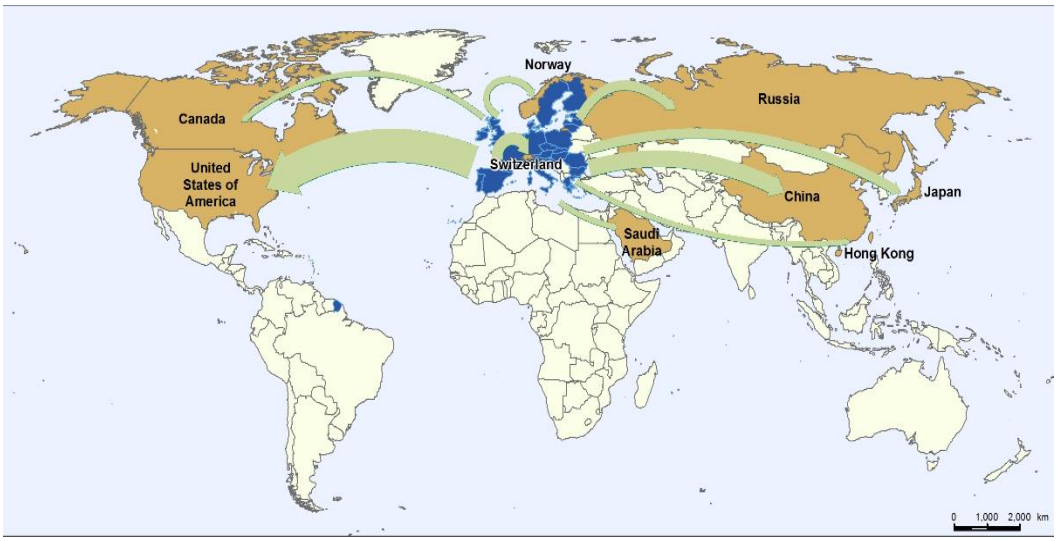
Monitoring Agri-trade Policy

MAP 2019– 1

Agri-food trade in 2018:



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2018 has been another successful year for the EU agri-food trade. Trade reached a value of 254 billion: 138 billion of exports and 116 billion of imports. This means that we confirm for yet another year our position as the largest global exporter and we became the second biggest importer of agri-food products.

Trade is a political priority for the European Commission, a priority that I have strongly supported myself. And our efforts have brought fruits. The EU has recently concluded trade agreements with Mercosur, Japan, Singapore, Mexico, South Korea, Vietnam, and Canada. We are progressing in negotiations with Chile, New Zealand and Australia. In our trade agenda, we have sought to gain new market share for our world-beating agri-food products and finding the right balance in defending our sensitive sectors.

The success of agricultural trade is clearly linked to the CAP, supporting competitiveness and innovation, and to the excellent reputation of our products as being safe, sustainably produced, nutritious and of high quality.

This report provides an overview of the development of EU and global agricultural trade in 2018. Enjoy, it's from Europe!

Phil Hogan, Commissioner for Agriculture and Rural Development

Summary

After strong growth in 2017 and early 2018, global economic activity slowed notably in the second half of last year, indicating to some softening in economic momentum affecting many countries. World GDP growth has been reported at 2.9% and might slow down further to 2.6% in 2019/2020. The growth of world merchandise trade volume estimated at a rate of 3% was weighed down by escalating trade disputes increasingly taking a toll on business confidence, and worsening financial market sentiment.

Agriculture trade performance was a reflection of this global economic context. Many key players in agri-food trade reported stagnant or lower exports and imports. Overall exports of five top exporters (EU, US, Brazil, China, Canada) displayed a slight decrease of 1% compared to 2017. The agri-food imports of the top five importers (US, EU, China, Japan, Canada) marginally increased by 0.7%.

After an impressive performance in 2017 and in line with worldwide trends, the EU agri-food trade slowed down slightly and reached a value of 254 billion in 2018 – 138 billion of exports and 116 billion of imports. This means, nonetheless, that the EU confirms for yet another year its position as largest global exporter and now second (previously first) importer of agri-foods products.

Although the export competitiveness of the EU in 2018 was hampered by the appreciation of the euro against currencies of other major players, the EU agri-food exports fell marginally by 0.2%. Exports of EU flagship products such as wines, spirits and infant food further increased from already very high levels. The major CAP reforms in the dairy and sugar sectors in the last three years have positioned EU producers in these sectors to better compete on international markets. Exports of wheat, in contrast, declined substantially due to lower production in the EU combined with ample supply on the world market, which made some key importing countries source from other destinations than the EU.

In 2018, the EU has made progress on multiple bilateral trade negotiations as well as on the implementation of trade agreements which have already been concluded and entered into force.

Despite the overall positive assessment of the agri-food trade climate in 2018, there remain substantial future risks to trade developments. Among the most serious threats are likely to be increasingly protectionist policy approaches in some important economies, more frequent trade disputes as well as possible trade disturbances linked to the decision of the United Kingdom to leave the EU. On the positive side however, global demand for food is likely to increase with population growth (and with related income growth and expanding middle class) as well as changes in consumer preferences. Europe's agri-food sector, with its reputation for safe, sustainably produced, nutritious and quality products, stands to gain from this growth in demand.

1. International setting

In 2018 global economic growth, which accelerated at close to 4% in 2017, softened to between 3.6% (IMF[1]) and 3.1% (UN[2]) and is projected to decline further to 3% in 2019. According to the UN, economic prospects remain vulnerable and might soften amid escalating trade disputes, risks of financial stress and volatility and rising geopolitical tensions.

The growth of the world merchandise trade volume in 2018 is estimated at a rate of 3.0%[3], after it grew by 4.6% in 2017, its strongest result in six years. Trade growth in 2018 was weighed down by several factors, among others, trade tensions, weaker global economic growth, volatility in financial markets and tighter monetary conditions in developed countries. It is projected that world GDP growth will further slow down from 2.9% in 2018 to 2.6% in both 2019 and 2020.

World trade is also affected by exchange rates and commodity prices. Crude oil price have risen by about 20% in 2018. The EU's main trade partners' currencies (US, China, Japan, Brazil) as well as those of emerging market currencies have all weakened compared to the euro in 2018. It certainly did not help the competitiveness of the EU exports but, conversely, made imports to the EU more attractive.

In recent years, the EU made progress on multiple bilateral trade negotiations as well as on the implementation of the concluded FTAs. Already since September 2017, the Comprehensive Economic and Trade Agreement (CETA) with Canada has been provisionally applied. The Economic Partnership Agreement between the EU and Japan entered into force in February 2019. After its conclusion in 2012, the Free Trade Agreement (FTA) with Singapore is now also back in the active process of ratification and could enter into force by the end of 2019. The FTA with Vietnam, another promising market for many EU agri-food products, could also enter into force at the end of 2019 or early 2020. Still in South-East Asia, the EU is currently in negotiations with Indonesia and is assessing a possible re-launch of the negotiation with Malaysia. The modernisation of the current trade agreement with Mexico is nearing the end. Negotiations with Australia and New Zealand were opened in June 2018 and are steadily advancing.

In April 2019, the European Commission received a green light to start formal negotiations with the US on two agreements, one on conformity assessment, and the other on eliminating tariffs on industrial products. Agricultural products were excluded in accordance with the agreement of 25th July 2018. Most recently, on 28 June 2019, the European Union concluded a trade agreement with Mercosur member countries.

Regarding world trade policy, multi-nation regional trade deals have been advancing. For example, the African Continental Free Trade Area[4] (AfCFTA) was signed by 44 of the 55 members of the African Union (AU) in March 2018 and following the ratification of 22 of the signatory states entered into force in May 2019. In the Asian Pacific area, negotiations on the Free Trade Area of Asia Pacific[5] (FTAAP) and the Regional Comprehensive Economic Partnership[6] (RCEP) are ongoing. While the United States withdrew from the Trans-Pacific Partnership (TPP)[7] in early 2017, the remaining 11 TPP members signed the CPTPP[8] in March 2018.

[1] World Economic Outlook Update, January 2019, International Monetary Fund.
[2] World economic situation and prospects 2019, United Nations report.
[3] Global trade growth loses momentum as trade tensions persist, WTO, Press release, 2 April 2019.
[4] The AfCFTA will bring together 55 African countries.
[5] Envisaged trade agreement among the APEC countries (Australia, Brunei, Canada, Indonesia, Japan, South Korea, Malaysia, New Zealand, Philippines, Singapore, Thailand, US, Taiwan, Hong Kong, China, Mexico, Papua New Guinea, Chile, Peru, Russia and Vietnam).
[6] ASEAN plus Australia, China, India, Japan, South Korea and New Zealand.
[7] Trans-Pacific Partnership – a trade agreement initially concluded between the US, Japan, Canada, Mexico, Australia, New Zealand, Singapore, Vietnam, Malaysia, Peru, Chile and Brunei.
[8] Comprehensive and Progressive Agreement for Trans-Pacific Partnership.

2. World trade in agri-food

The Food and Agriculture Organisation (FAO) food price index remained stable during the first half of 2018 and since June, the index dropped to the level from 2016 driven by lower prices of four out of five commodity indices (dairy, meat, vegetable oils and sugar prices except for cereals).

Agriculture trade performance is a reflection of the global economic context. Many key players in agricultural trade displayed stagnant or lower exports and imports. While demand in some developing economies continued to grow, it was at much slower pace in 2018.

While the combined value of agri-food exports of the five top world players decreased slightly by 1%, the ranking of the top world agri-food exporters remained unchanged in 2018 (graph 1). The EU28 maintained its leading position though its exports decreased marginally (-0.2%) and reached EUR 137.5 billion in 2018. At the same time, the US reported a drop in its agricultural export value[9] (-3%) to EUR 128.1 billion[10], down from € 132 billion in 2017. The third strongest exporter, Brazil, managed to keep its exports on the similar level as in 2017 (EUR 72 billion). Similarly, China maintained its exports on the same level as in 2017.

Graph 1: Top world agri-food exporters (billion EUR)



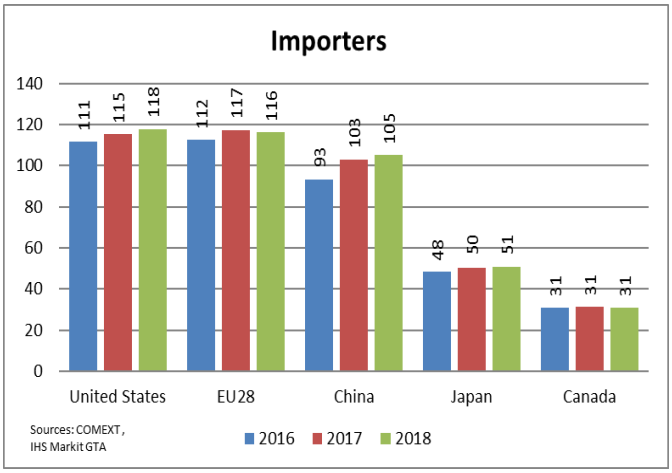
The other main world agri-food exporters, Canada, Australia and Indonesia reported all lower values of exports (-1.4%, -8.7%, -10.2% respectively).

As graph 2 shows, EU28 agri-food imports in 2018 decreased slightly to EUR 116.8 billion (-1%) and thus the EU was outpaced by the US which with an increase of 2.1% of its imports became the world's biggest importer of agricultural goods (EUR 117.7 billion). China ranks third with an import bill worth some EUR 105.2 billion (+2.1%).

Japan and Canada follow far behind the three big players in global agri-food imports. Japan's growth in imports has slowed down to 0.5% and attained EUR 50.7 billion. Canada's imports decreased by 1.6% and reached EUR 30.8 billion.

As to other main players, Mexico maintained the value of its imports from 2017, while Russia (-2.6%) and India (-23.7%) reported lower values.

Graph 2: Top world agri-food importers (billion EUR)



The profile of the main players among world agri-food traders varies: the EU, US, China and Canada have a strong domestic production of agri-food and feature at the same time among top exporters and importers. Brazil and Argentina are primarily suppliers - just like Australia and New Zealand, who however operate at a lower aggregate level, ranking 6th and 9th exporters worldwide respectively. Japan and Russia (the 7th biggest importer), in contrast, are net purchasers on world agricultural markets.

[9] The definition of agri-food products in US export statistics is different from the definition used for this publication (GTA), which is why US publications will not show the same values.

[10] If expressed in US dollars, agricultural exports of the US in 2018 actually increased by 1.5% when compared to 2017.

