

Monitoring Agri-trade Policy

Agricultural trade in 2013: EU gains in commodity exports



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With agri-food exports reaching €120 billion in 2013, the EU28 became the world's number one exporter of agricultural and food products. Although globally the modest growth in total world trade in 2013 is attributed to the slowdown of developing economies, the EU export growth was stimulated by demand for particular commodities in the developing countries, and was achieved despite the strong euro in 2013. Generally a renowned exporter of high value added final products, the EU owes the growth in 2013 largely to more exports in volume of commodities, with cereals (wheat and barley) alone accounting for over two thirds of the total export gain.

The biggest absolute EU export gain was registered in China, which was also the second fastest growing market in relative terms, after Saudi Arabia. EU sales to its top partner, the US, showed only a modest growth, but imports (of animal feed particularly) from the US increased sharply.

While the EU also maintained its top-importer position, imports remained virtually unchanged in 2013 stretching the EU agricultural trade surplus to €18.6 billion. The standstill in the growth of agricultural imports showed that the EU demand has not fully recovered, although lower prices of some commodities, such as coffee or cotton, also hampered the growth of EU imports in value.

In addition to providing a detailed overview of EU agricultural trade, this report presents a summary of trade developments for key agricultural players, revealing for instance, that China is now not only the world's third biggest agricultural importer but already ranks fourth among the top exporters. The trade data analysed is expressed in Euros, which may affect the conclusions, especially given that the euro strengthened against most currencies in 2013.

1. International setting

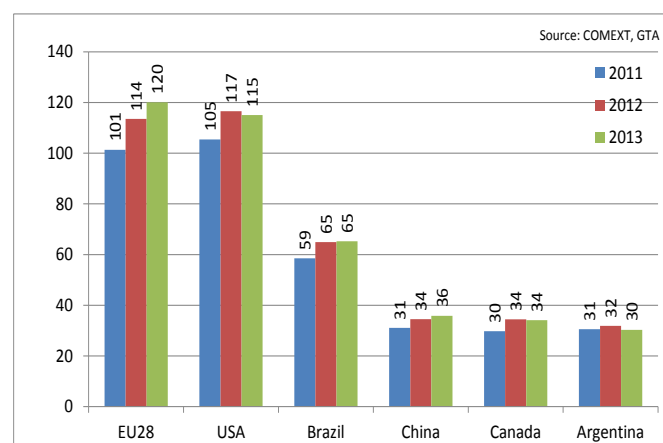
Although the WTO assessment of 2013 world trade performance is slightly better than it was for 2012, these two years represent a rather depressed period in world merchandise trade. Trade in goods grew by 2.1% in 2013 concurring with the global GDP growth. While in 2012 the blame for the weak growth was on developed economies, in 2013 it is the developing countries that witness a slowdown in demand. The WTO estimates that overall trade growth is set to recover in 2014, with a projected increase of around 4.5% but with many economic and political uncertainties.

Agricultural trade performance was a reflection of the global economic context: many key players in agricultural trade displayed stagnant or lower exports and imports and though the demand in developing economies continued to grow it was at a slower pace. China is trying to keep up the domestic demand and it has become a major player both as an agricultural importer and exporter.

EU exports of agricultural products (see definition in the box below) reached €120 billion in 2013. However, the growth is slower than in previous years (+5.8%, down from +12% in 2012 and +17% in 2011). At the same time, the US saw a drop in its agricultural export value to €115 billion in 2013, down from €117 billion in 2012 (after a growth of +11% and +14% in the preceding years). Expressed in US dollars, agricultural exports of the US in 2013 actually increased when compared to 2012 but the gap with the EU exports was even bigger.

While the other main world agri-food exporters, Brazil, Canada and Argentina struggled to maintain the value of their exports in 2013 (however, measured in local currency, Brazil showed a 14% increase in exports), China recorded a 3.9% growth to €36 billion. Over the last five years, the value of Chinese agricultural exports has expanded by 74%.

Graph 1: Top 6 world agricultural exporters (€ billion)



Brazil's growth in exports over the last five years has also been impressive. The country has maintained its position as the world's third largest exporter of agricultural goods. Although the volume of products exported by Brazil increased, low prices for sugar, coffee, oilseeds and cotton prevented the total export value in euros from growing in 2013.

As to the other big agricultural exporters not shown on graph 1, Australia, New Zealand and Mexico have also seen a spectacular export increase of 60-70% to the rest of the world since 2008, but Australia's growth stopped in 2013.

The definition "**Agricultural products**" used for this analysis corresponds to the WTO definition and includes the chapters 1-24 (excluding fish and fish products), in addition to a number of headings in chapters 33, 35, 38, 41, 43 and 51-53 of the Harmonised System. The aggregate EU agricultural trade does not contain the tariff codes CN 3302.10.40 and CN 3302.10.90. These are odoriferous substances for the food industry, which are regarded as industrial products and were worth some €3.8 billion in EU exports in 2013. However, for international trade, which is available at 6-digit level, these tariff codes are included. The following terms have been used to classify agricultural products within then different aggregates: **Commodities** are products that are mainly traded in bulk (e.g. grains and oilseeds) and have not been processed. **Intermediate products** have undergone a first stage of processing (e.g. from wheat to wheat flour) but are not ready for final consumption. **Final products** are ready for or very close to final consumption. This encompasses both processed products and unprocessed ones such as fresh fruit and vegetables. **Other products** include those products which - although within the WTO definition of agricultural products - have little direct linkage to agriculture. The other category includes human hair, ivory, waters and odoriferous substances (essential oils).

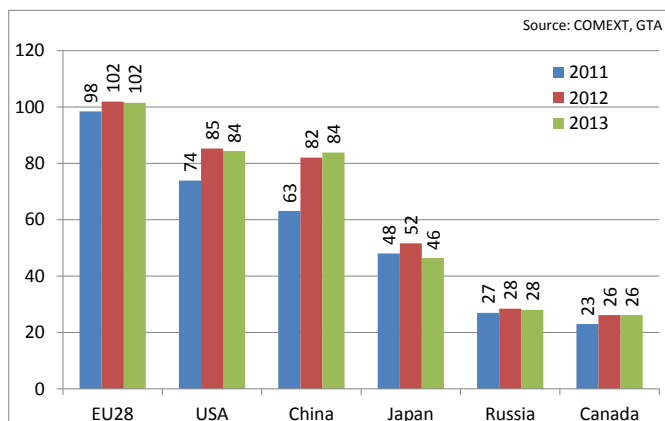
New Zealand owes the increase to higher dairy prices and Mexico has benefitted from increased export volumes of sugar, fruit and vegetables and also from higher prices for the fruit and vegetables.

The EU remains by far the world's biggest importer of agricultural goods, with imports just below last year's level at €101.5 billion, still well ahead of the US (€84 billion).

In 2013, China equalled the US as the second-ranking importer of agri-food products, although the growth rate of its imports slowed down in 2013 to +2.4% compared to the previous years.

As to the other main players, Japan, imported €46 billion worth of agri-food products, which is a reduction of 15% compared to 2012, while Russia and Canada maintained the value of their imports.

Graph 2: Top 6 world agricultural importers (€ billion)



2. Key players in agricultural trade

US: less exports to China and at lower prices, but surge of wheat trade to Brazil

As the drought continued to affect US agricultural production in 2013, this had a negative impact also on the country's agricultural export performance. In particular, exports of soya beans and cotton, for which China is the main market, were negatively affected. Also, Chinese prices for these products were lower. Soya beans from South-American countries, in particular Brazil, have gained market shares in China. As a result, Canada came back again as the top destination for US farm products, though China still

follows very closely (both 17%). Mexico accounted for 12% of US agricultural exports; the EU's share was 8.5%

US pig meat exports also suffered (-11%) in 2013, as the livestock sector has struggled to remain competitive at the high feed cost.

On the other hand, despite the drought, which affected mainly maize growing areas, the US could report a good year for wheat exports, the volume growing by nearly 30% and the value by 24%. Interestingly, Brazil became the top destination (alongside China) for US wheat with exports rising from 46 000 tonnes in 2012 to 4 million tonnes in 2013. Argentina, usually the main supplier of Brazil with wheat, witnessed a low crop in the second half of 2013 caused by bad weather. This allowed the US to overtake part of Argentina's share in Brazil's wheat imports.

