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## **EU-27**

### **Grain and Feed Annual**

#### **All eyes on the weather - again**

**Approved By:**

Daryl Brehm

**Prepared By:**

Steve Knight

**Report Highlights:**

The weather has already made its mark on the MY2012/13 crop and is likely to remain the focus over the coming months. A severe cold spell in late January and early February caused above average winter losses in some parts of the EU27, especially France, meaning some fields will need to be resown to spring crops. A prolonged dry period through March and into April will also become a concern if rains are not forthcoming ahead of harvest. In spite of this, 284MMT of grain is forecast to be harvested this year. Feed grain consumption is forecast little changed, albeit masking a switch away from wheat towards corn, barley and the minor grains, while industrial grain usage is again forecast to rise. Overall, the balance suggests a similar availability of grain for export as compared to MY2011/12 but much will depend on the ultimate size and quality of the EU27 harvest.



## **Executive Summary:**

In 2012, despite challenging weather, EU27 farmers are expecting another sizeable grain harvest of 284 MMT. If realized, this will be on a par with 2011 but still 29 MMT below the record crop harvested in 2008. The low carry in stocks from MY2011/12 and forecast for little year-on-year change in total domestic consumption mean there will be much focus on the crop as it develops over the coming months.

With the exception of Hungary, Romania and Bulgaria where dry conditions delayed winter plantings, and Scandinavia which experienced overly wet conditions, meaning the crop in those regions was somewhat underprepared for winter, most of the EU27 experienced excellent planting conditions in the fall of 2011. This was followed by a relatively mild start to winter until a three week period of very cold weather in late January and the first half of February which affected much of the EU27. Snowfall was significant but windblown in places, especially in the east, but limited elsewhere. Neither set of conditions were ideal and caused much concern at the time, especially in France, with some market commentators talking of losses like those experienced in MY2003/4.

With the onset of spring, it is now thought the main damage was not as bad as some feared but is still significant in France while Bulgaria, Romania and a number of other Member States experienced above average winter kill. In France, official estimates in early April show that more than half a million hectares of soft wheat, durum wheat and winter barley will have to be resown. To the east, in Germany, Poland, the Czech Republic and Hungary, while winter kill is thought to be above norm, it is still too early to confirm its extent. Bulgaria and Romania saw very heavy snow fall but high winds lead to stark variations in the level of cover provided. The combination of this with extremely cold temperatures has inevitably seen crops damaged. That said, these two countries are used to dealing with winter kill so the concerns are measured. To the south, both Spain and Portugal are reporting drought concerns which will need to be watched (See GAIN Reports SP1204 and SP1209). Elsewhere the outlook is much more positive. While Scandinavia suffered some particularly cold conditions, the crop is reported to have fared reasonably well over winter. In the UK, market commentators are upbeat about the current condition of the crop. Overall, the outlook for the EU27's winter crop, mainly wheat but also barley, is generally positive. Further, where damage has occurred, the fields are not expected to be left to produce lower yielding crops. Rather, there will be a marginal increase in spring plantings of barley, corn and sunflowers.

It is now a widespread lack of rainfall through March and April which is starting to cause some concern. Crop development and yields are not currently reported as having been affected but rain is certainly needed, not just to improve soil moisture but also to ensure the efficacy of fertilizer applications. As previously alluded to, this is especially the case in the Iberian Peninsula but other countries in the west where snow cover was limited, notably the UK and France, are also very much in need of rain. Consequently, any factors that might have a negative effect on yield or quality are attracting significant attention from the market, not least due to the impact this will have on the EU27's exportable grain surplus.

Forecast MY2012/13 EU27 grain production exceeds domestic consumption by 8.5 MMT. MY2012/13 is expected to see total feed grain consumption little changed year-on-year but this masks an anticipated shift from wheat to corn, barley and minor crops such as rye, oats and sorghum. An increase is again seen in Food, Seed &

Industrial (FSI) use of grain, predominantly due to increased grain use for renewable transportation fuels. Third country imports, principally corn, are forecast unchanged with increased corn imports offsetting a forecast decline in wheat imports. Exports of wheat are currently forecast unchanged following a significant decline in MY2011/12 but much will depend on developments in the latter months of this season. Carry out stocks, down 2 MMT in MY2010/11, are forecast to fall a further 1 MMT in MY2012/13, reaching just 25MMT. As such, there is little room in the balance for a supply shock should the current grain harvest forecast not be achieved.

