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NOTE

From: General Secretariat of the Council
To: Special Committee on Agriculture/Council

Subject: Market situation
- Update on the latest situation

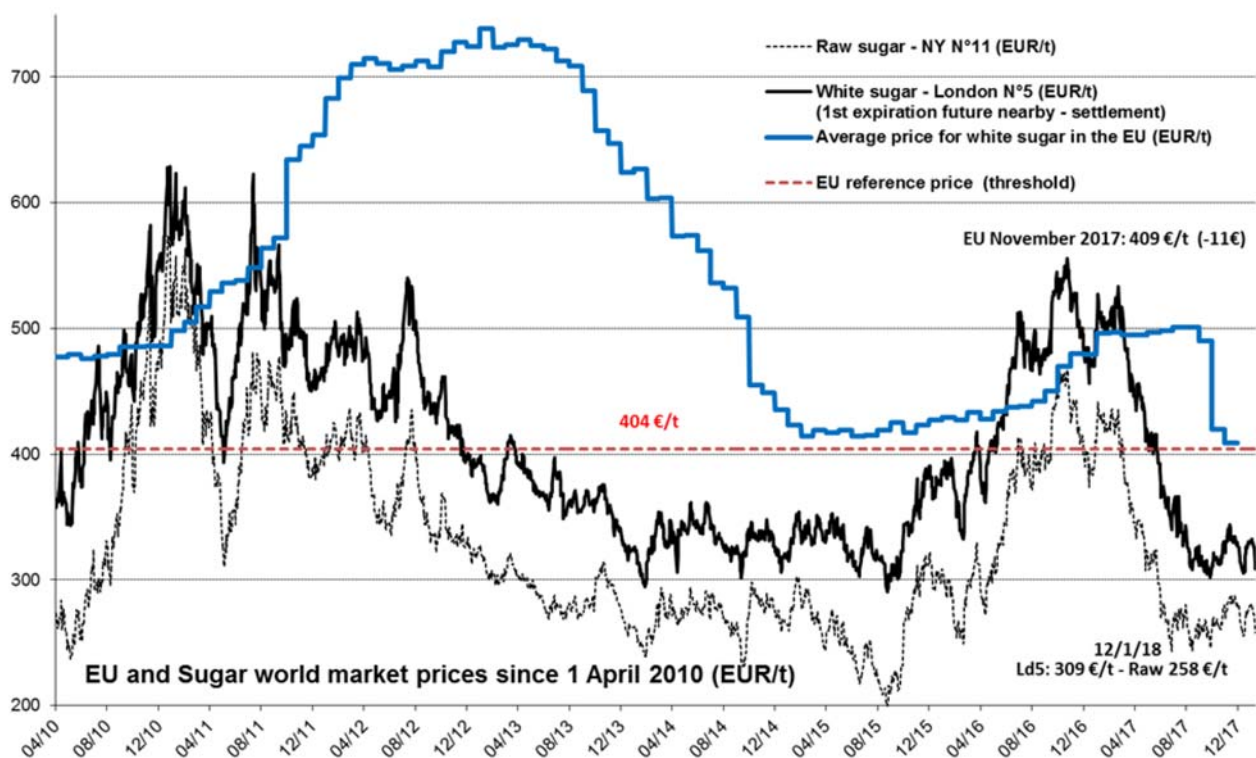
Introduction

With a view to the meeting of the AGRI/FISH Council on 29 January 2018, this note provides background information on the market situation for three key agricultural products: sugar, milk and pig meat.

Sugar

The difference between EU and world market **prices** seems likely to decrease. Closer alignment with world market patterns will make EU prices more volatile than under the quota system.

Latest reported monthly average EU price was 409€/t in November, 81€/t lower than in September (last month of the previous marketing year). This is in line with the expected price reduction announced for the first year without production quotas.



EU production is expected to reach some 20.5 million t this year, compared to some 16.8 million t last year.

The EU's sugar **imports** will decrease significantly, possibly even below the level of DG AGRI's initial forecast of 1.5 million tonnes for the marketing year 2017/18; following the end of the quota system, the closer alignment of EU and world prices makes the EU market less attractive for exporter countries.

EU **exports** will substantially increase compared to previous years after the lifting of the WTO export limit following the end of the quota system. In 2017/2018, exports are likely to exceed DG AGRI's preliminary estimate of (2.8 million tonnes). In fact, 1 million t have already been exported since October.

Milk

EU **milk deliveries** increased by 0.8% in the first 10 months of 2017. While the manufacture of whole milk powder, cream, cheese and most fresh milk products increased, that of skimmed milk powder, butter and drinking milk went down.

Average EU prices for raw milk are still rather high, at around 37 € per 100 kg, but prices for dairy commodities have gradually come down from historical levels reached last summer. This is in particular true for butter, but prices remain at satisfactory levels across the board, with the exception of skimmed milk powder whose market price is currently below intervention level.

EU **exports** in the first 10 months of 2017 increased for most dairy products (in particular for SMP: +39% in volume), with the notable exception of butter (-17%) and butteroil (-29%). Total EU exports in January-October 2017, expressed in milk equivalent, were 7% above last year, while the value of those exports increased by 20%.

Pig meat

Pig meat **prices** declined on average by 5.3% in 2017 compared to 2016, in line with increased supply.

For the period January to October 2017 **exports** were down by 9.5% compared to the same period in 2016 while **imports** were up by 10%.