Brazil: EU no longer the top export market

Brazil witnessed a cool down in the growth of its agricultural exports in 2013, with only a 0.5% increase in values compared to 2012. The growth in 2012 (+11%) had already been much lower than in the previous year (+21%). Brazilian agri-food imports remained tiny compared to exports; thus Brazil's agricultural trade surplus stayed at the high level of €57 billion.

Brazil's flagship export product is soya beans, the sales of which were good in 2013 (+30%) and reached a share of almost 30% in Brazil's agricultural exports. Three quarters of Brazilian soya beans go to China. Brazil's maize exports, which already doubled in 2012, as Brazil took over US shares in Asia and Middle East due to the drought in US, went up by another 35% in 2013.

The cross trade of ethanol between Brazil and the US, i.e. export of cane-based ethanol to the US and imports of corn-based ethanol from the US, continued in 2013 but, while in 2012 the net balance was in favour of Brazil, it reversed in 2013: Brazil's imports from the US more than doubled.

Brazil is strongly established on the Chinese market, which became in 2013 the top destination (24%) for Brazilian agricultural products. The EU is now only the second market; followed by the US. Exports to Russia have constantly decreased, leaving it only the fifth destination for Brazilian agricultural products after

Japan in 2013. The value of Brazilian agricultural exports was negatively influenced by weak coffee, tobacco and sugar prices.

China: Firm demand for commodities, but lower prices

China's demand for agricultural products was still strong in 2013, although the growth rate has slowed down tenfold to +2.2%. The low rise in import value and continuous growth in exports (+3.9%) resulted in a stable trade deficit at €48 billion. A quarter of Chinese imports came from the US (half of which were soya beans) and one fifth originated in Brazil (85% being soya beans). EU's share in Chinese agricultural imports rose to 9.1% in 2013, driven mainly by increased sales of raw hides, malt extract and pig meat.

In total, over one third of Chinese imports consists of soya beans, with a rising trend in 2013, albeit at lower prices (+5.2% in value and +8.6% in volume). Conversely, the number two import product, cotton (not carded or combed), saw a drop of 33% in import value compared to 2012, but this was due to low prices, since in volume terms imports grew 53%. China being the world's biggest cotton producer is also the holder of half of the world's cotton stocks. Chinese government is buying cotton into reserves, and the remaining production cannot fulfil the growing needs of the country's textile industry. China thus absorbs all excess supply from the world market (although imports of cotton fibre are regulated by import quotas).

For several other top products where import value decreased considerably, such as palm oil (-25%), sugar (-14%), and rice (-10%), this can also be fully attributed to lower prices, as the quantity remained either stable or even increased, in the case for sugar by +18%.

Finally, milk powders saw an impressive rise of €1.2 billion in imports value (+79%), as both the quantity doubled and the price was 20% higher. Other fast-growing import categories in 2013 included raw hides, rape seeds and their oil, malt extract, wheat, fresh fruit and beef.

On the export side, fruit and vegetables have contributed greatly to China becoming one of the top food exporters in the world. 40% of all Chinese agricultural exports are fresh and processed fruits and vegetables. In 2013, the biggest absolute gains in exports were achieved by vegetable preparations,

followed by pharmaceutical plants. Chinese main export market for agri-food products is Japan (16%), followed by Hong-Kong (11%) and the US (8.8%).

Russia: the trade deficit widens

Russia, a net importer of agricultural products, saw the gap between imports and exports stretch up to 20 billion in 2013, mainly due to reduced agricultural exports (-12% to €8.4 billion), although agricultural imports were also slightly down (-1.4% to €28 billion).

In 2013, Russia's top destination for agricultural exports became the EU (19%), leaving Turkey second (15%).

Russia exports mainly commodities, which account for around half of Russian agricultural exports. Wheat alone makes up one third of exports, but its sales were down by 26% in 2013. Due to a good crop, Russian wheat prices were lower in 2013 but the export quantity remained nevertheless below 2012 levels. Barley exports are also important for Russia, and these declined by 41% in value. On the other hand, fur skins exports (to EU and China) went up by 44%.

On the import side, Russia relies on supplies of meat, cheese, fruit and vegetables, alcoholic beverages and tobacco products. The biggest import increases in 2013 were in cheese, citrus fruit, wine and tomatoes, while nearly all meat products, spirits, apples and pears showed a decrease. Imports of sugar, which had already in 2012 shrank to about a quarter of the 2.1 million tonnes imported in 2011, went down even further to 530 000 tonnes. Potato imports also barely reached one third of the 1.5 million tonnes in 2011, a record potato import year for Russia.

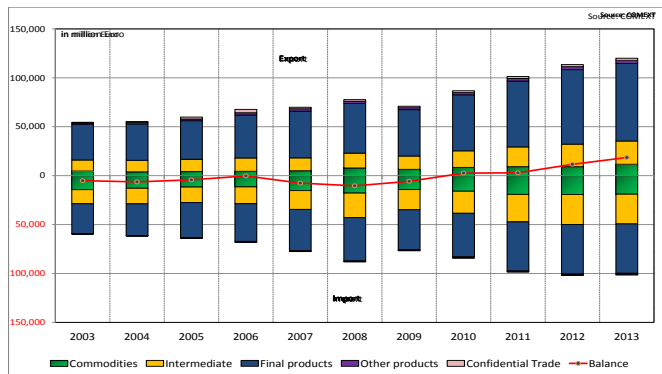
3. EU agricultural trade balance

Agricultural products account for a solid share in the EU's total export basket with 7% of the value of EU total goods exports in 2013, ranking fourth after machinery, chemicals and pharmaceuticals.

Since switching from being a net importer in 2009 to a net exporter in 2010, the EU agricultural trade surplus has been increasing every year. In 2013, another €7 billion was added to the surplus, which thus increased to €18.6 billion.

This can be attributed to higher exports, as imports remained roughly unchanged compared to 2012 (-€0.4 billion or -0.4%). Graph 3 shows the evolution and structure of EU agricultural trade since 2003.

Graph 3: Structure of EU28 agricultural trade 2003-2013



Although final products for direct consumption continue to account for two thirds of EU agricultural exports, and commodities merely for 10%, the latter recorded the strongest export growth (+27%) in 2013, thanks to the surge in cereals exports. Export growth for final products as well as intermediate, and other products was limited to 3-4% (for definition of the aggregates see box on page 2).

Roughly half of EU imports were final products. Intermediate products, commodities, and other products accounted for 30%, 19% and 1% of imports, respectively, without major changes since 2012.

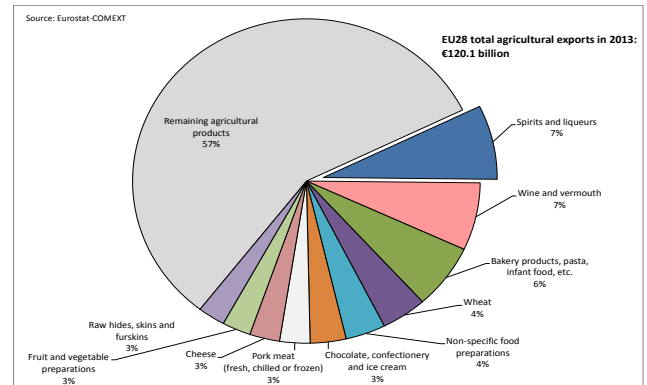
4. EU agricultural exports

More than half of EU exports are made up by six product categories¹ which are mostly, except cereals, final goods for direct consumption. Graph 4 shows the composition of EU exports in 2013.

Spirits and liqueurs continue to dominate the basket of exported products, but their export value in 2013 (€10 billion) was 1.6% lower than in 2012. Wines and vermouth closely followed, with €9.1 billion worth of export sales (+1.3%).