## **Commodities:**

Select

## **Author Defined:**

## **Introduction**

This report presents the first outlook for grain and feed, and Production, Supply and Distribution (PS&D) forecasts for the Marketing Year (MY) 2012/13. Unless stated otherwise, data in this report is based on the views of Foreign Agricultural Service analysts in the EU27 and is not official USDA data.

This report would not have been possible without the valuable expert contributions from the following Foreign Service analysts:

Xavier Audran, FAS/Paris  
Stefano Baldi, FAS/Rome  
Ornella Bettini, FAS/Rome  
Mila Boshnakova, FAS/Sofia  
Monica Dobrescu, FAS/Bucharest  
Bob Flach, FAS/The Hague  
Marta Guerrero, FAS/Madrid  
Steve Knight, FAS/London  
Roswitha Krautgartner, FAS/Vienna  
Asa Lexmon, FAS/Stockholm  
Sabine Lieberz, FAS/Berlin  
Jana Mikulasova, FAS/Prague  
Ferenc Nemes, FAS/Budapest  
Piotr Rucinski, FAS/Warsaw  
Barrie Williams, FAS/USEU/Brussels

HA = Hectares

MT = Metric Tonne

MY = Marketing Year. Post and USDA official data both follow the EU27 local marketing year of July to June except for corn which follows an October to September calendar.

TY = July to June for wheat and October to September for coarse grains

## Wheat

Wheat EU-27	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Jul 2010		Market Year Begin: Jul 2011		Market Year Begin: Jul 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	26,106	26,100	25,761	25,600		25,000
Beginning Stocks	16,157	16,157	11,693	11,693		12,943
Production	135,674	135,674	137,486	137,500		134,500
MY Imports	4,712	4,712	7,500	7,500		6,500
TY Imports	4,712	4,712	7,500	7,500		6,500
TY Imp. from U.S.	1,316	1,316	0	0		0
Total Supply	156,543	156,543	156,679	156,693		153,943
MY Exports	22,850	22,850	17,000	17,000		17,000
TY Exports	22,850	22,850	17,000	17,000		17,000
Feed and Residual	52,500	52,500	55,500	57,500		55,000
FSI Consumption	69,500	69,500	70,000	69,250		69,750
Total Consumption	122,000	122,000	125,500	126,750		124,750
Ending Stocks	11,693	11,693	14,179	12,943		12,193
Total Distribution	156,543	156,543	156,679	156,693		153,943
1000 HA, 1000 MT, MT/HA						

EU27 wheat production is currently forecast to fall 3 MMT to 134.5 MMT in MY2012/13, 16 MMT below the record harvest achieved in 2008. Despite an initial increase in the planted area in Germany, Spain, Hungary, Italy and France, losses and a consequent switch to other spring crops in the likes of the latter and a reduced planted area in Bulgaria, the Czech Republic, Romania and Scandinavia, means the total area planted to wheat is forecast to have fallen to 25 MHa .

With the exception of Hungary, Romania and Bulgaria where dry conditions delayed or limited plantings, and in Scandinavia where wet conditions had a similar impact, favorable conditions across most of the EU 27 last fall were followed by a mild start to winter.

Late January saw the onset of a very cold period with significant snow fall in the east and sustained cold conditions elsewhere. These conditions prompted speculation in some countries, especially France, of a repeat of the disastrous crop of MY2003/04. While these fears do not appear to have been realized, in early April, the French Ministry of Agriculture estimated wheat winter kill losses at 362,000 hectares, of which 12,000 hectares are durum wheat. A number of other countries are also thought to have experienced higher than normal winter kill but Bulgaria and Romania are the only ones currently reporting significant damage. They are used to challenging winters and are expected to simply increase plantings of spring crops such as corn and sunflowers. That said, an increase in spring plantings of alternate crops is also expected in Germany, through Poland and into

the Czech Republic and Hungary. Generally, damaged crops are not expected to be left to produce lower yields. Only in Spain and Portugal do any significant concerns remain at this time - conditions were very dry at planting and, following the driest winter ever recorded in Spain, rain is needed to prevent significant wheat losses. That said, this need for rain is increasingly being shared by other Member States following a very dry period through March and into April. This has reduced otherwise improved soil moisture. The wheat crop is still reported to be generally good but the situation warrants close monitoring, especially in France, the UK and Germany where the dry weather is also reducing fertilizer efficacy. In Italy, following a significant decline in size last year, the durum wheat crop is forecast to recover.