3. EU performance in agri-food trade

Agriculture and the food related industries and services together provide almost 44 million jobs in the EU, including regular work for 22 million people within the agricultural sector itself[11]. The food production and processing chain accounts for 7.5% of employment and 3.7% of total value added in the EU. The output of the EU agricultural sector was estimated at EUR 427 billion in 2017[12], which is a strong increase compared to the 2016 value of EUR 406 billion.

Impact of trade agreements on the agricultural sector

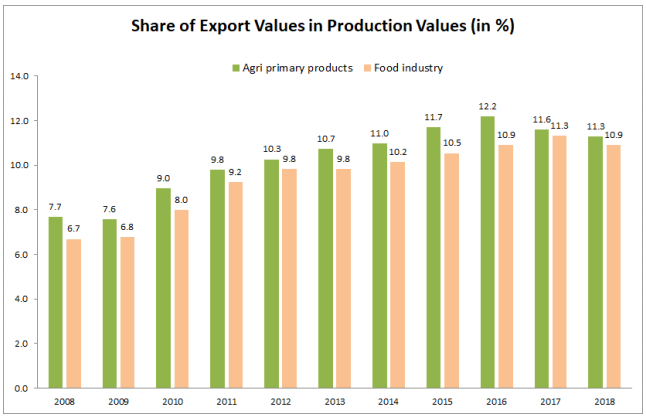
Trade agreements can help EU farmers and food producers make full use of their export potential. The study*) on the impact of EU trade agreements on the agricultural sector, published in February 2017, finds that the trade agreements with Mexico, South Korea and Switzerland have increased EU agri-food exports to these countries by more than EUR 1 billion and raised value added in the agri-food sector by EUR 600 million. The increased exports have supported almost 20 000 jobs in the agri-food sector, of which 13 700 jobs are in primary agriculture.

The findings stress the importance of activities that allow EU exporters to expand trade within the existing agreements, such as promotion and information actions and resolving Sanitary and Phytosanitary (SPS) barriers.

*) https://ec.europa.eu/agriculture/external-studies/2016-bilateral-trade-agreements_en

Exports of agri-food products provide income and are a driver for jobs and growth for the European agri-food sector (see also text box below). While the share of exports in production value has been on the upward trend in the last years, both for agri primary products and for products from the food industry, in 2018 it fell slightly to 11.3% and 10.9%, respectively, as shown in graph 3. Thus, exports are still an increasingly important source of income for EU agricultural and food producers.

Graph 3: Share of export in production values



Source: Calculations based on Eurostat

The European Commission helps EU exporters to identify export opportunities and secure business deals through promotion activities[13], including high level missions of Commissioner Hogan to non-EU countries with strong potential for EU agricultural exports.

3.1. EU agri-food trade development

Agriculture products accounted for a solid share of 7% of the value of EU total goods exports in 2018, ranking fourth after machinery, other manufactured goods and chemicals.

The EU switched from being a net importer in 2009 to a net exporter in 2010. Since then, the EU net surplus in agri-food trade has grown eight times higher. In 2018, another EUR 0.88 billion was added to the surplus, which thus increased to EUR 21.1 billion. By contrast, in 2018 the EU reported for the first time since 2013 a small overall deficit in trade in goods of EUR 25 billion.

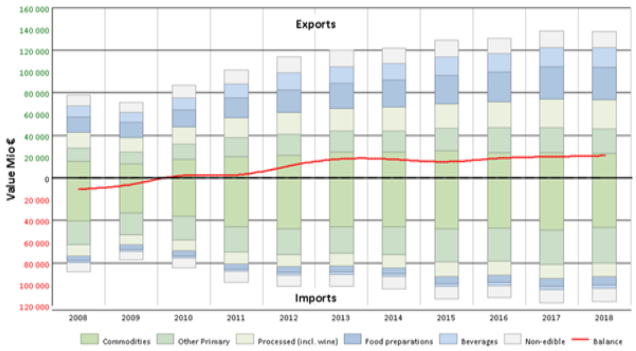
While for the last decade EU agri-food exports and imports expanded continuously, in 2018 the annual growth rates for both trade flows attained for the first time negative values since 2009. After a 5% increase in 2017, exports fell marginally by 0.2% (-0.26 billion EUR). Imports decreased by 1.4% (-1.7 billion EUR) after reaching a 4.4% growth rate in 2017. Graph 4 shows the evolution and structure of EU agri-food trade since 2008.

[11] Food and Farming – Focus on Jobs and Growth, DG Agriculture and Rural Development, December 2015.

[12] Eurostat, Economic Accounts for Agriculture.

[13] Cf. also: Enjoy it's from Europe - Promoting EU food and farming abroad: https://www.youtube.com/watch?v=_IyceHSCYoI&t=12s

Graph 4: Structure of EU28 agri-food trade 2008-2018



The EU exports a wide range of products from all parts of the value chain which demonstrates the competitiveness of the EU agri-food sector in a variety of product classes reaching from commodities to highly processed food industry products (see graph 4, see annex for product classification). More than half of the exports (53.2%) are agricultural food and feed products (commodities, other primary and processed agricultural products). More than one third (36%) is accounted for by food preparations and beverages. Non-edible agricultural products make up the remaining value (10.8%). Notably, the share of final products (processed foods and food preparations) in exports increased slightly over the last 10 years, up to 42.1% in 2018.

EU imports, on the other hand, are clearly dominated by agricultural food and feed products, which represent about 80% of all imports, while food preparations and beverages account for 9.7%, and non-edible products make up 10.7%. The share of imports of final agricultural products is 17.8% (EUR 20.6 billion) in 2018, which is considerably lower than the export share for these products. This shows the strength of the EU agri-food sector in producing high value added quality produce.

During the last decade, the overall EU agri-food trade pattern in terms of the broad product categories did not change substantially in relative terms, although exports almost doubled since 2008 and imports also grew strongly (+52%).

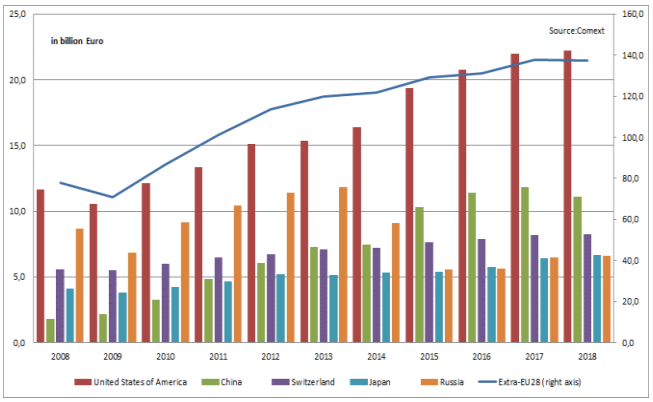
Currently, the top five destinations for EU agri-food exports are the US, China, Switzerland, Japan and Russia (graph 5). These five destinations account for 40% of EU exports.

The US continued to be the EU's largest market, with a share of 16% in total EU agricultural exports. The sales to the US, which have been growing steadily since 2009, also showed an increase in 2018, but only of 1.4% (to reach EUR 22.25 billion).

China now absorbs 8.1% of EU exports of agri-food products, i.e. a bit more than half of the US share. Exports to China have grown spectacularly since 2007, making China the second most important export destination for the EU since 2015. However, in 2018, EU exports fell by 6.4% (to reach EUR 11.1 billion). Concerning trade relations with China, it has to be acknowledged that Hong Kong to a large extent functions as its transit hub. Similarly, while EU exports to Hong Kong declined by 9.7% to attain EUR 3.7 billion, adding them to EU exports to China would magnify the Chinese export market to EUR 14.8 billion.

Switzerland remains the EU's third export market, with an export share of 6%. It is followed by Japan and Russia (4.8% share each).

Graph 5: EU28 agri-food exports by destination



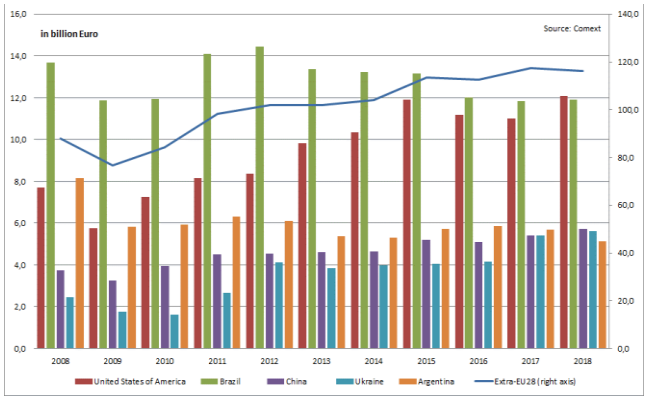
Although in 2018 the largest absolute gain in exports was achieved by the US (+0.3 billion EUR), it was followed by with much higher increases in relative terms: Ukraine (+13.8%), Algeria (+9.8%) and Japan (+3.5%). In case of Ukraine, high growth rates of exports in recent years are an indication of the success of the EU-Ukraine FTA in stimulating bilateral trade.

EU exports to Turkey decreased by 14% (in particular live animals, wheat) back to the export level of 2016, the second significant decrease in a row. Saudi Arabia and United Arab Emirates follow a similar

pattern, although with a somewhat lesser magnitude (-5.7% and -11% respectively).

Interestingly, EU exports to Russia continued to increase, though at a slower pace (+1.9%), after having falling steeply since 2013 due to the import embargo for a wide range of agri-food products. The increase is caused by more exports of EU agri-food products not targeted by the embargo.

Graph 6: EU28 agri-food imports by origin (billion EUR)



Graph 6 shows the evolution of total EU agricultural imports by main supplier. Imports from the US were the fastest growing in 2018, with an increase of 10%. With imports from Brazil remaining roughly unchanged (+0.7%), the US outpaced Brazil as the top source for the EU agri-food imports by a narrow gap. Both countries are now equally important EU suppliers in value terms (accounting for 10.4% and 10.2% respectively of total EU28 imports). They are followed by China (+5.7%), Ukraine (+3.9%) and Argentina (-9.5%) which all enjoy a similar share ranging between 4.4 - 4.9% in total EU28 imports. Switzerland (-1.4%), Turkey (-0.2%) and Indonesia (-16.9%) follow (not shown in the graph).

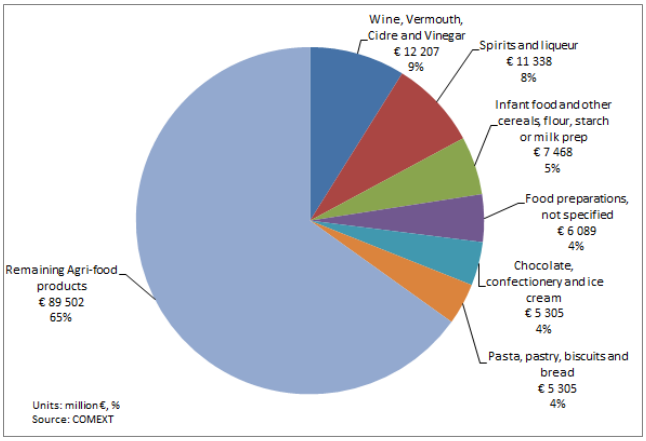
From the above countries US stands out as the one with the highest growth in sales to the EU. This growth can be mostly attributed to higher imports of soya beans and soya oilcakes. These two products combined accounted for 23% of EU food imports from the US: in 2018 the imported quantity went up by 70% and the value by 180%.

Other noteworthy changes for countries with imports above EUR 1 billion include Russia (+26.6%), Indonesia (-16.9%), Australia (-15%), Canada (-11.6%).

3.2. EU agri-food exports by product

Compared to the previous year, exports of most product categories[14] which represent final goods for direct consumption further increased to account for 56% of total agri-food products, whereas exports of commodities and other primary products decreased to reach a share of 34%. Overall, in 2018 the exports of agri-food products declined marginally by 0.2%. Graph 7 shows the main categories of EU agri-food exports in 2018.

Graph 7: Main categories of EU agri-food exports in 2018



Wines and vermouth continued to dominate the basket of exported products and their value raised by 2.4% in comparison to 2017. Spirits and liqueurs ranked second, reporting the highest increase of 5.5% in value amongst all exported agri-food products. They are followed by infant food (+1.9%), and various food preparations (-1.5%). Chocolate (+2.2%), together with pasta and pastry (+5.6%) complete the overview of products with more than EUR 5 billion of exports (4% of total export value).