¹ The definition of product categories can be found here: http://ec.europa.eu/agriculture/statistics/trade/2012/annex4_en.pdf

Graph 4: Composition of EU agricultural exports in 2013



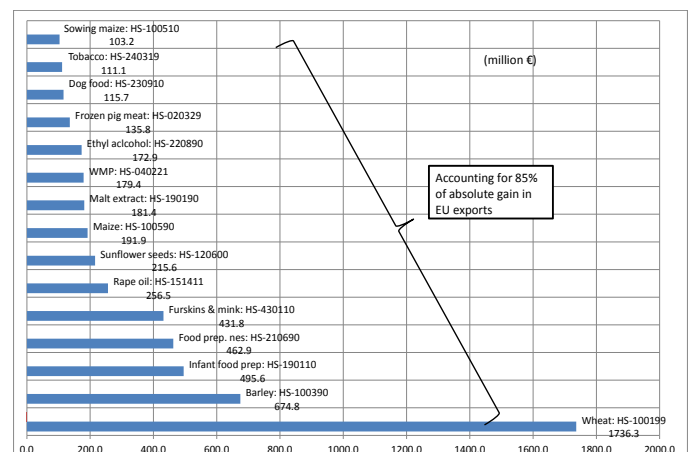
Milk and cereal preparations were valued at €8.7 billion (+12.5%). Other top exported product categories included wheat, non-specific food preparations, ice-cream, chocolate and confectionery, pig meat, cheese, fruit and vegetable preparations and tobacco products.

The biggest gain from wheat instead of whiskies

In value terms, the exports of all of the products mentioned above, except spirits and liqueurs, increased. Contrary to 2012, when spirits and liqueurs figured as the fastest-growing product group (whisky showing a particularly big increase); in 2013 it recorded a 1.6% drop in value. Cereals, which had shown decreasing exports in 2012, turned to register major gains in 2013 by +47% in value (up to €8.5 billion).

Graph 5 lists the 15 products (on HS 6-digit level) contributing most to the increase in the value of EU exports in 2013.

Graph 5: Main products contributing to the increase of EU agricultural exports in 2013



In 2013 exports of wheat and barley contributed for 38% of the increased exports value (€2.4 billion, primarily to MENA countries, in particular Algeria and Saudi Arabia).

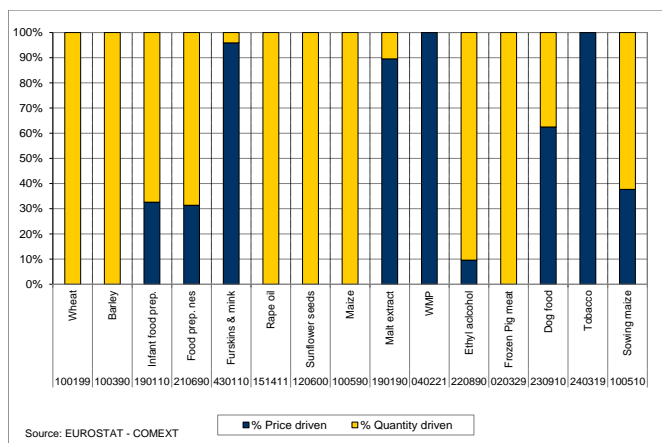
Food preparations for infant use came third in the ranking, as it was the case in 2012. These exports went up by another €0.5 billion in 2013 (the main markets continuing to be China and Hong Kong). Alcoholic beverages do not appear at all in the top-15, as the value of wine exports increased only by €61 million, while whisky exports even dropped by €131 million.

The 15 most dynamic products taken together account for 85% of the total export gain, which is almost twice as much as the top-15 did the previous year.

Contrary to 2012, the export competitiveness of the EU in 2013 was hampered by the appreciation of the euro against certain major currencies and export partners (+27% against Japanese yen, +6.6% against Canadian dollar, +3.4% against US dollar, +6.0% against Russian rouble, 2.1% against Swiss franc). At the same time, however, the gains against Brazilian real (+14%), Indonesian rupiah (+15%) and Argentinean peso (+25%), should have made purchases from these countries more attractive for the EU.

Graphs 6 and 7 explain the drivers behind the increased exports of the 15 most dynamic products. On average, 90% of the export gain for these products came from increased export quantities, the remaining 10% being determined by higher prices.

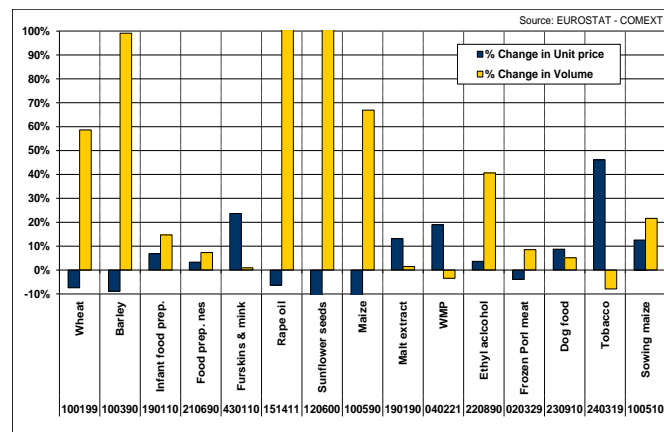
Graph 6: Contribution of volumes and unit prices to the increase in the value of EU exports in 2013



The gain was only driven by volume increases for wheat, barley, soya bean oil, sunflower seeds, maize and frozen pig meat. On the contrary, higher prices were the only reason behind higher export value for tobacco and whole milk powder.

For other products, both higher volumes and prices determined the increase in value: for mink fur skins, malt extract and dog food, the export increase was mostly price-driven, while in the case of ethyl alcohol, infant food, other food preparations and sowing maize, higher quantities contributed more to the export increase than higher prices did.

Graph 7: Change in unit value and volume for the main products contributing to export growth in 2013



The strongest increases in volumes were recorded for rapeseed oil (+227% or +287 000 t, the main destination being China), sunflower seeds (+141% or +470 000 t, mainly to Turkey, Pakistan and South Africa), barley (+99% or +3.6 million t to Saudi Arabia), maize (+67% or +1.3 million t to South Korea and Egypt) and wheat (+59% or +8.9 million t to Algeria).

Unit price increased the most for tobacco (+46%), mink fur skins (+24%, mainly to China), whole milk powder (+19%), malt extract and sowing maize (both +13%).

EU top export destinations

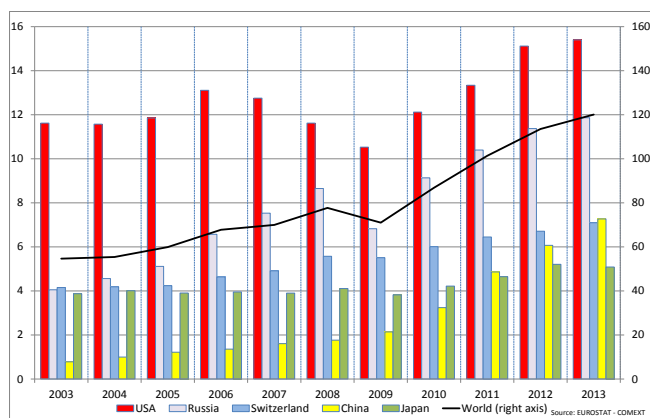
In 2013 the level of EU exports to some of its main destinations was stagnant, while to some others, a growth (though slower) continued to be recorded, as shown in graph 8. A more thorough analysis of trade between the EU and its major trade partners can be found in Chapter 7.

The US continued to be the EU's largest market, with a share of 13% in total EU agricultural exports. The sales to the US, which have been growing steadily since 2009, also showed an increase in 2013, but only of 1.9% (to reach €15.4).

Russia remained the EU's second export market, with an export share of 10%, unchanged since 2009. For the first time China was positioned third (6.1%), overtaking Switzerland (5.9% share). EU's agricultural exports to Japan in 2013 were 2.3% lower and its share in exports fell to 4.2%.

The largest absolute gain in exports in 2013 was achieved by China (+€1.2 billion), which was also the second fastest growing market (+19.7%) after Saudi Arabia (+20.4%). Exports to Saudi Arabia, which have been increasing at this rate since 2010, reached €3.9 billion in 2013. Commodities, such as wheat and barley, were the main product category leading to increased exports to Saudi Arabia, and accounted for 32% of total bilateral exports. Exports to Hong Kong went up by 10% (+€0.5 billion). Overall, China and Hong Kong together represent 10% of EU agricultural exports, equal to the share of Russia.