Overall, sentiment is good but with the EU27 entering a critical yield determining weather period, this could change. Any downward movement in yield expectations or reduction in likely quality will be the subject of interest to the market given the tight EU27 balance this season.

Total EU27 wheat consumption is forecast to decline marginally in MY2012/13, mainly due to a reduction in feed use. Other grains are expected to be more price competitive while the increase in on-farm consumption seen in MY2011/12 is not expected to be repeated. Industrial use of wheat is forecast to rise once more following a slight decline in MY2011/12. That was mainly due to reduced demand in the starch sector. However, MY2012/13 is forecast to see static demand in the starch and milling sectors with the bioethanol sector providing the underlining support to consumption demand. A second wheat-based bioethanol plant, capable of processing 1.1 MMT of wheat per year, is scheduled to open in the UK this summer. This will double the UK's potential capacity but it should be noted that the opening of this plant has been subject to a number of delays while the other UK plant is currently closed but scheduled to re-open in June at the earliest. This uncertainty means the UK number could be subject to downward revision. Elsewhere in the EU27, increased wheat usage in the bioethanol sector is foreseen in the Netherlands.

MY2012/13 wheat imports are currently forecast to reach 6.5 MMT, down 1 MMT on MY2011/12. In that season, importers carried over unused quota allocation for MY2010/11, boosting imports in the first quarter, mainly into Spain. This will not be repeated next season. Throughout the first quarter of 2012 the EU27 has fully used its 572,000 MT U.S. specific TRQ of medium to low-quality wheat. Concerns about the upcoming crop along with favorable price relations have triggered U.S. wheat imports under TRQ, which consist of SRW for both feed and milling purposes.

EU27 wheat export expectations remain at 17 MMT in MY2011/12. In mid-April, with just two and a half months of the season to go, just over 12.75 MMT of export licenses have been granted. The EU27 exported a record 25 MMT of wheat in MY2008/09. This was followed by 22 MMT in MY2009/10 and nearly 23 MMT in 2010/11. That said, last season saw the Russian export ban and restrictions on Ukrainian supplies seeing France, the EU27's primary wheat exporter, reporting a very strong pace of exports, mainly to its traditional markets in North Africa. In MY2011/12, the EU27 has faced increased competition on third country markets, most recently from the U.S. into North Africa.

EU27 wheat exports in MY2012/13 are also forecast to reach 17 MMT, despite a reduction in forecast global demand. The competitiveness of U.S. wheat is expected to wane at the beginning of the season while Black Sea origin wheat, still expected to present significant competition, is forecast to be lower in volume than this season following the challenging winter.

MY2011/12 is now expected to see some recovery in stocks, reflecting the reduction in the competitiveness of EU27 wheat on third country markets. However, the tight balance in MY2012/13 means this increase is forecast to be short lived.

## Barley

Barley EU-27	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Jul 2010		Market Year Begin: Jul 2011		Market Year Begin: Jul 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	12,493	12,432	12,061	11,950		12,350
Beginning Stocks	15,532	15,532	7,466	7,630		5,030
Production	53,028	53,392	52,254	51,500		54,000
MY Imports	174	174	400	400		200
TY Imports	286	286	350	350		200
TY Imp. from U.S.	0	0	0	0		0
Total Supply	68,734	69,098	60,120	59,530		59,230
MY Exports	4,868	4,868	2,800	2,800		2,400
TY Exports	4,594	4,594	2,800	2,800		2,400
Feed and Residual	41,200	41,400	37,000	36,500		37,000
FSI Consumption	15,200	15,200	15,000	15,200		15,200
Total Consumption	56,400	56,600	52,000	51,700		52,200
Ending Stocks	7,466	7,630	5,320	5,030		4,630
Total Distribution	68,734	69,098	60,120	59,530		59,230
1000 HA, 1000 MT, MT/HA						

The total EU27 planted barley area is forecast up 400,000 Ha in MY2012/13 with notable increases in France (spring barley replacing winter wheat killed by frost), Italy and Denmark. Overall, the EU27 barley crop is currently forecast up 2.5 MMT at 54 MMT. As compared to wheat, a larger proportion of the EU27 barley crop is spring sown so there are more unknowns at this time but the common factor is the current dry weather afflicting much of the EU27. Rains in April and May would do much to alleviate any concerns, especially in Spain.

Total EU27 barley consumption, is forecast little changed in MY2012/13 with feed usage up 500,000 MT and overall FSI usage static.