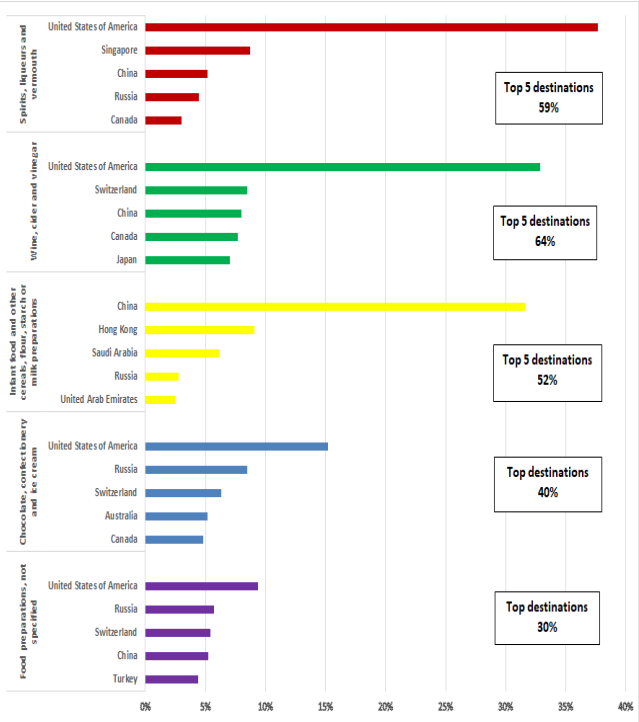
By contrast, compared to 2017, the biggest decreases in value were observed for the exports of pork (-6%), wheat (-11%) as well as milk powders and whey (-11%) due to lower EU production.

As graph 8 indicates, for the top three main product categories exported by the EU (wine, spirits and infant food), the top 5 destination are absorbing more than 50% of EU exports. Additionally, in each of

[14] The definition of product categories can be here: https://ec.europa.eu/agriculture/sites/agriculture/files/trade-analysis/statistics/outside-eu/2015/product-classes-details_en.pdf

the three groups, one partner is clearly dominant: the US for wines and spirits and China for infant food[15]. For chocolate and other food preparations, the concentration on the top export destinations is less pronounced (the top 5 absorbing 40% or less of the total exports) and exports are more evenly spread between the main trade partners.

Graph 8: Distribution of exports in main product categories by top destinations



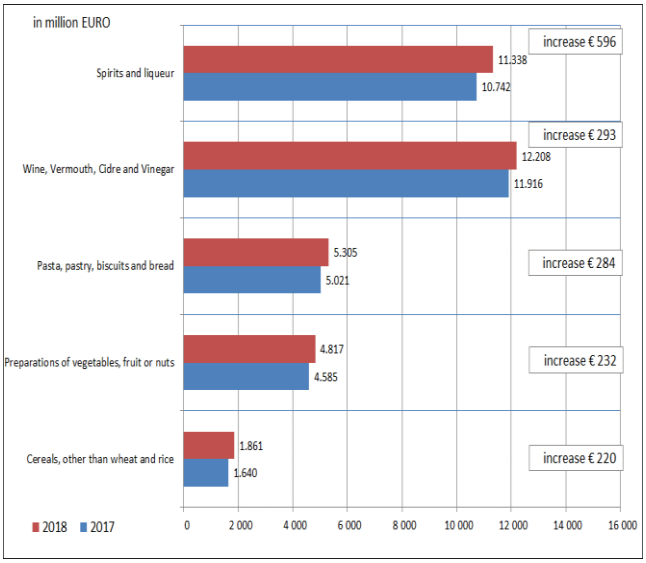
Outside the top 5 products, the concentration of pig meat exports is particularly high with 75% going to the main 5 destinations in 2018, and the top three destinations – Japan (26%), China (22%) and South Korea (16%) - already absorbing 64% of all EU exports in pig meat.

In comparison to 2017, a downward trend was reported for all top destinations except for South Korea for which pig meat exports increased by 12%. Other remarkable changes to note are record increases of pork exports to Ukraine (+400%) and Vietnam (+70%).

In 2018, the largest export gains were achieved for products which already represent a high share in agri-food exports, such as spirits and wine. The combined increase in export values for these two product categories reached EUR 0.88 billion (+4%). Pasta and pastry as well as preparations of vegetables and fruits likewise showed further increases of EUR 2.8 and EUR 2.3 billion respectively. Cereals, other than wheat and rice, complete the top five with registering an increase of EUR 2.2 billion (+13.4%) and thus returning to its record levels from 2016.

Outside the top 5 export product categories, it is noteworthy that beet and cane sugar exports continued to shoot up by 20% (EUR +0.18 billion), mostly as an effect of increased EU production following the abolition of the sugar quota.

Graph 9: Product categories with the largest absolute annual export value increase in 2018 (million EUR)



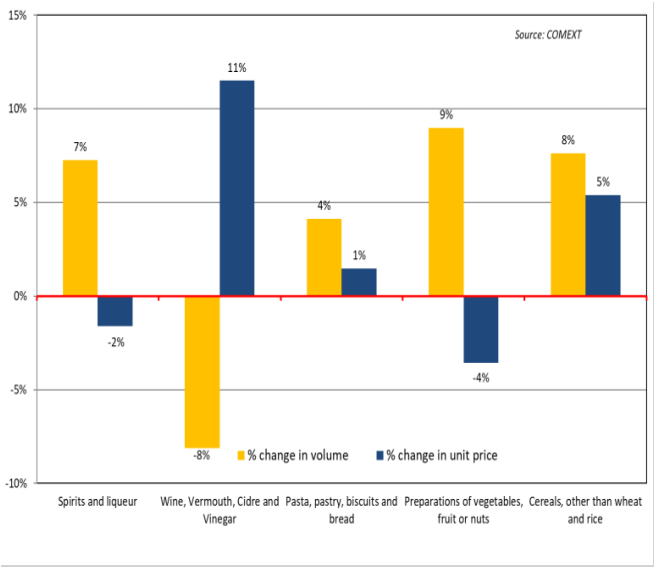
The export competitiveness of the EU in 2018 was hampered by the appreciation of the euro against certain major currencies (+4.5% against US dollar, +2.3% against Chinese yuan, +2.9% against Japanese yen, +3.9 against Swiss franc, +38.5 against Turkish lira). At the same time, it has also gained against Brazilian real (+19.5%), Argentinian peso (+76%), which made imports to the EU more competitive.

[15] China's share of 32% (-1.2% compared to 2017) for infant food and other cereals, flour, starch or milk preparations even rises to 39% if exports to Hong Kong (entry point to the Chinese market) are added.

Graph 10 explain the drivers behind the increased exports of the 5 most dynamic products. The increases in question for four of them (except wine) were driven by volume increases, implying that higher amounts were shipped. This is especially true for spirits as well as preparations of vegetables and fruits. In these two cases, the export value increased even though prices dropped. On the contrary, higher prices were the only reason behind higher export value for wines.

The main driver for beet and sugar cane export value increases was higher volume by 59%, while prices declined by 10%.

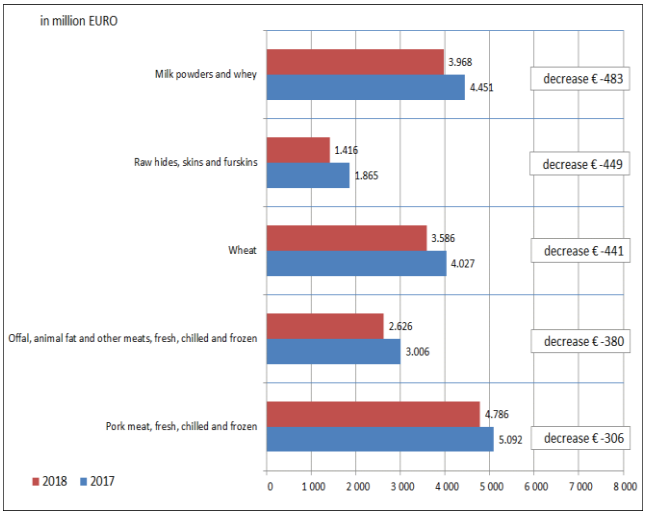
Graph 10: Annual percentage change in volume and unit price for the product categories with the largest EU total export increases in 2018[16]



By contrast, export value losses were reported mainly for products in the categories under commodities and other primary products as shown in graph 11.

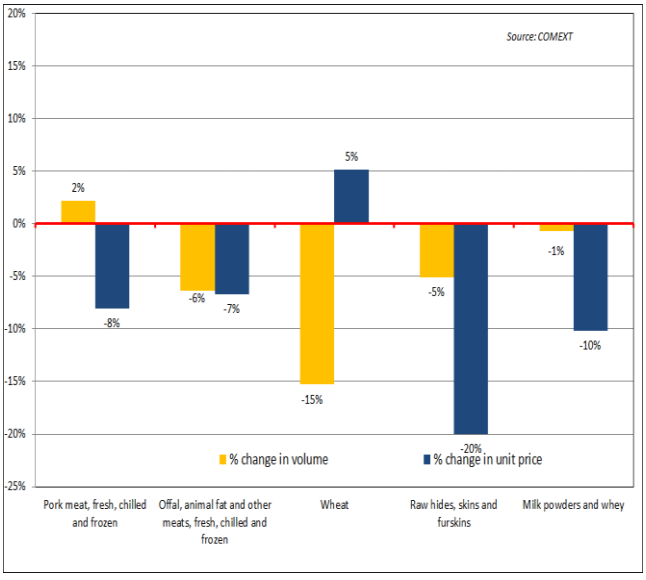
The highest export value decrease was observed for milk powders and whey, where the value of exports remained EUR 0.48 billion lower (-11%) than in 2017.

Graph 11: Product categories with the largest absolute export value decrease in 2018 (million EUR



Raw hides and skins also dropped significantly by EUR 0.45 billion (-24%). For these two products, the lower export values were driven mainly by lower prices as the quantities decreased slightly (graph 12).

Graph 12: Annual percentage change in volume and unit price for the product categories with the largest EU total export decreases in 2018



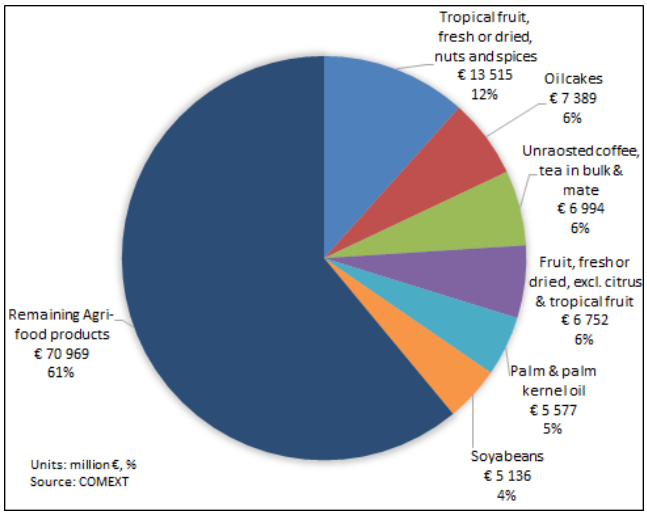
Wheat exports continued the downward trend (-11%) despite a slightly higher price that could not counterbalance the drop in volumes. Offal exports suffered both from lower prices and smaller volumes. In the case of pork, the export quantities were slightly higher, but the prices were much lower.

16 Unit prices here and in the rest of the document are calculated by division of traded value with traded volume of the product categories. The result may include effects of proportional changes between higher and lower valued items within the product category aggregate.

3.3. EU agri-food import products

Graph 13 shows the composition of EU agri-food imports by product category. In essence, the EU is sourcing three main types of products from third countries: products that are not (or only to a small extent) produced in the EU itself due to natural conditions (such as tropical fruit, coffee and fresh or dried fruits – together 23.4%), products that are mostly used for animal feed (oilcakes and soybeans – together 10.8%) and products that are used as ingredient in further processing (palm oil – 4.8%).