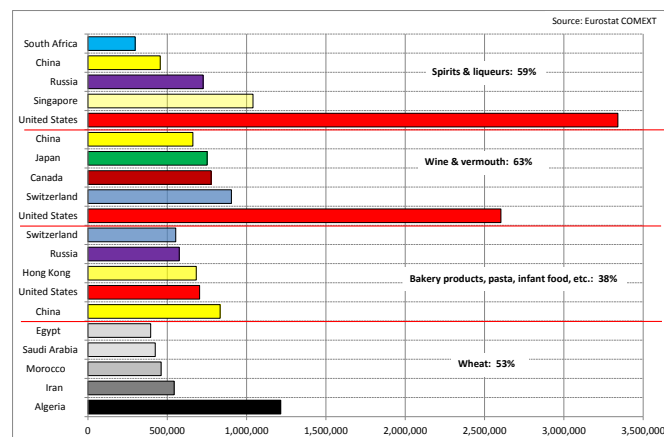
Graph 8: EU agricultural exports by destination (€ billion)



EU agricultural exports to Russia increased by €0.5 (+4.3%). Algeria, which ranks ninth in EU top destinations, also showed a growth of 13%, which was primarily driven by higher exports of cereals, tobacco and food preparations.

Graph 9 shows the main destinations for EU most significant export products: spirits and liqueurs, wines, cereal and milk preparations, wheat and other food preparations.

Graph 9: Export value of main product categories by destination in 2013 (€ million)



In 2013, like the year before, nearly 60% of export revenues from the sales of spirits and liqueurs came from the top 5 destinations, and the US alone led with 33%. Canada was replaced by South Africa in the top-5 destination of EU spirits (exports increasing by one third in quantity). Spirits exports to China decreased by about 20% both in value and quantity, but it was still the EU's fourth export market.

The top market for wine continued to be the US (29%), followed by Switzerland, Canada, Japan and China, all together accounting for 63% of EU sales, and showing no major changes in 2013.

Wheat exports were concentrated to the Middle Eastern-North African markets, the top eight export destinations all being in that region and accounting for two thirds of EU wheat sales. Algeria alone took 20% of EU exports. Sales to these countries skyrocketed in 2013, except to Iran (-10%) where EU exports had seen a record year in 2012.

Another important product category for EU exports is cereal and milk preparations and other non-specific products. It features in particular infant food, where China and Hong account for 17% of the export revenues and the top five destinations together 38%.

5. EU agricultural imports

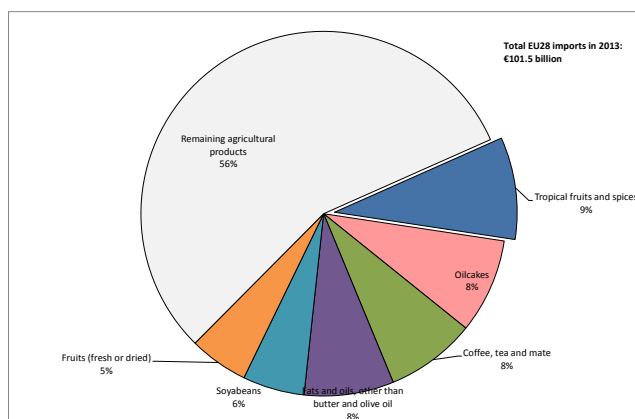
The top ranking product in EU agri-food imports in 2013 was coffee, although its share shrank to 7.2% (€7.4 billion) down from 8.9% in 2012. Other high-ranking imported products were oilcakes from soya

bean (€7.2 billion), soya beans (€5.6 billion), and palm oil (€4.5 billion).

Graph 10 illustrates the composition of EU imports by product category. Tropical fruits and spices accounted for 9% of total EU agricultural imports; oilcakes, coffee and tea, and other animal and vegetable oils (including palm oil) followed with 8%. Soya beans and fruits accounted for 6% and 5% respectively.

Although the total value of EU imports did not change significantly, imports of particular products went up or down. Similarly to 2012, lower prices for coffee, cocoa and sugar compensated the increase in import value of other products (fruit and nuts, corn).

Graph 10: Composition of EU agricultural imports in 2013



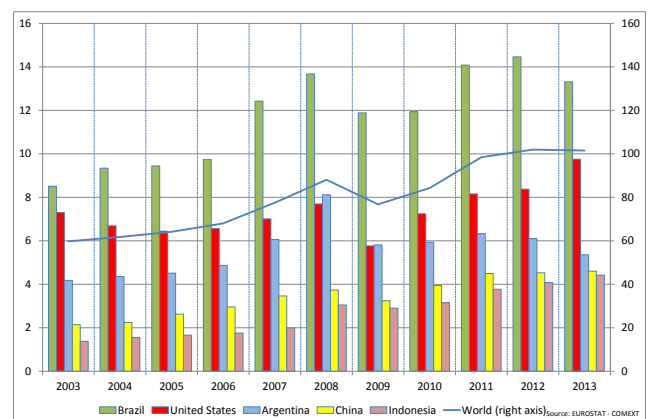
2013 saw for the second year in a row a drop in the unit price of coffee² (-24%), after an impressive 40% surge in 2011. For cocoa beans, after a sharp increase of in 2010, prices have declined since; in 2013 they dropped by 8.5% vs. 2012. In volume terms, coffee imports in 2013 were even slightly higher than the year before (at 2.8 million t) but cocoa beans imports were down 8% to 1.3 million t. Cotton prices also continued to decline (-7.5%) in 2013 and sugar prices were lower by 5.2%. This had a positive impact on the import quantities of these products.

Most notable gains in imports were recorded for the following products: apples and pears (+39% in value and +33% in volume), nuts (+21% in value and +12% in volume), corn (+30% in value and +33% in volume), and ethyl alcohol (+11% in value and +6.3% in volume).

² Excluding roasted and decaffeinated coffee

Graph 11 shows the evolution of total EU agricultural imports by main supplier. Brazil remains the EU's top import partner in 2013 (13%), but continues to lose market share to the benefit of the US, who accounted for 10% (compared to 8% in 2012). Argentina and China now both have 5%, while Indonesia, Switzerland, Turkey and Ukraine each account for 4%.

Graph 11: EU agricultural imports by origin (€ billion)



Imports from the US were also the fastest growing in 2013, with an increase of 17%. This growth can be mostly attributed to higher imports of soya beans and soya bean oilcakes. These two products combined accounted for 20% of EU food imports from US: in 2013 the imported quantity went up by 67% and the value by 60%. Nuts are the single highest-ranking product (16%) imported by the EU from the US. Ethyl alcohol also accounts for a noteworthy 7.5%.

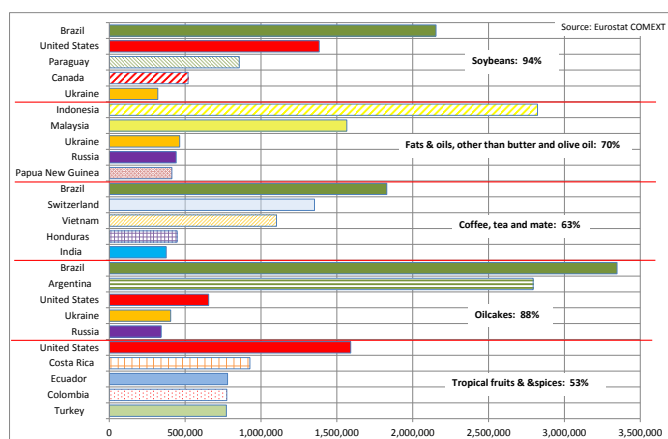
Other countries recording high growth rates in supplies to the EU include South Africa (+13%, with a particularly positive trend for various fruit and wine), Chile (+9.4%; wine, fruit and nuts, maize up), Indonesia (+8.2%; palm oil, coffee and tea, industrial alcohols up); and Turkey (+5.2%; nuts, dates and figs, olive oil up).

Imports from Ukraine, which had showed the highest growth in sales to the EU in 2012, decreased to €3.8 billion (-7.3%) in 2013. While maize and rape seed imports still grew, imports of sunflower seed, oilcakes and soy beans suffered.

Graph 12 shows the main countries of origin for the EU's top 5 imports (product categories) in 2013. Soya imports mainly originate from Brazil and Argentina, but the market share of these two countries in EU soya bean meal imports fell to 70% in 2013, the US share

increasing to 7.7%, leaving to Russia and Ukraine 8.8%. The market share of soya bean exporters on the EU market was more evenly distributed, with Brazil remaining the leader with 39%, but the US not far behind with a quarter of total EU imports.

Graph 12: Import value of main products by origin in 2013 (€ million)



Low coffee prices in 2013 seemingly reduced the share of Brazil in EU's coffee imports, while, in volume terms, Brazil's share actually increased to 28%. Switzerland has a high market share in EU coffee import value, as it supplies processed, i.e. roasted coffee at a high price. However, in volume, it only provides 1.5% of EU coffee imports.

