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Ireland

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EU Protein Purchases from U.S. Still Weak

Report Categories:

Grain and Feed

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Report Highlights:

Even though the European Commission has approved outstanding biotech corn events that had effectively closed the EU market to U.S. soybeans, corn gluten feed and distillers dried grains, importers in Germany, the UK and Ireland are hesitant to make large short term purchases. Nearby prices are viewed as too high, with expectations that soybean prices in particular will fall with the harvest of South American crops in 2010.

General Information:

The swift European Commission approval of the biotech corn events found in U.S. soybean shipments this summer (MON88017, MON89034, Pioneer Hi-Bred 59122xNK603 and MIR 604) has increased confidence among traders about access to U.S. soybeans, corn gluten feed (CGF) and distillers dried grains (DDG). However, there are still no major movements in the imported feed markets of Germany, UK, or Ireland. Feed companies are still reeling from losses incurred in 2008 when they made forward purchases and were left with

stockpiles of relatively expensive product when the market fell. This means that they are currently living 'from hand to mouth' and buying only when they need to. This scenario is not expected to change in the short-term as there is sufficient supply of protein feeds available domestically and on the global market.

Current prices for soybeans are viewed to be too high. Traders are reportedly waiting for and speculating on a large soy crop in South America and hoping for falling prices in February/March 2010. The feed trade also regards the prices being quoted for DDG as too expensive at the moment. Traders in Germany, the UK and Ireland all report that exporters are now offering U.S. corn by-products but customers are not yet buying sizeable volume. Should the prices for soybeans, CGF or DDG fall in early 2010, there may be opportunities for U.S. sales.

Germany: Feed prices in Germany are strongly influenced by the sizeable grain crop in the fall. Farm-gate prices for rye and triticale are still around Euro80 per ton in the main production regions in Northern Germany. Feed barley prices have recovered since the opening of the intervention on Nov 1. To date 703,000 MT of barley have been sold to intervention. Currently, the volume of daily offers of barley amount to about 3,000 to 5,000 tons. Demand for feed wheat and corn seems to be relatively strong. Farm gate prices are reported at Euro 106 and Euro 117 respectively. In Germany, the feed compounders association reports that compound feed sales have dropped by 13 percent during the past half year. More farmers are producing their own feed mixes on-farm. More grains are used as feed on the producing farm directly and farmer-to-farmer sales are also up. Trade contacts report that farmers appear to have held back wheat hoping for a recovering market later in the marketing year.

Ireland: Recent heavy rains and flooding in Ireland is expected to result in an increased demand for fodder in the short-term. However these conditions are not expected to increase demand for imported grains in the short-term. Irish feed-importers are, like their German counterparts, reluctant to commit to importing at high prices and are also awaiting the outcome of the South American harvest.

A similar situation exists in the UK with a good domestic supply of forage crops and a reasonable cereal harvest having led to a drop in demand for feed compounder ruminant products of around 10 to 15 percent. Stocks in the UK are low after the market volatility seen in 2008, and purchasing is further hampered by the un-competitiveness of GBP sterling on international currency markets. The UK's Grain and Feed Trade Association is of the opinion that users have already taken coverage of other products for the December – April period, so DDG suppliers will need to push very aggressively to grab the top-up balances and/or get people to change formulations or change bin space. Realistically the requirement for DDGs in the December - April period is likely to be limited.

This is a collaborative report from Dietmar Achilles from FAS Berlin covering Germany; Jennifer Wilson from FAS London covering the UK and Mike Hanley FAS Dublin covering Ireland.