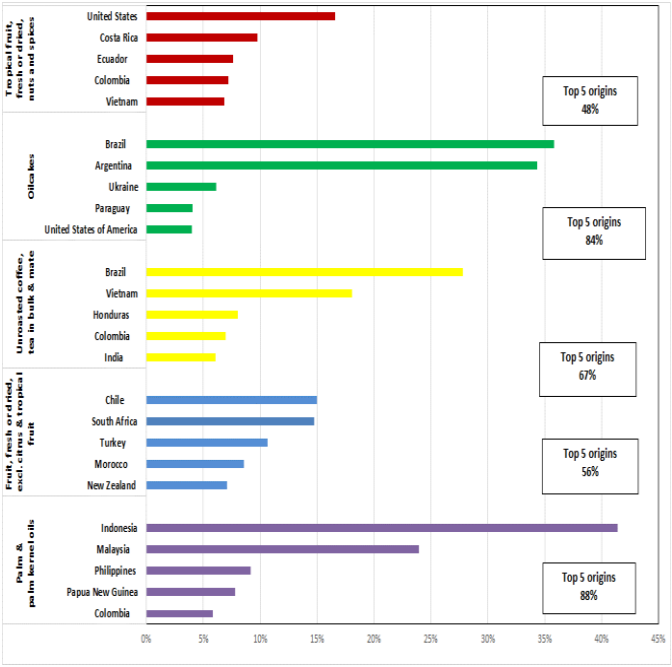
Graph 13: Main categories of EU agri-food imports 2018



At product category level, the geographical concentration of imports is particularly high for oilcakes and palm oil (graph 14). Oilcake supply is covered to 70% by Brazil and Argentina; the top 5 origins concentrate 84% of EU supply. For palm and kernel oil, 65% of EU imports are provided by Indonesia and Malaysia alone and 88% come from the top 5 origins. For tropical fruit, fresh and dried fruit and coffee, the geographical concentration is less pronounced.

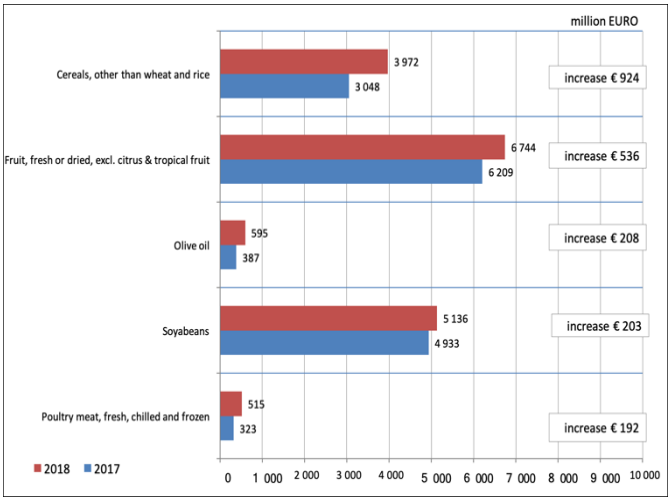
Despite ranking 5th overall among the EU import partners, China is missing from this picture of imports in the main product categories. This indicates that other suppliers are more specialised in the particular products with the highest import demand by the EU -and that China has a more diversified export mix. In fact, the EU's main imports from China are edible offal (10%), vegetables (8.6%) and pet food (7.3%).

Graph 14: Distribution of imports in main product categories by top origins



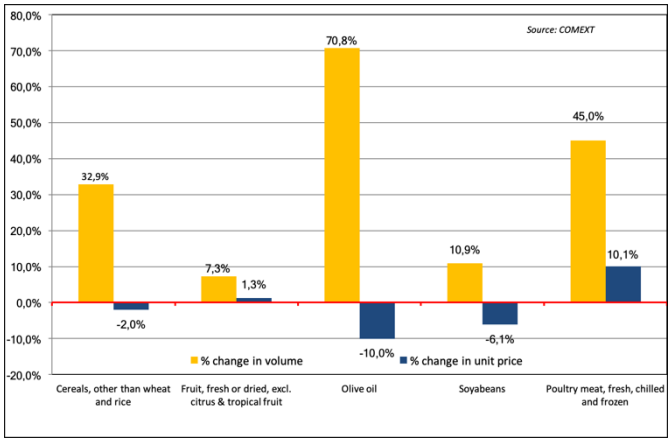
The product categories with the highest annual increase in import values are shown in graph 15. The highest gain in import value in 2018 was registered for cereals, other than wheat and rice (EUR +0.9 billion, +30%). The import value of fruits (fresh or dried, excluding citrus & tropical fruits) increased in 2018 (EUR +0.5 billion, +8%).

Graph 15: Product categories with the largest absolute annual import value increase 2018



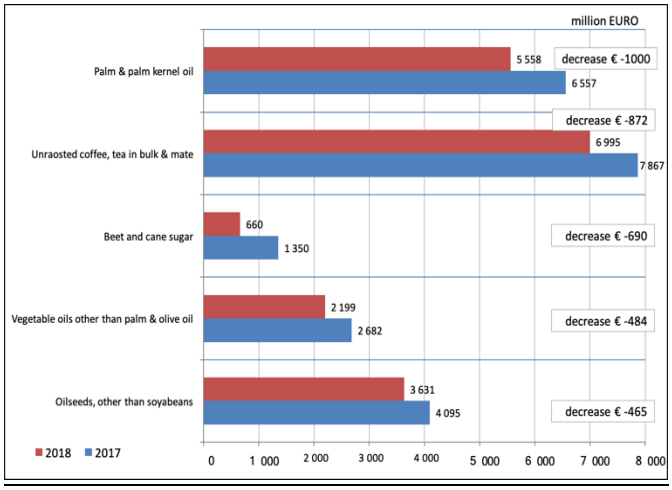
Graph 16 reveals that the drivers behind these increases in import values were mostly due to rising import volumes, except for fruits (fresh or dried, excluding citrus & tropical fruits) and poultry meat, where a combination of increased volumes and increased prices was responsible.

Graph 16: Annual percentage change in volume and unit price for selected product categories with EU total import increases in 2018



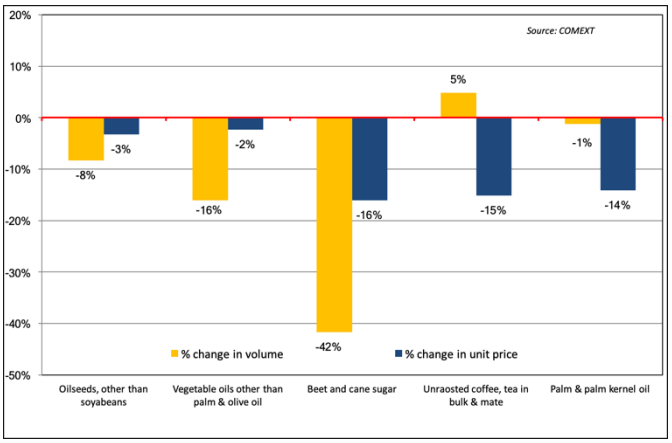
The most noteworthy import value losses in 2018 were registered for palm and kernel oil (EUR -1 billion, -15%) as well as unroasted coffee, tea in bulk & mate (EUR -0.9 billion, -11%) as shown in graph 17.

Graph 17: Product categories with the largest absolute annual import value decrease in 2018



Graph 18 shows the drivers of these developments: lower import volumes and drop in prices explain the observations for most of the products. It is particularly visible in case of beet and sugar cane (-42% lower volume with -16% price drop).

Graph 18: Annual percentage change in volume and unit price for the product categories with the largest EU total import decreases in 2018



4. Agri-food trade with key partners

This chapter provides a general overview of the trade performance of the EU's key partners[17] and a description of their trade flows with the EU[18]. The United States and China are the partners depicting the strongest reciprocal trade relationship with the EU. Agri-food trade with Brazil and Japan is more of a one-way flow: Brazil is the second most important origin for EU agri-food imports, while Japan is a major export destination for the EU. In addition, the trade development with Ukraine is analysed, following its increasing role in international trade of agri-food products. Finally, given that the trade policy of the EU incentivises trade with Least Developed Countries (LDCs), this group of countries is also covered in the analysis.

4.1. United States

Decreasing agri-food trade surplus but exports to the EU on the rise

US ranks first in world imports and second in exports of agri-food. Its agri-food trade surplus stood at EUR 10.4 billion in 2018 (-38% compared to 2017). The value of US agri-food exports fell to EUR 128 billion (-3%)[19], and that of imports rose to EUR 118 billion (+2%).

Canada remains the top US agri-food export destination (absorbing 17.3%) and Mexico occupies the second place with 13% - both destinations experiencing a 3% drop in US exports in 2018. With an impressive increase of 12%, the EU became the third top destination (10%) followed by Japan (8.7% with a rise of 3% to the previous year) and China (6% with a major decrease of 55% comparing with 2017). Considering Hong Kong together with China adds another 2.7% to US exports to the region.

The wide range of export products of the US prominently features animal feed (soybeans and oilcakes), field crops (maize, wheat, and cotton), nuts and meat (in particular pork, poultry and beef). Imports are dominated by beverages (spirits, wine, beer, soft drinks), coffee, fruit and vegetables, meat and prepared foods.

The most striking increases in US export values in 2018 were in maize (+28%), the 2nd most valuable export product, as well as soybean oilcakes and bovine meat (+22% each) in 8th and 11th places respectively. For maize, this increase was driven by higher quantities as well as prices while for soybean oilcakes and bovine meat, higher quantities together with a slight increase in unit prices contributed to greater exports. In terms of decreasing export values, the main export product, soybeans (11.4% of US exports, -23% from 2017), and the 6th largest, wheat (3.6% of exports, -15%) recoded significant decreases. For soybeans, this decrease was driven primarily by falling prices (-50%) despite a rise in quantities (+60%). As for wheat, the driving factor for the decrease were smaller quantities moderated slightly by an increase in unit price.

US agri-food imports are quite scattered, no product representing more than 6% of total imports. In 2018, significant increases in absolute terms could be observed for food preparations, spirit beverages and odoriferous mixtures. Prime suppliers of the US with agri-food are the EU (21.9%) and its neighbouring partners, Mexico (20%) and Canada (17%). China is the 6th top origin with a 3.6% share in the US agri-food imports.

US - agri-food trade with the EU

The United States are the top export market for the EU and became in 2018 the most important origin for EU imports of agri-food products. 16% of EU agri-food exports (EUR 22,2 billion) are directed towards the US, and 10% of all EU imports (EUR 12 billion) are sourced from there. On one hand, EU exports to the US increased (+1.4%) in 2018 but at a significantly slower pace than in the years before. On the other hand, EU imports from the US recorded an important growth of 10% for the first time since 2015 (see graph 19).

Although the US was not the fastest growing external market among the top five trade partners of the EU, the absolute increase – the highest recorded in 2018 - was significant (+EUR 0.3 billion) given the very high

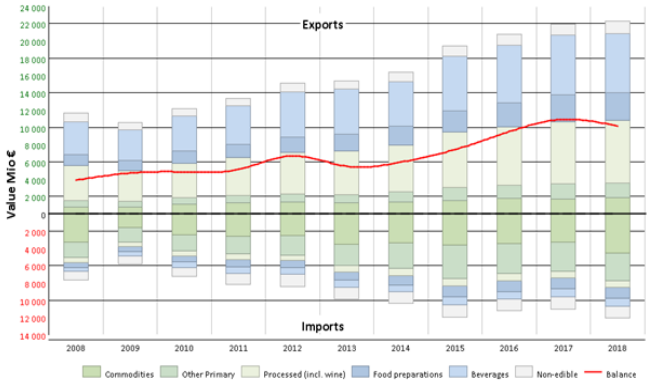
[17] Based on Global Trade Atlas (GTA)

[18] Based on Eurostat (Comext), cf. also Factsheets on EU28 agri-food trade with the world, individual countries and selected regions: https://ec.europa.eu/agriculture/trade-analysis/statistics_en

[19] Based on the definition of agricultural products used for this newsletter. Source: Global Trade Atlas

level of trade. This underlines the importance of the US for EU exports and means a further strengthening of the link between the two agricultural markets.

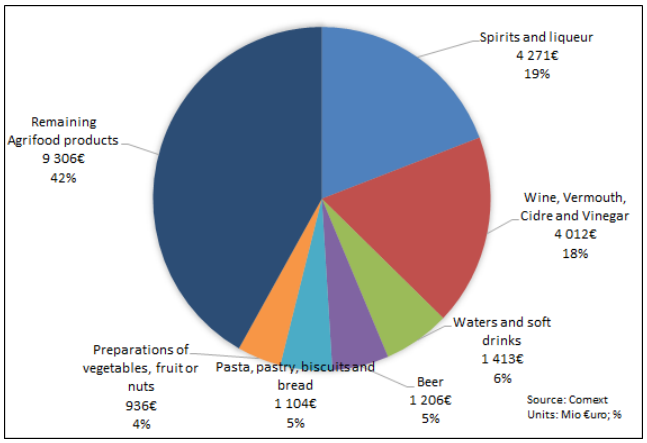
Graph 19: Structure of EU28 agri-food trade with the US 2008-2018



In 2018, the EU trade surplus with the US decreased to reach EUR 10.2 billion (-7%). EU exports to the US are divided almost equally between agricultural food and feedd products (including wine) with 49%, and food preparations and beverages (45%).