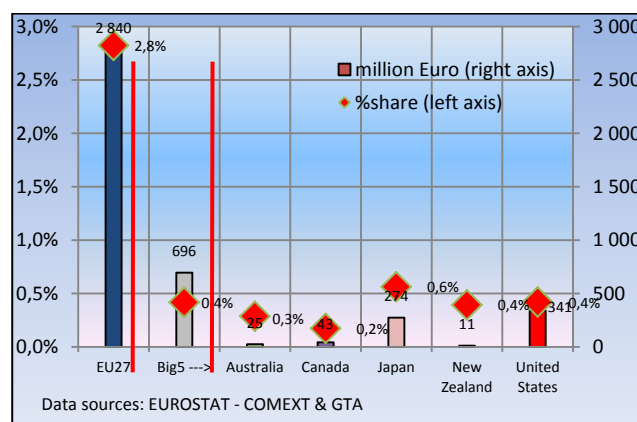
The tropical fruit and spices category includes various nuts, spices and bananas. Ecuador, Colombia and Costa Rica supply more than 70% of EU banana imports. The US and Turkey provide the EU with nuts, with the US specializing in almonds, pistachios and walnuts, and Turkey mainly in hazelnuts. Spices come from various origins, for instance pepper imports are dominated by Vietnam, vanilla is largely supplied by Madagascar, and cinnamon by India and Sri Lanka.

6. EU28: top importer from the least developed countries

The EU continues to be the top importer of agri-food products from developing countries (definition of the World Bank) and from the least developed countries (LDCs), following the classification used by the UN (covering 48 countries).

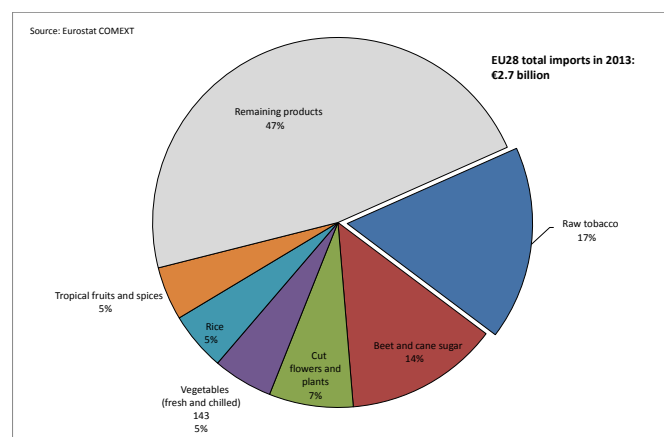
On average, over the years 2011 to 2013, 2.8% of EU imports came from LDCs (€2.8 billion per year). The value of this trade is four times as high as the corresponding value of agricultural imports of the "Big 5" (Canada, US, Australia, New Zealand and Japan) taken together. "Big 5" imports from LDC's account on average for 0.4% of the total imports.

Graph 13: Agricultural imports from LDCs, 2011-2013 average - in € million and % share of total agricultural imports



Nearly half of EU agricultural imports from LDCs are final products, commodities account for 30% and intermediate products around 20%. In 2013, the biggest chunk of imports was taken by raw tobacco although its imports actually decreased by 10% compared to 2012. On the other hand, imports of raw sugar, a key commodity imported from LDCs, increased by 14% in 2013. Other major products imported include cut flowers, vegetables, rice, tropical fruit and spices.

Graph 14: Main agricultural products EU imported from LDCs in 2013



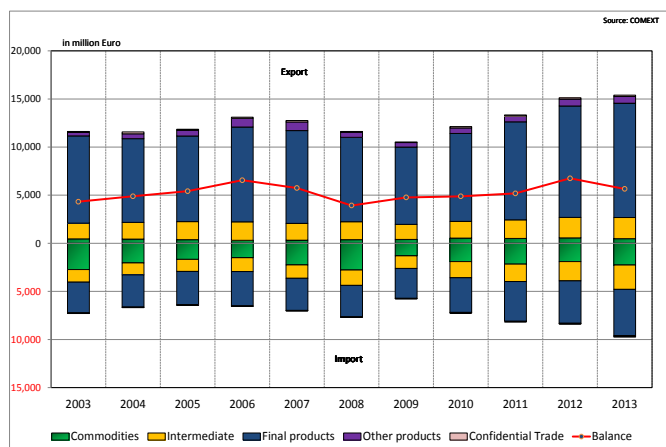
Two thirds of EU food exports to LDCs (worth €4.8 billion in 2013) were also final products, although one commodity, wheat, accounted for 14%. It was followed by cereal and milk preparations, poultry meat, non-specific food preparations, fresh dairy products and milk powders, and beer.

7. EU agri-food trade with its key partners

The EU and US: EU trade surplus shrinks

Although the US still remains the top destination for EU agri-food exports, it was not the most dynamic market in 2013, showing a modest 1.9% growth (to €15.4 billion). Given that at the same time EU imports from the US were up by 17% (to €9.8 billion), the EU agri-food trade surplus with the US in 2013 was down to €5.6 billion from €6.7 billion in 2012 (see graph 15).

Graph 15: EU agricultural trade with the US



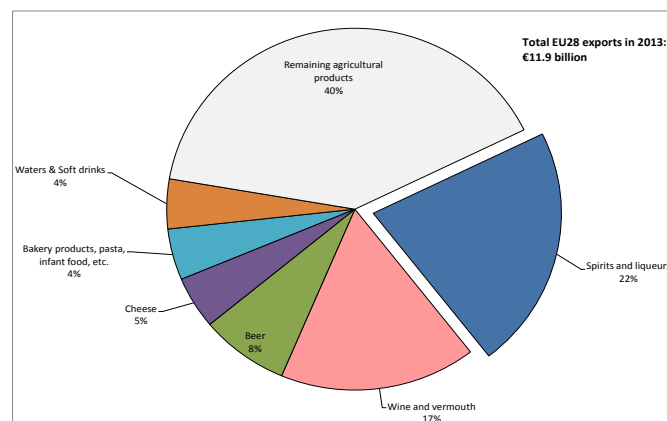
The main type of EU agricultural exports to the US, final goods, made up close to 80% of all the products, but only grew marginally by 2.6%.

Beverages accounted for over 50% of EU exports to US (see graph 16): spirits were the top-seller at €3.3 billion. It was followed by wine (€2.6 billion), and beer (€1.2 billion). Waters and soft drinks came after cheese and cereal and milk preparations with €0.6 billion. However, exports of beverages remained rather stable or decreased (beer), with the highest export gain recorded for wine (+3.4%) - as a result of higher prices in spite of lower volumes.

The biggest increase in export value was recorded for non-specific food preparations (€57 million or +18%),

cheese (€42 million or +6.4%) and chocolate (€31 million or +8.2%). For all these products, the exported quantity increased too.

Graph 16: Composition of EU agricultural exports to the US in 2013

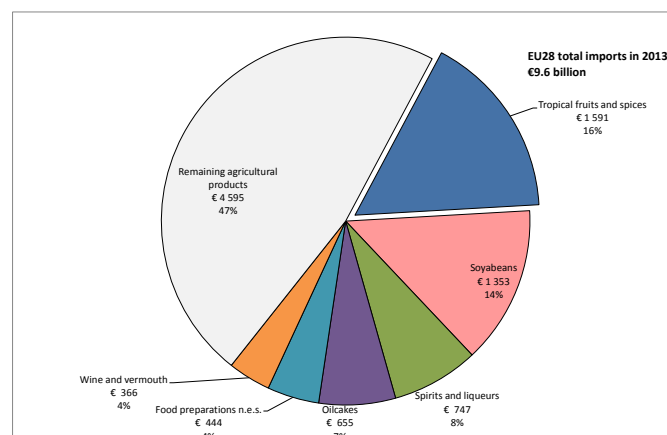


The rise in imports from the US was driven by purchases of animal feed. Soya beans imports were up by 50% to 3.2 million tonnes (€1.4 billion), oilcakes imports even doubled to 1.5 million tonnes (€647 million).

Maize supplies, which had shrank from 843 000 t in 2011 to 45 000 t in 2012 due to the US drought, recovered partly to 100 000 t in 2013. Grain sorghum imports had also bottomed in 2012 at 1 400 t (compared to 520 000 t in 2011) and started to recover in 2013 (80 000 t).