Up to mid-April, 2.58 MMT of export licenses had been granted and MY2011/12 EU27 barley exports are currently expected to reach 2.8 MMT with a decline of 400,000 MT forecast for MY2012/13. MY2011/12 opened with no intervention stocks. As such, all barley is now in private stocks. The tight balance in MY2011/12 is expected to see the season close with just 5 MMT with a further marginal reduction forecast for MY2012/13.

## Corn

Corn EU-27	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Oct 2010		Market Year Begin: Oct 2011		Market Year Begin: Oct 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	7,980	7,984	8,780	8,750		9,200
Beginning Stocks	5,208	5,208	4,784	4,962		5,262
Production	55,795	55,973	64,524	64,550		65,000
MY Imports	7,359	7,359	4,500	4,250		5,250
TY Imports	7,359	7,359	4,500	4,250		5,250
TY Imp. from U.S.	911	911	0	0		0
Total Supply	68,362	68,540	73,808	73,762		75,512
MY Exports	1,078	1,078	2,500	2,500		2,500
TY Exports	1,078	1,078	2,500	2,500		2,500
Feed and Residual	47,500	47,500	50,400	50,500		51,500
FSI Consumption	15,000	15,000	15,500	15,500		16,000
Total Consumption	62,500	62,500	65,900	66,000		67,500
Ending Stocks	4,784	4,962	5,408	5,262		5,512
Total Distribution	68,362	68,540	73,808	73,762		75,512
1000 HA, 1000 MT, MT/HA						

Corn production in MY2011/12 is expected to have just surpassed 64.5 MMT following an excellent harvest across the EU27, and contrary to the expectations of many market commentators in the main producing countries of France, Germany, Spain, Italy, Hungary and Romania. In MY2012/13, the planted area is forecast to rise to 9.2 MHa with the main increases in France, Germany, Bulgaria and Romania. This is in part due to improved seed supply in the latter two countries but also due to fields of wheat and barley being replanted following winterkill and strong underlying demand for corn. The Spanish area is forecast lower based on lower irrigation water availability. Overall, with yields not currently expected to match those seen last year, production is put only marginally higher at 65 MMT. With the exception of the Iberian Peninsula, the current dry period afflicting the EU27 is not of too much concern, as yet. Indeed, 2011 saw very dry conditions at this time. That said, as with the other crops, timely rain will be needed to ensure there are not yield losses.

Corn imports are now expected to reach 4.25 MMT in MY2011/12. Spanish imports of corn were reduced following increased imports of feed wheat due to the aforementioned carryover of wheat import licenses from the previous season. MY2012/13 will not see a repeat of this scenario so Spanish, and EU27 imports overall, are forecast to rise 1 MMT. Ukraine and Serbia will be the main suppliers but increased imports also expected from the likes of Russia and Croatia.

Demand for corn in the FSI sector is expected to rise 500 MMT in MY2011/12 and by a similar amount in MY2012/13. With usage in the starch sector forecast unchanged, the increase is accounted for by bioethanol production - principally in Hungary but also in Spain, where it replaced wheat and barley - and biogas production. Feed consumption, expected up in MY2011/12 reflecting the larger crop and an increase in on-farm feeding, is currently forecast to rise a further 1 MMT in MY2012/13 due to the increase in available supplies.



## Rye

Rye EU-27	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Jul 2010		Market Year Begin: Jul 2011		Market Year Begin: Jul 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2,594	2,631	2,283	240		2,275
Beginning Stocks	1,727	1,727	1,236	1,415		915
Production	7,796	7,975	6,884	6,850		7,400
MY Imports	19	19	100	25		25
TY Imports	36	36	100	25		25
TY Imp. from U.S.	0	0	0	0		0
Total Supply	9,542	9,721	8,220	8,290		8,340
MY Exports	106	106	50	75		75
TY Exports	71	71	75	75		75
Feed and Residual	3,500	3,700	2,600	2,800		3,200
FSI Consumption	4,700	4,500	4,750	4,500		4,500
Total Consumption	8,200	8,200	7,350	7,300		7,700
Ending Stocks	1,236	1,415	820	915		565
Total Distribution	9,542	9,721	8,220	8,290		8,340

1000 HA, 1000 MT, MT/HA

Rye is predominantly planted to less fertile sandy regions. The main producing and consuming countries for rye in the EU27 are Germany and Poland, accounting for about three quarters of the total EU27 rye market. MY2012/13 is currently forecast to see a continuation of last year's much reduced planted area but improved yields with production forecast up over 500, 000 MT at 7.4 MMT, albeit still 600,000 MY below MY2010/11.