EU imports from the US, by contrast, are dominated by agricultural food and feed products, which account for 70%.

Graph 20: Main categories of EU agri-food exports to the US in 2018



By product category (see graph 20), half of the exports to the US are beverages: spirits, wine, beer and soft drinks (49%). Pasta, olive oil, cheese, chocolate and confectionary, fruit and vegetable preparations (not featuring in the graph) contribute between 4 % and 5 % each.

Compared to the export structure of 2017, the situation in 2018 changed only marginally. Among flagship export products, beer and olive oil decreased in value, while wine and spirits increased by 5% and 3.5% respectively to reach almost a 20% share each in the EU total exports to the US.

The US is a particularly important market for EU exports in coffee (re-exports), essential oils, spirits, beer, and water and soft drinks. As table 1 indicates, the US represents a crucial destination for these product categories, absorbing major (and increasing - except for slight decreases in value for beer and coffee) shares of total EU exports in these products. The US is also the number 1 export destination for other key European agri-food products as olive oil (34%), wine (33%) and cheese (22%).

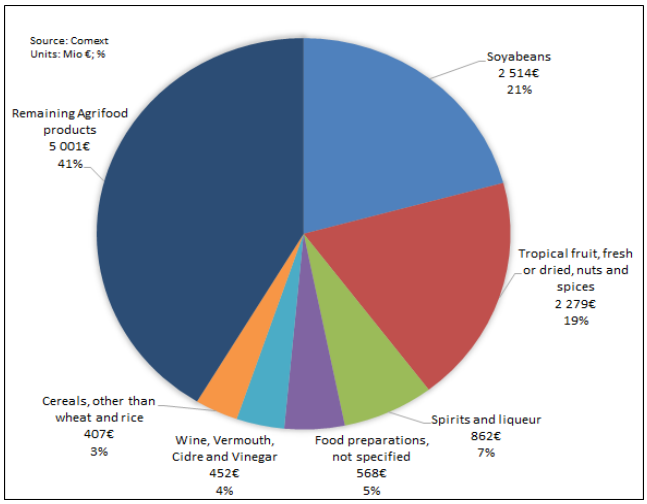
Table 1: US as important destination for EU exports by product category, in 2018

Product category	EU28 exports to Extra-EU28	EU28 exports to the US	US share in total
	in million EUR		
Unroasted coffee, tea in bulk & mate	480	261	54%
Essential oils	782	341	44%
Spirits and liqueurs	11 335	4 271	38%
Beer	3 278	1 206	37%
Waters and soft drinks	3 952	1 413	36%

Concerning EU imports from the US, as shown in graph 21, soybeans (21%) and tropical fruit and nuts (19%) dominate, with spirits (7%), food preparations (5%) and wine (4%) completing the top five.

In relation to 2017, the most striking changes in the main product categories were the increase of commodities' share from 30% to 39% and the decrease of other primary products from 31% to 27%. Shares of other categories remained largely unchanged. Among most important import products, the imports of soyabeans increased by 45% (21% of imports) and that of cereals, other than wheat and rice (3.5%), and of oilcakes (2.4%) skyrocketed by 150% and 265% respectively.

Graph 21: Main categories of EU agri-food imports from the US in 2018



As shown in table 2 the US share and value in EU imports is particularly high for spirits (50%) and soyabeans (50%) for which the US is, together with Brazil, the EU's top origin. The highest US share in EU imports are coming from odoriferous substances (65%), live animals- pure bred breeding horses (55%) and casein, other albuminoidal substances and modified starches (32%). However, imports of these products are relatively limited.

Table 2: US as important origin for EU imports by product category, in 2018

Product category	EU28 imports from Extra-EU28	EU28 imports from the US	US share in total
	in million EUR		
Odoriferous substances	13	8	65%
Live animals	238	130	55%
Spirits and liqueurs	1 711	862	50%
Soyabeans	4 993	2 514	50%
Casein, other albuminoidal substances and modified starches	667	211	32%

4.2. China

EU taking over from US on Chinese market

In 2018, China's demand for agri-food imports rose again to EUR 105 billion, which means an increase of EUR 2 billion (+2%) compared to 2017. The top suppliers which benefited the most from this moderate increase in demand were Brazil (+32.5%), Australia (+8%), Canada (+12.6%) and New Zealand (+14%). The increase of Chinese imports from the EU remains thus moderate in comparison (+3%). However, the EU became the second most important supplier (12.6% of imports) behind Brazil (26.8%) and taking over from the US (11.7%) – which recorded the highest loss in value o(-39%) in Chinese imports. Among other interesting changes to note are the significant increases of imports from Russia (+64%), Japan (+44%) and Mexico (+85%), whereas Argentina (-46%), Vietnam (-23%) and Uruguay (-20%) together with already mentioned US recorded the highest losses.

In terms of products, soyabeans are the dominant Chinese import product with one third of total import value (30.7%), which nevertheless saw a decrease of 8% from 2017 to 2018. Soyabeans are sourced mainly from Brazil (52.5% share, +58%) and the US (17% share, -70%). The other top import products, such as infant food preparations, bovine meat, wool and cotton, all saw double-digit increases (between 15% and 50%) except for palm oil and wine for which there were a drop in imports of 8% and 2% respectively. A total import share of these products remain only between 2% and 4% each. Pork imports, in contrast, have continued to decrease in value terms (-11.5%) mostly due to a drop unit prices and a slight fall in quantities.

In 2018 China's agri-food exports slightly increased (+0.37%). However, due to the stronger growth of imports, the country's trade deficit in agri-food products rose to EUR 56,2 billion. Fresh and processed fruit and vegetables continue to be the flagship export products for China's agri-food sector with a share of 40% in total exports. In 2018, the biggest absolute gains in export value amongst the top six export products were noted for food preparations (+20%) and pet food (+10%) whereas exports of fresh and processed vegetables decreased

(biggest drop in absolute terms of 31% for garlic and onions). The main market for Chinese agri-food exports is Hong Kong (14.6% of total value) with vegetables, soft drinks, wine, live pigs and poultry meat figuring as main products. It is likely that some of these products are further exported to other destinations from Hong Kong. Exports to Japan have slightly increased (+0.7%) and the country remains in second place of export destinations with 11.8% of total exports, just before the EU (11.4% of exports, -1.2% in 2018). With a 10% increase in exports value, Vietnam became the 4th top destination with 8.8% of total exports followed by the US (8.5% of exports, +4% in 2018).

China – agri-food trade with the EU

With total agri-food exports valued at EUR 11 billion and imports valued at EUR 5.7 billion, China is the second most important destination for EU agri-food exports (8.1% of all EU agri-exports) and the third most important origin (4.9%) for EU agri-food imports.

As shown in graph 22, the EU has been a net exporter of agri-food products to China since 2011, and the trade balance was increasingly positive for the EU until 2017. In 2018, it contracted by 16,5% to reach EUR 5.4 billion, after exports decreased by 6.4% and imports from China increased by 5.7%.

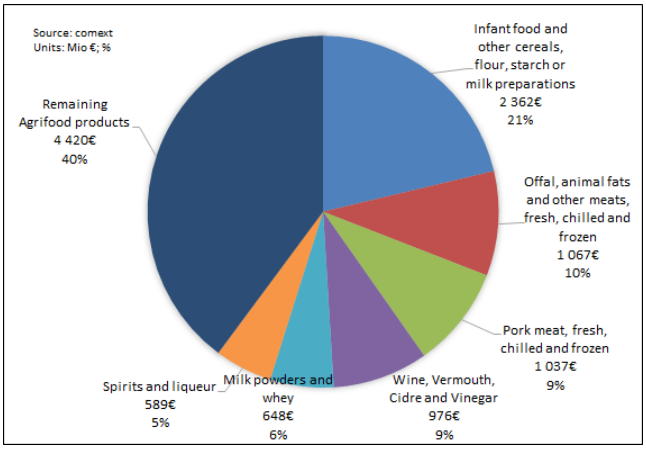
Graph 22: Structure of EU28 agri-food trade with China 2008-2018



Notably, the trade balance shows that lower exports in 2018 were driven by strong decreases in exports of other primary products (-11 % to reach a share of 25% of all agri-food exports to China), non-edible products (-11% and a share of 14%), processed food including wine (-13% and a share of 13%) and of food preparations and beverages (-3% and a share of 38%). The reported growth in exports of commodities (+9.2%) that enjoy a 10% share in total agri-food exports to China did not compensate the above mentioned decreases in other categories.

On the other hand, import growth was driven by strong increases of imports of non-edible products (+30% and a share of 30%); food preparations and beverages (+15% with a share of 17.5%) and, to a lesser extent, of processed food (+2% with a share of 10.5%) and of commodities (+0.2% with a share of 16%). The sole category that observed a fall was other primary products (-7% with a share of 33%). By product, the highest import growth was noted for fatty acids and waxes (+196.5%) and pet food (+33%); whereas imports of vegetables (-21%) and oilseeds, other than soyabeans (-20%), fell the most.

Graph 23: Main categories of EU agri-food exports to China in 2018



Breaking down the agri food exports by product category, as shown in Graph 23, some changes appear compared to 2017. The top six categories comprise 60% of total EU agri-exports to China. This reflects the fact that China is mainly absorbing a selected range of products from the EU. Infant food clearly remain the most important export categories with a 21% share despite a slight drop (-1%) in 2018. Offal and other meats together with pork meat comes in the second and third place with similar shares of 9%. A similar increase can be seen in the wine, vermouth, cider and vinegar category (+25% to 1.1 billion) holding a share of 10% and coming in third place.

On the other hand, pork meat decreased significantly in export value (-17% to 1.04 billion) and its share is back to more normal levels, after an enormous hike in 2016. A similar pattern can be seen for offal (-5.5% to 1.07 billion). Pork meat (9.3%) and offal and other meats (9.6%) – the latter mainly comprised of products originating from pigs – account together for almost a fifth of EU exports to China in 2018, demonstrating the importance of pig meat for this destination. Wine (share of 8.8%), milk powders and whey (5.8%) and spirits (5.3%) complete the top six.

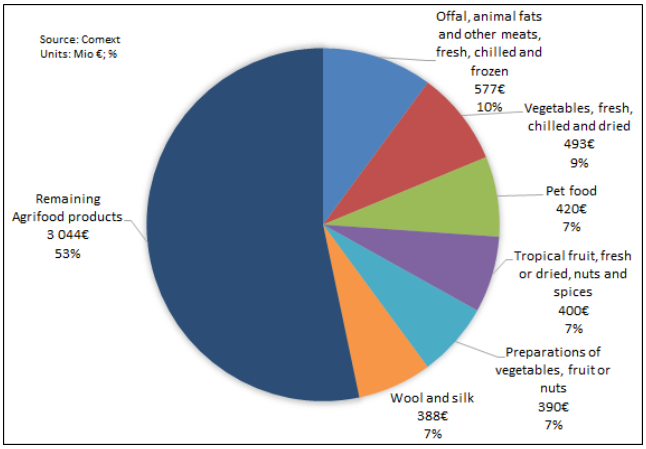
China is a particularly important market for EU exports: on one hand, raw agricultural material used in the garment industry (wool and silk, raw hides and skins, cotton) and on the other hand, pork products (pig meat and offal). As table 3 indicates, China represents a crucial destination for these product categories, absorbing from one third to more than 65% of EU exports – even more when adding exports to Hong Kong. China is the number one destination not only for EU offal (41%) and pork meat (25% together with Hong Kong), but also for many dairy products (infant food - 32%, fresh dairy products - 30% and milk powders and whey - 16%).

Table 3: China as important destination for EU exports by product category, in 2018

Product category	EU28 exports to Extra-EU28	EU28 exports to China	China share in total
	in million EUR		
Wool and silk	136	93	68%
Cotton, flax and hemp, and plaiting materials	915	438	48%
Offal, animal fats and other meats, fresh, chilled and frozen	2 626	1 066	41%
Raw hides, skins and furskins	1 416	509	36%
Infant food and other cereals, flour, starch or milk preparations	7 470	2 362	32%

As regards EU imports from China, the basket of six most important product categories in 2018 (graph 24) remained unchanged compared to 2017, while changes were noted in import values and thus in the respective shares. Notably, vegetables, whether fresh and dried decreased its importance (-21%) while the imports of pet food as well as of wool and silk rose by 33% and 28%, respectively.