Finally, nuts supplies from the US were rather stable at 300 000 t, but the value was up 18%.

Graph 17: Composition of EU agricultural imports from the US in 2013

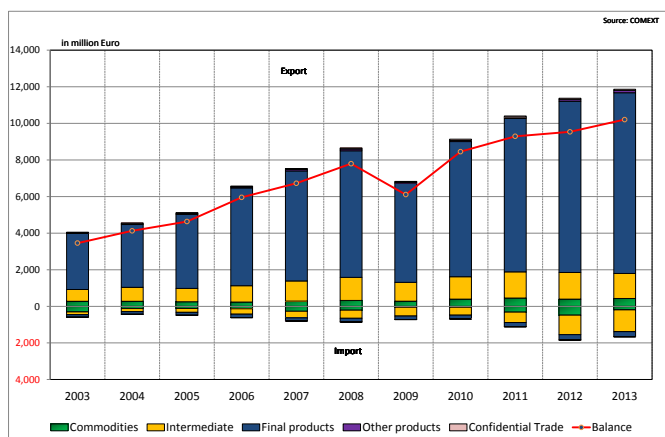


The EU and Russia: EU export growth continues to slow down but so do imports

The EU - the biggest supplier of agricultural products to Russia - slightly increased its share in Russian imports to 42% in 2013 (far ahead of Brazil with 7.8%). Russia is the second biggest export market for EU with 10% of total food exports. However, although EU's food exports to Russia continue to grow, the speed is slowing down. In 2013, exports in value went up by 4.3%, compared to 9% and 14% in the preceding years. Yet, EU export gains in Russia were €0.5 billion, higher than the additional €0.3 billion increase in the US.

The agricultural trade balance with Russia, which is largely positive, continued to increase and reached €10.2 billion, up from €9.5 billion in 2012.

Graph 18: EU agricultural trade with Russia



The structure of EU exports to Russia is similar to those to the US, with final products accounting for 83% of the total. Top export products to Russia have remained the same over the last years: fruit, cheese and pig meat. Half of the value of fruit exports can be attributed to apples and pears, worth over €0.5 billion. Also, Russia is the destination for around 46% of EU's apples and pears exports.

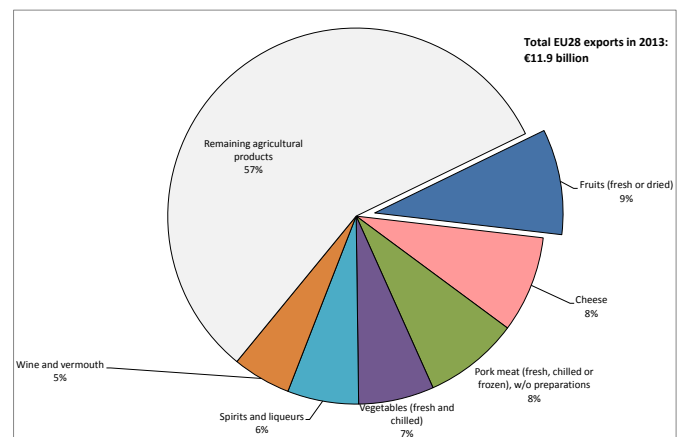
The sales of pig meat, which had declined in 2012, showed a 19% increase to 370 000 t in 2013. The corresponding value of these exports was nearly €1 billion. Sales of other meats and meat products were worth €0.8 billion, and total meat exports accounted for 15% of EU agri-food exports to Russia.

On the other hand, Russia's self-sufficiency policy has had an impact on EU sales of poultry meat, which have

suffered since 2011, remaining roughly unchanged at 80 000 t during the last three years.

After another increase in exports in 2013, cheese attained a share of 8% in EU exports to Russia. Stronger prices for milk powders pushed their exports and other dairy products (whey, butter) also sold well, bringing the share of dairy products above 11% of total food exports to Russia.

Graph 19: Composition of EU agricultural exports to Russia in 2013



Potato exports to Russia were strongly influenced by the seed potato ban; thus potato sales plummeted from €228 million in 2011 to €40 million in 2013 (from 605 000 t to 94 000 t).

The biggest absolute export gains in 2013 were recorded for pig meat (+€194 million, or +25%), cheese (+€75 million, or +8.3%), wine (+€54 million, or +11%), non-specific food preparations (+€50 million, or +11%), tomatoes (+€50 million, or +24%) and malt extract (+€47 million, or +22%).

On the other hand, animal products were also among the top losers. Exports of live animals, also influenced by a ban put in place by Russia for sanitary reasons, were cut by half (-€75 million) compared to 2012. Pig and poultry fat, which in 2012 sold for €315 million in Russia, saw a setback of 16%. Pig and beef offal exports declined by 20% (-€40 million). Losses in other products were led by lower seeds exports (-€37 million or -17%).

EU imports from Russia, marginal compared to exports, are traditionally dominated (72% in 2013) by intermediate products. These imports further

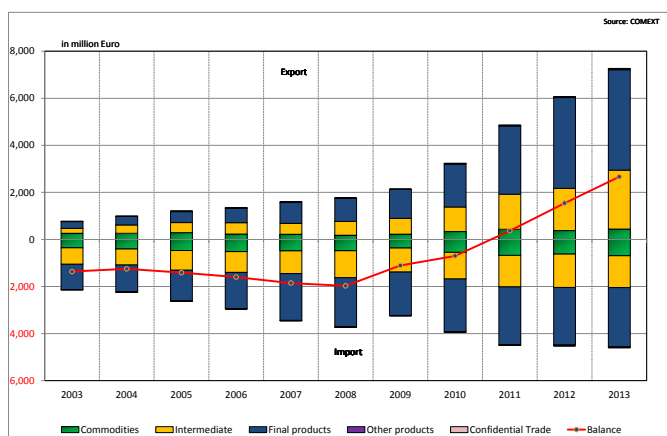
increased in 2013 but, the value of imported commodities and final products being much lower, total agri-food imports from Russia decreased by 10%. Wheat imports, which had ranked second in 2012 at €222 million, were cut by 70% (the quantity also dropping 70% to 276 000 t). Maize imports, which had showed an impressive growth in 2012, fell back to €90 million (-51%). The top import article remains oilcakes from vegetable fats and oils with EU imports reaching €281 million in 2013 (+8%).

**The EU and China:
China's demand remains firm despite lower prices**

EU agri-food exports to China have flourished since 2010. In 2013, China continued to be the EU's top growing export market, although the country's GDP growth rate declined to around 8%, down from an average of 10% in the past decade. The OECD projects the Chinese GDP slowdown to continue.

In value terms, the absolute increase in EU agricultural exports to China in 2013 was exactly the same as the year before (+€1.2 billion), but, as the starting point was higher than the year before, it translated into a mere +8.5% in 2013, as opposed to +25% in 2012. As the value of imports from China remained roughly constant at around 4.6 billion, the EU's trade surplus broke a new record at €2.7 billion (see graph 22).

Graph 20: EU agricultural trade with China



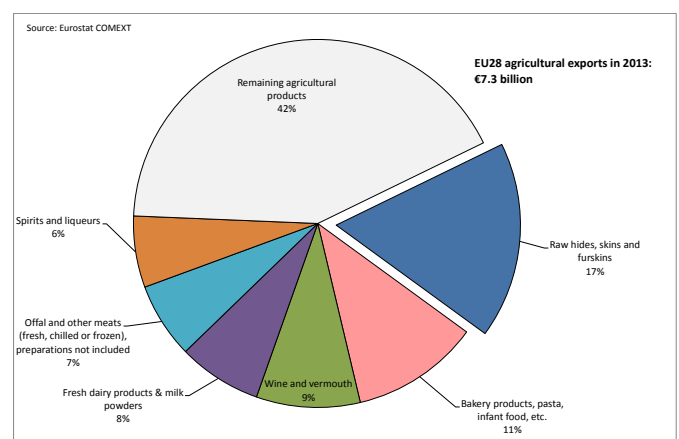
Most of the EU agricultural exports gains in China were for final and intermediate products, which went up by 11% and 39%, respectively. Combined, these two product groups accounted for 84% of EU total exports. The top product category was hides and fur skins,

followed by preparations of milk and cereals (75% of these exports are infant food), wine, milk powders, pig meat (and pig offal). These product categories accounted for 55% of EU's agricultural exports to China.

