terms of trade have changed

Income under pressure

Challenge for EU COP farms: reverse margin squeeze

- *... by adding value to the product*
 - *New breeds*
 - *High quality inputs*
 - *Cooperation along the food chain*
 - *High quality standards*
 - *Avoid UTPs*
- *... or reducing costs of production*
 - *precision farming, new breeds, big data, ...*
- *...and better coping with risks*

What types of risks and how to address?

Price-related risks

- *What? Price level, volatility and comovement*
- *How to address? Intervention, futures markets and contractualisation*

Production risks

- *What? Catastrophic events, diseases, insecurity due to climate change*
- *How to address? Insurance schemes, mutual funds, natural disaster aid*

Income-related risks

- *What? Increased income variability, farm cash-flow constraints, farm income squeeze due to costs or bottlenecks in the food chain*
- *How to address? Direct income support – decoupled, direct income support – coupled, Counter-cyclical / income stabilising support schemes*

Reports and data available at:

http://ec.europa.eu/agriculture/index_en.htm

http://ec.europa.eu/agriculture/markets-and-prices/index_en.htm

http://ec.europa.eu/agriculture/policy-perspectives/index_en.htm

http://ec.europa.eu/agriculture/trade-analysis/index_en.htm

Thank you for your attention!