Graph 24: Main categories of EU agri-food imports from China in 2018



Quite remarkably, offal as well as wool and silk feature among the list of products for which China is an important origin for EU imports (see table 4), providing more than one third of EU supply. This indicates a strong reciprocal trade between the EU and China for both of these products, although the offal traded is of different types. For other products, the share of China in EU imports is less important.

Table 4: China as important origin for EU imports by product category, in 2018

Product category	EU28 imports from Extra-EU28	EU28 imports from China	China share in total
	in million EUR		
Offal, animal fats and other meats, fresh, chilled and frozen	1 156	577	50%
Wool and silk	1 063	388	36%
Non edible animal products	407	132	33%
Pet food	1 402	420	30%
Eggs and honey	516	115	22%

4.3. Brazil

Exports increase strongly, especially to China

In 2018, Brazil managed to keep its exports of agri-food on the similar level as in 2017, accounting to EUR 72 billion. With only EUR 8.6 billion of imports, Brazil thus accumulates a EUR 63.4 billion agri-food trade surplus.

China further increased its dominant position as top destination for Brazil's exports: the country absorbs 37% of all exports, an increase of 29% compared to 2017. Hong Kong – usually considered as an export hub to China – sees a 2% decrease (to 2.8% of overall exports). The EU (16% of exports) stays with almost stable share in second place while the US remains third with a substantial distance (4.2% of exports).

Soyabeans are the dominant agricultural export of Brazil, making up 39% of overall export value. 2018 saw an increase by 22% in this product compared to the previous year, due to higher quantities (while the unit price remained stable) exported mainly to China. Soybean oilcake with a strong rise of 28% became the second most exported product (7.9% in total exports) outpacing sugar which exports fell by 45% in 2018. The decrease in sugar exports was driven by smaller quantities and lower unit price.

Behind this overall fall are very divergent trade developments with different countries: substantial decreases of sugar exports were recorded to its top destinations, in particular Algeria (-26%), India (-44%) and Bangladesh (-53%). In contrast, exports to China increased (+53%), making the country rise from 21st place to 12th place of destinations for Brazilian sugar. Exports of sugar to the EU - only featuring in 18th place of the destinations for Brazil's sugar - decreased by 34%.

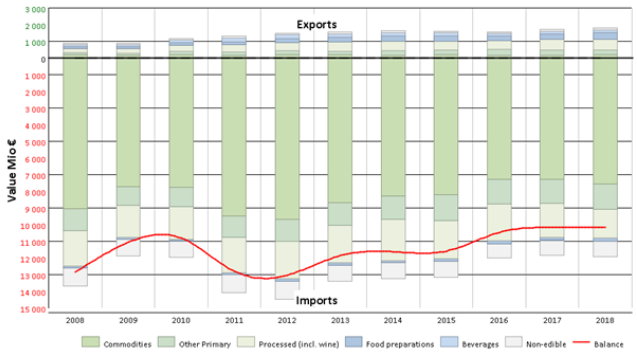
Other important export products, such as poultry (-12.6%), coffee (-9.3%) and corn (-11%) also decreased, while the export value of bovine meat remained stable.

Brazil's most relevant agri-food import products are wheat (15% of imports), ethanol (7.3%), olive oil (4.3%) and malt (4%). The largest partners are Argentina (31.4%), the EU (21%) and the US (13.4%).

Brazil – agri-food trade with the EU

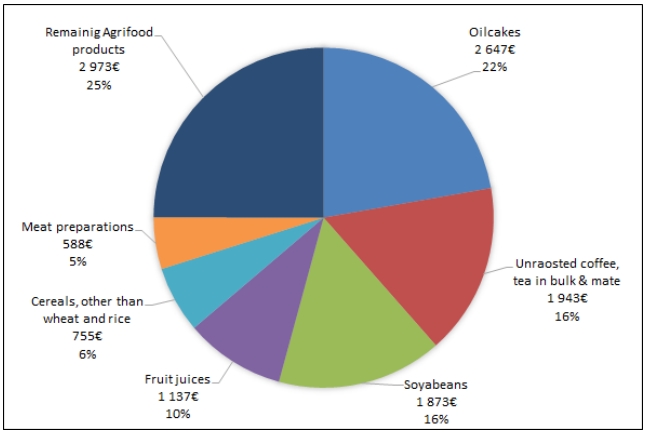
In 2018 the EU imports of agri-food products from Brazil marginally rose thus reversing the declining trend that was observed since 2012 (graph 25). Outpaced by the US, Brazil moved in second place as most important source for European imports of agri-food products (10.2% of total extra EU28 imports). The trade deficit with Brazil agri-food decreased slightly and now amounts to EUR 10.1 billion, due to a marginal decrease in EU imports (-0.1%) as well as a moderate increase in EU exports (+5.5%).

Graph 25: Structure of EU28 agri-food trade with Brazil 2008-2018



63% of the products imported from Brazil are commodities, including in particular oilcakes and soybeans, and coffee. The exports to Brazil, in contrast, represent only 1.2% of total EU agri-food exports. Brazil essentially buys European olive oil, wine, vegetables or fruit preparations, pet food, citrus fruit, and spirits.

Graph 26: Main categories of EU agri-food imports from Brazil in 2018



Graph 26 shows a more detailed structure of the top import products from Brazil. The structure of imports remains almost unchanged compared to 2017: out of the top five product categories which represent 70% of all agri-food imports from Brazil, around half of the import value is associated with feed products (oilcakes and soybeans), and the other half with food products (coffee, fruit juice and cereals, other than wheat and rice). In terms of changes to 2017, increases in import values were observed for oilcakes (+14.3%), soybeans (+4.3%) and cereals other than wheat and rice (+17.6%). The biggest decreases in imports compared to 2017 are observed for coffee (-10.5%), fruit juices (-1.3%) and meat preparations (-32%).

Table 5 lists the product categories for which Brazil is a particularly important origin for EU sourcing. Apart from the products already mentioned as top EU imports, Brazil also provides the EU with 40% of EU poultry meat imports.

Table 5: Brazil as important origin for EU imports by product category, in 2018

Product category	EU28 imports from Extra-EU28	EU28 imports from Brazil	Brazil share in total
	in million EUR		
Fruit juices	2 209	1 137	51%
Poultry meat, fresh, chilled and frozen	515	207	40%
Soyabeans	4 993	1 873	38%
Oilcakes	7 340	2 647	36%
Meat preparations	1 798	588	33%

4.4. Japan

Stable importer with further perspectives for EU

Japan is one of the most densely populated countries in the world with limited resources to fully cover its own demand for agricultural products with domestic production. While imports of agri-food products saw a 4.2% increase in 2017, in 2018 they marginally increased by 0.45% to reach EUR 50.7 billion. On the other side, exports of agri-food products observed a 10% increase but given its modest level of EUR 4.5 billion, Japan's agri-food trade balance shows a significant deficit of EUR 46.2 billion.

The US is the first supplier of agri-food products to Japan, representing almost one quarter of Japanese imports (+3%). The EU remains the second largest import origin for agri-food products representing 17.9% of imports (+2.8%) in 2018. China is third with share of 11.2% (+1%) and Australia fourth with 7.2% (+2.9). Canada completes the list as fifth most important source with a 6.1% share (+0.2%).

In total, various meats and meat products account for more than 20% of the value of Japan's agri-food imports. Pig meat alone has a share of 7.4% and is sourced mainly from the EU (35.9%), the US (28.3%) and Canada (24%). Beef is imported from Australia (50%) and the US (43%). Cigarettes and tobacco (10% of imports) come mainly from the EU while for cereals (9.8% of imports, mainly corn and wheat), the US (78%) and Canada (10%) are main partners. Wine (2.8%) is imported mainly from the EU, which has an import share of 72% in 2018, followed by Chile (12%) and the US (7.6%).

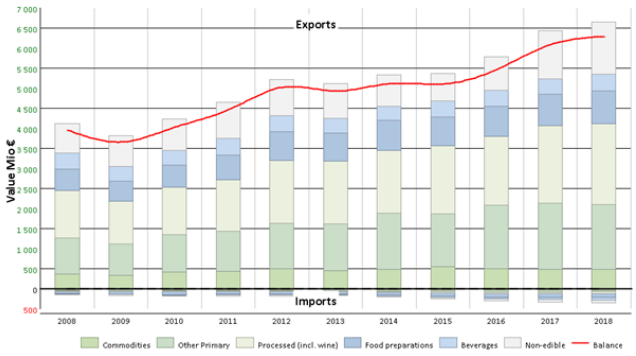
Japan's agri-food exports are marginal at world scale and concentrated on processed products such as food preparations, sauces, and products from the bread, pastry and cakes category.

Japan – agri-food trade with the EU

Japan has been a long-term stable export destination for a number of EU agri-food products (see graph 27). After a plateau period between 2012 and 2015, imports started picking up in 2016 and reached a new hike in 2018. EU exports in value terms rose significantly by 3.5% (EUR +0.2 billion) reaching EUR 6.6 billion.

The biggest category within EU agri-food exports to Japan is processed agricultural food, including wine and cheese. In 2018, the lead was extended (+4.4% compared to 2017) with these products now accounting for a share of 30.3% (EUR 2 billion). Exports of non-edible products increased by 9% to reach a share of 20%, food preparations and beverages rose by 5.5% with a share of 18.5% and commodities rose by 2.3% with a share of 7.4%. Only exports of other primary agricultural products declined by 2.5%, holding a share of 24% in 2018 (total value EUR 1.6 billion).

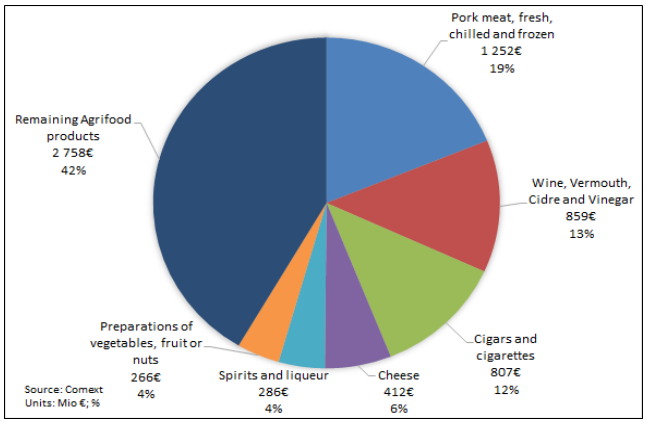
Graph 27: Structure of EU28 agri-food trade with Japan 2008-2018



Given that despite a moderate 6.4% increase, agri-food imports from Japan remain at a low value in total, the positive trade balance for the EU stands at EUR 6.3 billion.

Japan accounts for 4.8% of EU total exports and ranks now fourth among top destinations very closely behind Russia.

Graph 28: Main categories of EU agri-food exports to Japan in 2018



The top six product categories exported to Japan, as shown in graph 28, feature some of the EU agri-food export flagship products: pork, wine, cheese and olive oil. The largest increases were observed for cigars and cigarettes (+15%, 12% share), spirits and liqueurs (+15%, 4.3% share) and cheese (+7%, 6.2% share). Exports of pork fell marginally by 1% to attain a 19% share in total value of EU exports to Japan in 2018.

Japan is, together with China, the main external market for pork (absorbing 26% of EU exports). Generally speaking, Japan is less dominant for exports of particular products than some other destinations, never accounting for more than 26% in value (see table 6). Japan is the first export destination for cigars and cigarettes and malt (24% and 11%, respectively, of EU exports). 10% of EU cheese exports and 9% of those of olive oil are absorbed by Japan.

Table 6: Japan as important destination for EU exports by product category, in 2018

Product category	EU28 exports to Extra-EU28	EU28 exports to Japan	Japan share in total
	in million EUR		
Pork meat, fresh, chilled and frozen	4 786	1 252	26%
Cigars and cigarettes	3 353	807	24%
Malt	1 012	114	11%
Casein, other albuminoidal substances and modified starches	1 787	194	11%
Fruit juices	862	93	11%

The entry into force of the EU-Japan Economic Partnership Agreement (EPA) further increases market opportunities for EU products. The agreement provides better access for EU agricultural exporters to a market of 127 million consumers, currently worth more than EUR 6 billion per year of EU agri-food exports. It is in fact the most promising agreement ever achieved for EU agriculture and the biggest concession Japan ever granted to a trade partner.

4.5. Ukraine

Increasing imports, especially from the EU

Ukraine is the second largest country in Europe after Russia, and is bigger than any of the EU-28 Member States. It has huge agricultural potential thanks to its fertile soil (chernozem), access to abundant land and water resources as well as its key geographical position, with crucial access to the Black Sea and the key markets in the EU, the Commonwealth of Independent States, Middle East and North Africa.