The largest absolute gain in exports was recorded for fats and oils (other than butter and olive oil) with +€329 million, which represents more than a seven-fold increase from 2012. Export value of raw hides and fur skins continued to grow impressively (+€256 million, or +26%) as well as that of milk powders (+€219 million, or +37%). Pig meat exports increased further by 24% (+€106 million).

China is the EU's main market for whey, accounting for 32% of EU exports of this product in 2013. Since 2008, whey exports have more than tripled in value and more than doubled in volume. In 2013, sales went up by another 12%, with export volumes even 15% higher, as the prices were below 2012 levels. China is also a major buyer of EU milk powders and with the prices being 20% higher in 2013, EU exports continued to show a very rapid growth (both the export value and quantity doubling in 2013).

Graph 21: Composition of EU agricultural exports to China in 2013

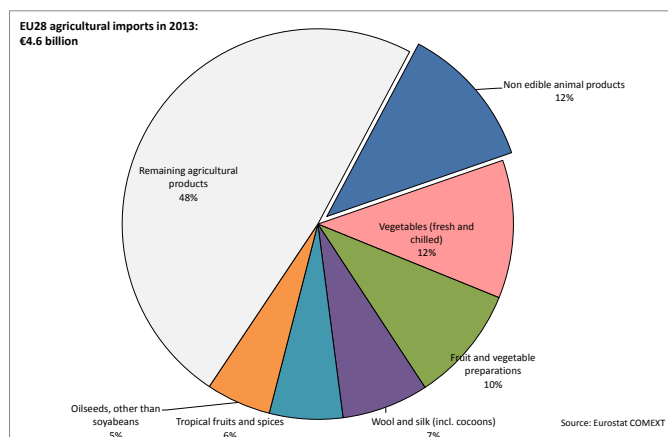


Although still accounting for over 15% of EU total agricultural exports to China, the sales of alcoholic beverages decreased in 2013: spirits' exports dropped by 22% and wine exports by 14%.

While generally EU imports from China mostly consist of final and intermediate products, the value of these imports was unchanged in 2013, whereas imports of commodities increased. As shown in the graph below,

animal products not for immediate consumption (mainly animal guts) are the outstanding products imported from China (12% share), products for which China is the principal supplier of the EU.

Graph 22: Composition of EU agricultural imports from China in 2013



Vegetables and their preparations accounted for another 20% of EU imports from China in 2013. While imports of fruit and vegetable preparations (e.g. tomato paste) decreased by 15%, imports of fresh and chilled vegetables (e.g. garlic, mushrooms) increased by 4%.

Hong Kong is another significant and growing destination for the EU agricultural goods. Exports to Hong Kong, which amounted to €4.7 billion (+10%) in 2013, are normally largely re-exported to China. The major traded categories of products are similar to those exported to China: raw hides and fur skins, infant food, wine, and meat offal.

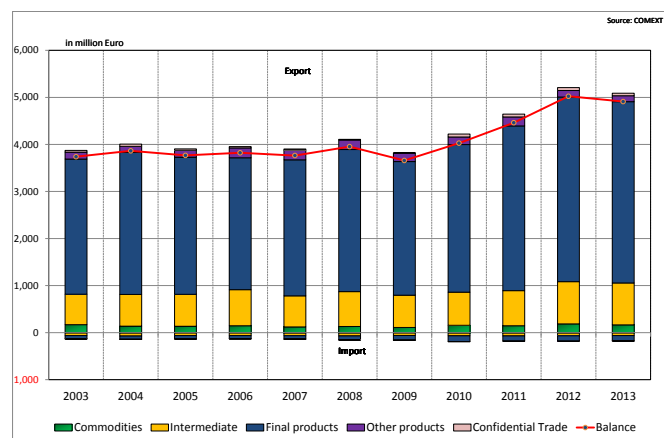
The EU and Japan: weak Japanese demand and strong euro did not favour EU exports

Japan, historically an important destination for EU farm products, ranked 5th among the main export partners, this time behind Switzerland, the value of exports coming down to 2.3%.

EU sales to Japan were worth €5.2 billion in 2013 and the already marginal imports further declined, keeping the EU agricultural trade surplus with Japan at the level of €4.9 billion (see graph 23).

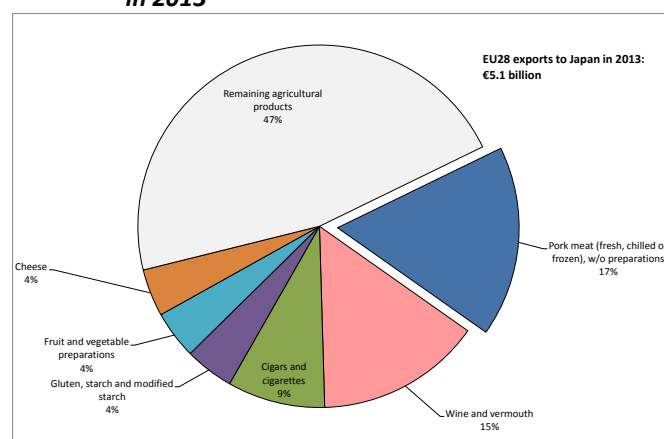
EU exports in 2013 were not helped by exchange rate developments, since the euro strengthened substantially against the yen (+26%) compared to 2012.

Graph 23: EU agricultural trade with Japan



Over the years, Japan has been a major market for EU prime pig meat cuts. In 2013, pig meat accounted for a 17% share in EU food exports to Japan. Wine is not far behind, with 15%. It is followed by cigars and cigarettes, starch, fruit and vegetable preparations, and cheese. Altogether these products make up more than 50% of EU agricultural exports, as illustrated on Graph 24 below.

Graph 24: Composition of EU agricultural exports to Japan in 2013



Although pig meat exports were slightly up to €865 million in 2013, they remained 13% lower than in 2004, the record year of EU pig meat exports to Japan. Wine exports had been steadily increasing since the slump in 2009, but dropped again by 3.2% (to €751 million) in 2013. Export of cigars and cigarettes have been performing well at around €500 million in

the last five years, with slight ups and downs, 2013 being rather one of the down years. Cheese exports to Japan also declined by 10% in 2013, but remained above €200 million.

On the other hand, olive oil (+13%), pet food (+22%) and fruit and vegetable preparations (+4.3%) continued to increase their exports to Japan.

The small quantities the EU imports from Japan included mainly soups and sauces, and food preparations.

8. Conclusions

Although the WTO has assessed the year 2013 to be slightly more positive than 2012 in terms of world trade performance and signs of global trade recovery could be seen, world trade growth did not go beyond 2.1%. The lower than expected growth was driven by slowing demand in the developing countries although demand for certain agricultural products remains robust. Overall agricultural trade performance was a reflection of the global economic context: many main agricultural traders had to face stagnant or lower levels of exports and imports.

As the other main traders struggled to keep up their exports, the EU came first in the ranking of world top agricultural exporters, even despite the appreciation of the euro against major currencies. This was achieved greatly due to increased volumes of cereal exports though higher prices for some key export products (meat and dairy products) also contributed. Since 2010, when the EU switched to being a net exporter of agricultural products, the trade surplus has been growing constantly, hitting a new record every year and reaching €18.6 billion in 2013.

EU agricultural imports, which remained stagnant in 2013, partly reflect the fact that EU demand has not fully recovered after the economic crisis. On the other hand, prices for many commodities also remained low, which kept the import value down.

The analysis of 15 export products with the highest export gains showed that, on average, only 10% of the increase in EU exports in 2013 was price driven, the remaining 90% being quantity-driven. Wheat tops the list of products with the biggest export gains, while the growth in beverage exports slowed down.

Although the US still remains the top destination for EU agri-food products (led by beverages), it was not the most dynamic export market in 2013, showing a modest growth. Given that at the same time EU imports from the US (particularly various products for animal feed) increased by 17%, EU agricultural trade surplus with the US decreased.

Contrary to previous years, the largest absolute gain in EU agricultural export value in 2013 was achieved in China, which was also the second fastest going market after Saudi Arabia in relative terms. Chinese demand for agricultural products was firm, but the percentage growth in imports value slowed down, notably because of lower prices. Nevertheless, China has become world's third biggest global agricultural importer and is also an increasingly important exporter, already positioning fourth in 2013.