Over the last three years the agricultural sector contributed to 10-12% of Ukraine's GDP, being among the top three industries. Around 17% of the working population is employed in agriculture.

Ukraine's exports of agri-food products have more than doubled since 2009, while its imports growth fluctuated around 7%. However, in 2018, the value of its agri-food exports increased by 0.4% to EUR 15.9 billion, whereas its imports grew by 12% to reach EUR 3.8 billion. In 2018, Ukraine accounted for a surplus of EUR 12.1 billion in agri-food trade.

More than one third of Ukraine's agri-food exports (33%) are directed to the EU, with a moderate increase of 4.5% compared to 2017. India (10%) and China (6.3%) follow.

The EU is by far the first supplier of agri-food products to Ukraine, representing more than half of Ukrainian imports (53%). Other suppliers lag behind with Turkey coming as the second import origin (8%), followed by Indonesia and US (both around 3.5% each).

Ukrainian top three export products account for 57% of its exports in value. The biggest export is in sunflower oil (22%), followed by maize (19%) and wheat (16%).

The import side is more diversified with none of product representing more than 6% of total imports of agri-food. The most important products were raw tobacco, sunflower seeds, food preparations and spirits, all representing a share of 5-6% of imports.

Ukraine – agri-food trade with the EU

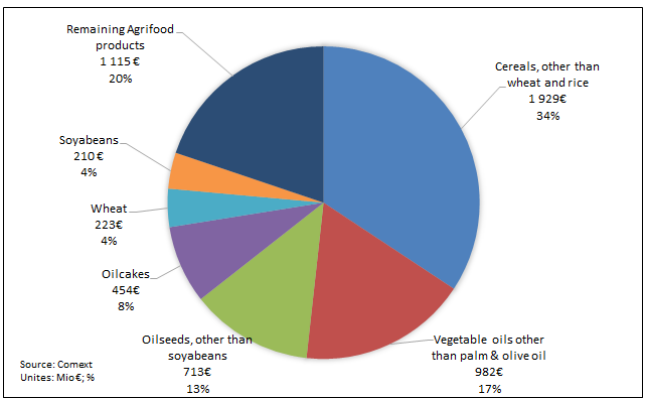
Ukraine is the fourth top source to meet the European demand for the agri-food imports (4.8% of total) and the annual value of imports continues to increase since 2010 (graph 29). The EU trade deficit with Ukraine decreased slightly in 2018 and now amounts to EUR 3.6 billion, due to a modest increase in EU imports (+4%) compared to a solid increase in EU exports (+14%).

Graph 29: Structure of EU28 agri-food trade with Ukraine 2008-2018



The trade pattern between the EU and Ukraine is characterized by a diversity of products on the EU export side and by the dominance of "agricultural food and feed products" on the EU import side. The particularly high increase of imports of "other primary products" (+40%) is noteworthy, to which the following products contributed the most: poultry meat (+84.5%) and fresh vegetables (+178%).

Graph 30: Main categories of EU agri-food imports from Ukraine in 2018



Looking at product category level, the top six products accounts for 80% of total EU agri-food imports from Ukraine. They can by grouped in two main categories: oilseeds, cakes and vegetable oils (42%) and cereals (38%).

The largest increase in absolute values in EU imports was in 'cereals, other wheat and rice', which further strengthened its top position with a share of 34% (+27%). The second biggest increase in export values was noted for poultry meat (+85%) and fresh vegetables (+178%). All these increases were mostly due to volume increases. A slightly higher unit price was observed only for poultry meat, while the unit price for fresh vegetables plummeted by 66%.

Major reductions in import values from Ukraine were encountered for – in descending order- vegetable oils other than palm & olive oil, oilcakes and soybeans. For these products, changes were driven mainly by a reduction in quantities and to a lesser extent by the unit price, with the exception of oilcakes for which the unit price slightly increased.

EU exports to Ukraine, in contrast, represent 1.5% of total EU agri-food exports and are more diversified. The top five products include oilseeds, other than soybeans (7%), pet food (6.4%), chocolate (6.2%), cereals other than wheat and rice (5.6%) and food preparations (5.3%).

Graph 31: Main categories of EU agri-food exports to Ukraine in 2018

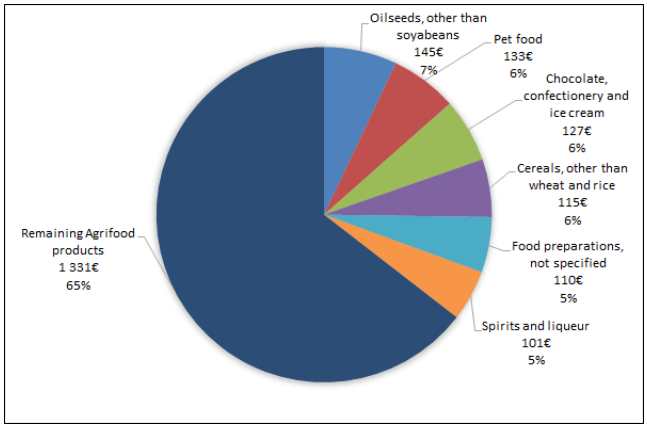


Table 7 lists the product categories for which Ukraine was a particularly important origin for EU sourcing in 2018. Apart from the products already mentioned as top EU imports, Ukraine also provided the EU with 45% of imports in vegetable oils other than palm & olive oil and 39% of EU poultry imports.

Table 7: Ukraine as important origin for EU imports by product category, in 2018

Product category	EU28 imports from Extra-EU28	EU28 imports from Ukraine	Ukraine share in total
in million EUR			
Cereals, other than wheat and rice	3 895	1 929	50%
Vegetable oils other than palm & olive oil	2 176	982	45%
Poultry meat, fresh, chilled and frozen	515	203	39%
Malt	7	3	34%
Oilseeds, other than soyabeans	3 621	713	20%

4.6. Least Developed Countries

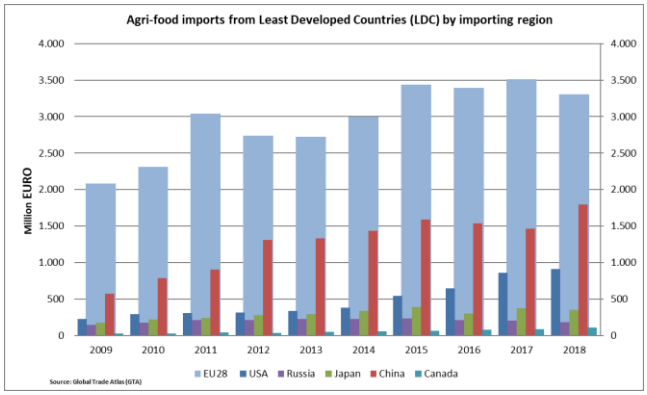
EU remains the dominant importer from LDCs

Least Developed Countries (LDCs) benefit from duty-free, quota-free access to the EU market under the "Everything But Arms" scheme and many of them have concluded Economic Partnership Agreements (EPAs) with the EU, encouraging regional cooperation and trade. Concerning agriculture, provided that the products comply with the EU sanitary and phyto-sanitary requirements, the EU trade preferences for LDCs incentivise European businesses to buy products from these countries compared to imports from other suppliers which have to pay regular (Most Favoured Nations) duties.

As a direct result of this policy, the EU remains by far the top importer of agri-food products from LDCs (graph 31). In 2018, EU imports of agri-food products from LDCs reached a value of EUR 3.34 billion (-5.6% compared to 2017). This corresponds to the combined value of imports by the other five top world importers of agri-food products, US, China, Japan, Russia and Canada together. While the EU sources 3% of its total imports in agri-food products from LDCs, the average of these countries is around 1%.

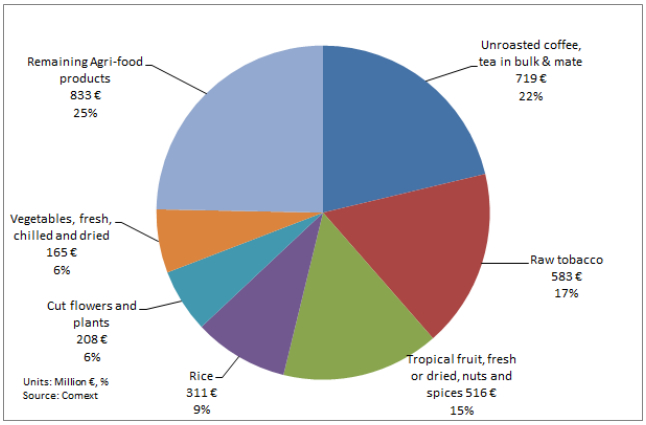
In terms of changes compared to 2017, China increased its imports from LDCs countries by 22%, Canada by 24% and US by 6% while Russia and Japan reported a drop of 10% and 4.6%, respectively.

Graph 31: EU28 and "Big 5" imports from LDCs, 2009-2018



EU imports from LDCs are mostly commodities (45%) and other primary products (23%) while processed agricultural products, food preparations and beverages represent only a small part of the portfolio (together 2.1%). Non-edible products make up 30% of EU imports.

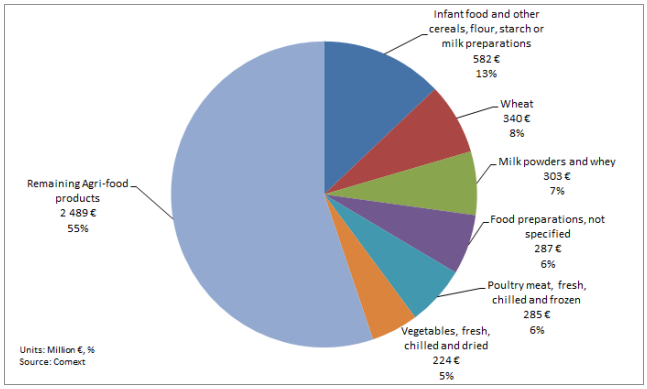
Graph 32: Main categories of EU agri-food imports from LDCs in 2018



Breaking down the agri-food imports by product category, as shown in graph 32, some changes appear compared to 2017. The top six categories comprise 75% of total EU imports from LDCs. Compared to the previous year, lower unit prices of unroasted coffee (-15.8%) and smaller quantities of imported tobacco (-7%) contributed most to the overall drop in EU28 import values from LDCs. The higher import value for fresh fruit (+16%) was mainly driven by larger quantities imported (+36%) with a strong decrease in unit prices (-15%).

The EU also continues to be a main supplier of LDCs with agri-food products. LDCs absorb 3.3% of EU exports, valued at EUR 4.5 billion. The top EU agri-food export categories to the LDCs are infant food, wheat, milk powders and whey, food preparations, poultry meat, and vegetables (graph 33). Bringing imports and exports together, the EU runs a positive trade balance with the LDCs in agri-food products, valued at EUR 1.18 billion in 2018.

Graph 33: Main categories of EU agri-food exports to LDCs in 2018



Without export refunds and significantly reduced levels in trade distorting support, EU exports of agri-food products to developing countries must be seen as a response to supply and demand conditions. Due to rapid population growth and urbanisation, demand greatly outstrips supply in many developing countries and increasing domestic production is not sufficient to satisfy the growing nutritional needs, in terms of quantity as well as quality.

Agriculture and rural development globally have a crucial role for meeting the Sustainable Development Goals (SDGs) of Agenda 2030, including ending hunger and extreme poverty, and can make an important contribution to economic growth, social stability and sustainable use of natural resources. The sector is central for job creation in many developing countries, in particular in Africa. While representing one quarter to one third of the GDP, African agriculture employs 65% to 75% of the labour force. Given the demographic trend in Africa, the challenge to create a sufficient number of job opportunities for young Africans coming into the labour market is immense.

Thus, there is a need to modernise African agriculture in order to address significant structural issues, develop value chains and making it easier for local farms and companies to provide additional income and employment.

This could help to overcome poverty and food insecurity as well as to absorb a rapidly increasing workforce. The EU therefore strongly invested in fostering relationships with developing countries, in particular in Africa, in conducting a policy dialogue that assists in advancing the agricultural and rural potential, and in encouraging responsible private investment in Africa. Furthermore, the EU is ready to take a leading role in global initiatives that aim at fostering development and sustainable agricultural production - for example in the context of the UN, the G20 and the G7. The EU and its Member States also remain the largest provider of development assistance (EUR 74.4 billion 2018[20]) which is crucial to boost our partners' economies.