At the same time, exports to Japan suffered, as a result of the weak demand and the unfavourable exchange rate.

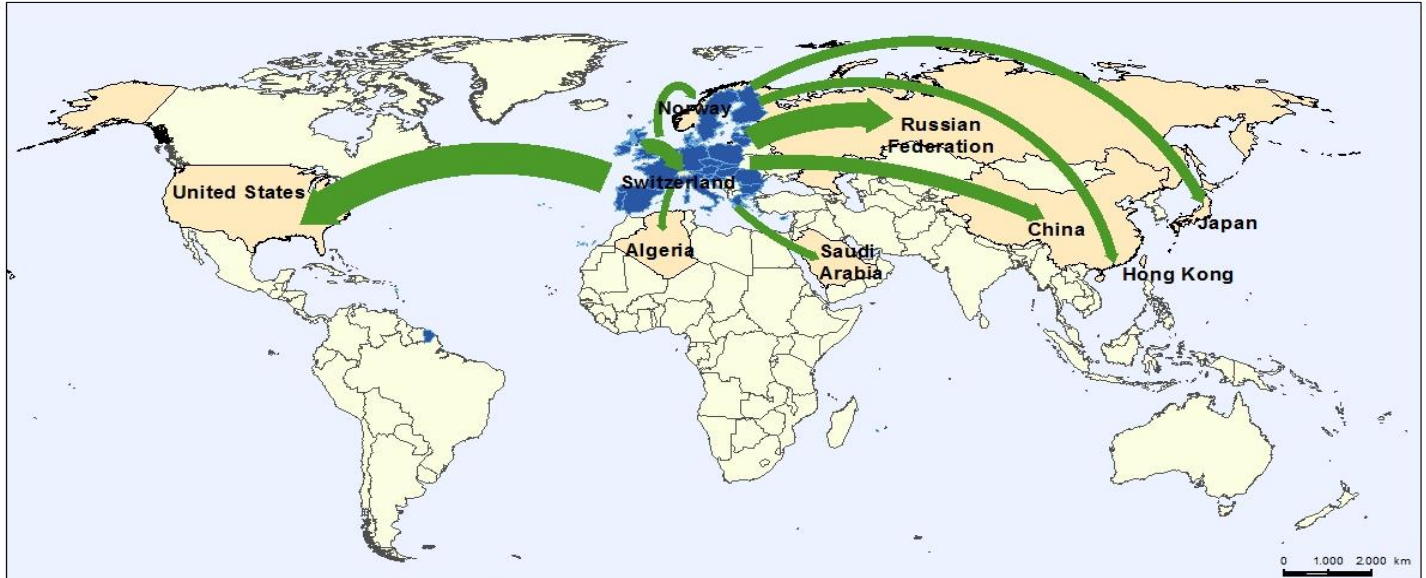
In 2013, US agri-food exports were still negatively affected by drought of the previous year, in particular exports of soy beans and cotton to China. On top of lower export prices, US exports were also partly replaced by Brazil, which saw its soya bean exports go up by one third. On the other hand, US could report a good year for wheat sales, for which interestingly Brazil became the top destination alongside China.

Apart from the good result of soya bean and maize exports, Brazil witnessed in 2013 a slowdown in the growth of its total agricultural exports, as many commodity prices were low. The cross trade of ethanol between Brazil and the US, i.e. export of cane-based ethanol to the US and imports of corn-based ethanol from the US, continued in 2013, but the net balance reversed in favour of the US. Brazil's imports from the US more than doubled in 2013.

Russia's exports of agricultural commodities suffered in 2013. Although Russia imported less meat, sugar and potatoes, its trade deficit increased to €20 billion.

As in previous years, in 2013 the EU continued to be the top importer of products from the least developed countries, Although their share of EU agricultural imports is just 2.8%, it is much more than the average (0.4%) of the other main importers (USA, Canada, Japan, New Zealand, Australia).

EU-28 EXPORTS OF AGRICULTURAL PRODUCTS 2013



Value of EU-28 exports to the main export partners



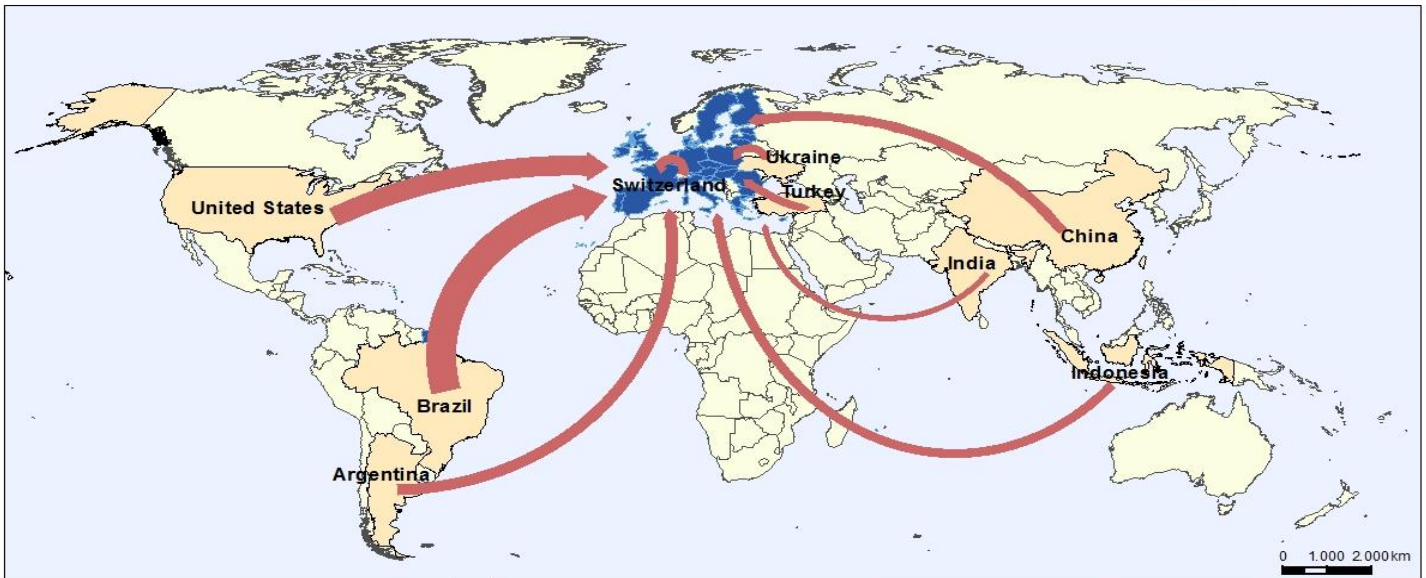
Source: Comext
Cartography: DG AGRI GIS-Team 03/2014

Map Projection World: Eckert III - Map Scale 1:160.000.000

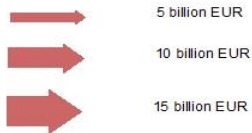
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Note: The borders of the map does not necessarily represent the official position of the EU. The map has only a statistical value.

| EU28: Top Destinations 2013 | Value (million Euro) | Percentage |
|-----------------------------|----------------------|------------|
| United States | 15 403 | 13% |
| Russian Federation | 11 864 | 10% |
| China | 7 267 | 5% |
| Switzerland | 7 097 | 5% |
| Japan | 5 088 | 4% |
| Hong Kong | 4 664 | 4% |
| Norway | 3 989 | 4% |
| Saudi Arabia | 3 882 | 4% |
| Algeria | 3 203 | 3% |
| Extra-EU28 | 120 090 | |
| Rest of the World | 57 634 | |

EU-28 IMPORTS OF AGRICULTURAL PRODUCTS 2013



Value of EU-28 imports from the main import partners



Source: Comext
Cartography: DG AGRI GIS-Team 03/2014
Map Projection World: Eckert III - Map Scale 1:160.000.000

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| EU28: Top Origins 2013 | Value (million Euro) | Percentage |
|------------------------|----------------------|------------|
| Brazil | 13 315 | 13% |
| United States | 9 751 | 10% |
| Argentina | 5 356 | 5% |
| China | 4 604 | 5% |
| Indonesia | 4 419 | 4% |
| Switzerland | 4 347 | 4% |
| Turkey | 3 845 | 4% |
| Ukraine | 3 818 | 4% |
| India | 2 765 | 3% |
| Extra-EU28 | 101 501 | |
| Rest of the World | 49 281 | |

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

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