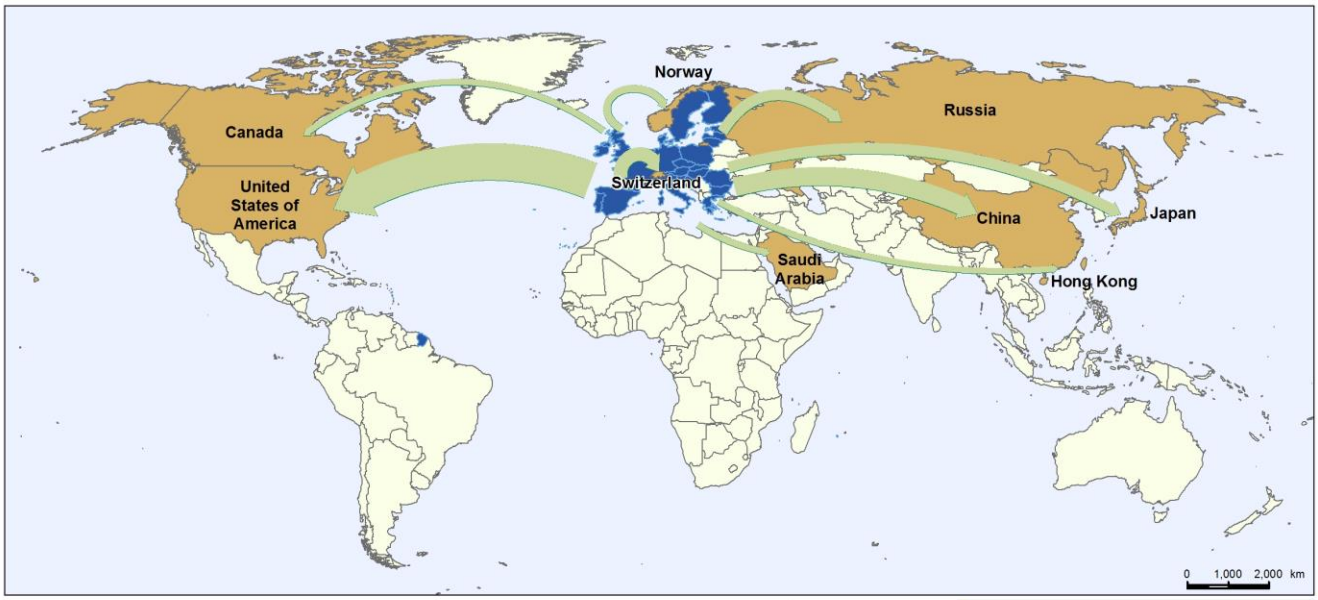
[20] For further information see: http://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/modernisation-dac-statistical-system.htm

Annex

Product classification

Product groups	Product classes	Product categories
Agricultural food and feed products	Commodities	Wheat
		Cereals, other than wheat and rice
		Rice
		Flours and other products of the milling industry
		Malt
		Starches, inulin & gluten
		Soyabeans
		Oilseeds, other than soy beans
		Palm & palm kernel oils
		Vegetable oils other than palm & olive oils
		Oilcakes
		Other feed and feed ingredients
		Beet and cane sugar
		Sugar, other than beet & cane
		Milk powders and whey
		Butter
		Gums, resins and plant extracts
		Unroasted coffee, tea in bulk & mate
		Cocoa beans
		Cocoa paste and powder
		Agricultural commodities, not specified
	Other primary	Live animals
		Bovine meat, fresh, chilled and frozen
		Pork meat, fresh, chilled and frozen
		Poultry meat, fresh, chilled and frozen
		Sheep and goat meat, fresh, chilled and frozen
		Offal, animal fats and other meats, fresh, chilled and frozen
		Fresh milk and cream, buttermilk and yoghurt
		Eggs and honey
		Vegetables, fresh, chilled and dried
		Fruit, fresh or dried, excl. citrus & tropical fruit
		Citrus fruit
		Tropical fruit, fresh or dried, nuts and spices
		Miscellaneous seeds and hop cones
		Agricultural primary food products, not specified
	Processed (incl. wine)	Meat preparations
		Cheese
		Olive oil
		Preparations of vegetables, fruit or nuts
		Fruit juices
		Wine, vermouth, cider and vinegar
		Roasted coffee and tea
Food preparations and beverages	Food preparations	Chocolate, confectionery and ice cream
		Infant food and other cereals, flour, starch or milk preparations
		Pasta, pastry, biscuits and bread
		Soups and sauces
		Coffee and tea extracts
		Food preparations, not specified
		Pet food
	Beverages	Waters and soft drinks
		Beer
		Spirits and liqueurs
		Odoriferous substances
Non-edible	Non-edible	Raw hides, skins and furskins
		Non-edible animal products
		Wool and silk
		Cotton, flax and hemp, and plaiting materials
		Cut flowers and plants
		Bulbs, roots and live plants
		Raw tobacco
		Cigars and cigarettes
		Fatty acids and waxes
		Sugar alcohols
		Essential oils
		Ethanol
		Casein, other albuminoidal substances and modified starches
		Non-edible, not specified
		Products non-attributable

EU-28 EXPORTS OF AGRICULTURAL PRODUCTS 2018



Value of EU-28 exports to the main export partners

5 billion EUR

10 billion EUR

15 billion EUR

Source: Comext
Cartography: DG AGRI GIS TEAM 05/2019

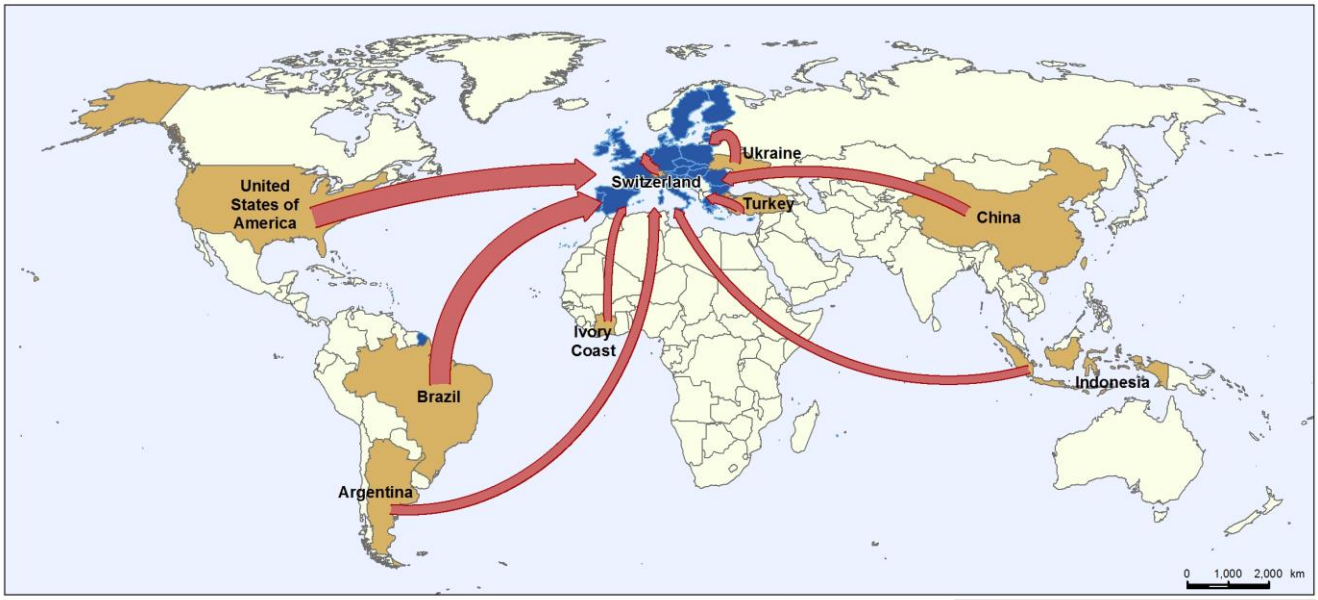
Map Projection: World Eckert III - Map Scale 1:160.000.000 cm

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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.

EU-28 top agri-food partners in 2018

Top destinations	Rank	Value (million Euro)	share %
Total		137,408	100%
United States of America	1	22,246	16%
China	2	11,099	8%
Switzerland	3	8,250	6%
Japan	4	6,643	5%
Russia	5	6,609	5%
Norway	6	4,487	3%
Saudi Arabia	7	3,813	3%
Canada	8	3,707	3%
Hong Kong	9	3,674	3%
Rest of the world		66,880	49%

EU-28 IMPORTS OF AGRICULTURAL PRODUCTS 2018



Value of EU-28 imports to the main import partners

5 billion EUR

10 billion EUR

15 billion EUR

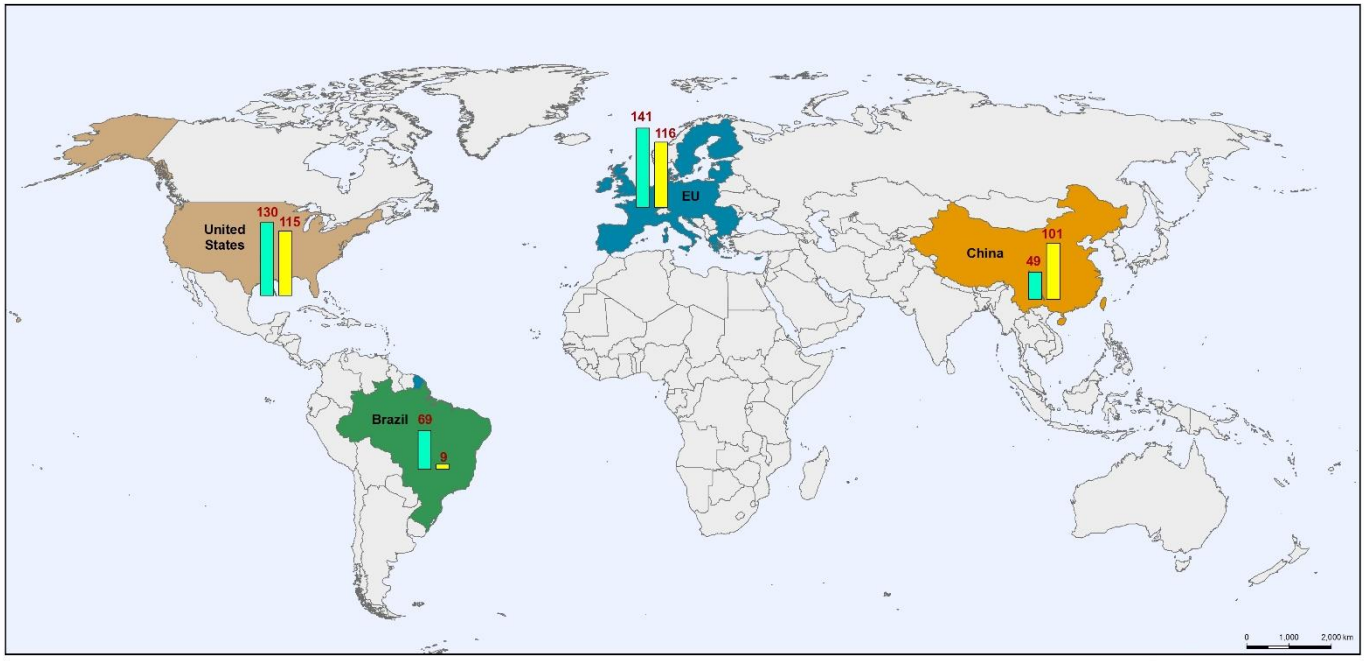
Source: Comext
Cartography: DG AGRI GIS TEAM 05/2019

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

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EU-28 top agri-food partners in 2018

Top origins	Rank	Value (million Euro)	share %
Total		115,696	100%
United States of America	1	11,947	10%
Brazil	2	11,860	10%
China	3	5,688	5%
Ukraine	4	5,520	5%
Argentina	5	5,127	4%
Switzerland	6	4,589	4%
Turkey	7	4,482	4%
Indonesia	8	4,333	4%
Ivory Coast	9	3,343	3%
Rest of the world		58,807	51%



Agri-food trade (Average 2016-2018 in billion EUR)

Export

Import

Source: COMEXT

European Commission | Agriculture and Rural Development

Cartography: DG AGRI GIS TEAM 05/2019

Map Projection World: Eckert III - Map Scale 1:100.000.000

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Contact: DG Agriculture & Rural Development: Unit for Global Issues and Relations with ACP
Tel: +32-2-2991111/ email: AGRI-A1@ec.europa.eu
http://ec.europa.eu/agriculture/publi/map/index_en.htm

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