Almost half of the rye production is used in animal feeds and increased usage is forecast in MY2012/13 as an alternate to other grains, especially wheat. FSI had been rising slowly but steadily year-on-year as a growing share of rye was converted into bioethanol and in the form of rye-whole-plant silage in biogas digesters, mainly in Germany.

## Sorghum

Sorghum EU-27	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Jul 2010		Market Year Begin: Jul 2011		Market Year Begin: Jul 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	114	113	131	110		110
Beginning Stocks	24	24	22	16		21
Production	621	625	751	670		600
MY Imports	921	921	50	100		300
TY Imports	922	922	50	100		300
TY Imp. from U.S.	594	594	0	0		0
Total Supply	1,566	1,570	823	786		921
MY Exports	4	4	5	5		5

<b>TY Exports</b>	5	5	5	5		5
<b>Feed and Residual</b>	1,535	1,540	800	750		890
<b>FSI Consumption</b>	5	10	5	10		10
<b>Total Consumption</b>	1,540	1,550	805	760		900
<b>Ending Stocks</b>	22	16	13	21		16
<b>Total Distribution</b>	1,566	1,570	823	786		921
1000 HA, 1000 MT, MT/HA						

MY2007/08 saw significant interest in the sorghum market when tight supplies of feed grains saw EU27 importers - mainly in Spain, the Benelux and France – dramatically increase their purchases of mainly U.S. sorghum to nearly 6 MMT. This opened the market's eyes to the possibility of utilizing sorghum in the feed ration and has increased the possibility of future imports. While MY2011/12 is expected to see very limited imports, in MY2012/13 300,000 MT could be imported with Spain being the main destination once this year's US sorghum crop is available and provided that the sorghum-corn spread proves to be favorable.

## Oats

Oats EU-27	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Jul 2010		Market Year Begin: Jul 2011		Market Year Begin: Jul 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
<b>Area Harvested</b>	2,723	2,677	2,681	2,625		2,625
<b>Beginning Stocks</b>	1,224	1,224	687	735		840
<b>Production</b>	7,370	7,318	8,013	7,750		7,850
<b>MY Imports</b>	2	2	5	5		5
<b>TY Imports</b>	6	6	5	5		5
<b>TY Imp. from U.S.</b>	0	0	0	0		0
<b>Total Supply</b>	8,596	8,544	8,705	8,490		8,695
<b>MY Exports</b>	109	109	150	100		100
<b>TY Exports</b>	113	113	150	100		100
<b>Feed and Residual</b>	6,000	5,950	6,000	5,800		5,900
<b>FSI Consumption</b>	1,800	1,750	1,800	1,750		1,750
<b>Total Consumption</b>	7,800	7,700	7,800	7,550		7,650
<b>Ending Stocks</b>	687	735	755	840		945
<b>Total Distribution</b>	8,596	8,544	8,705	8,490		8,695
1000 HA, 1000 MT, MT/HA						

The four main producers of oats in the EU27 are Poland, Finland, Spain and Germany accounting for 50 percent of the production. The importance of oats is diminishing in EU27 grain production although the organic industry still has an interest in this grain for crop rotation purposes and growing demand for food and feed use. Non-organic farmers are gradually reducing their oats area such that the total production area is in long term decline. After very poor yields in MY2010/11, this season saw a crop of 7.75 MMT. A similarly sized crop is currently forecast for MY2012/13.

Trade in oats is almost exclusively intra-EU with the minor export volume to non-EU27 countries originating from Finland and Sweden. The destinations are mainly Switzerland and the U.S. - the latter has traditionally been the largest market for horse feed – but total trade in recent years has been limited to little more than 100,000 MT.

Total annual FSI use is consistently around 1.75 MMT, a small portion of which - less than 50,000 MT - is used for the production of bioethanol and biogas. The rest is fed to animals, a forecast 5.9 MMT in MY2012/13.

## Mixed Grain

Mixed Grain EU-27	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Jul 2010		Market Year Begin: Jul 2011		Market Year Begin: Jul 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	4,283	4,299	4,292	4,289		3,800
Beginning Stocks	2,139	2,139	1,489	1,495		1,145
Production	14,850	14,956	14,811	14,500		14,750
MY Imports	0	0	0	0		0
TY Imports	0	0	0	0		0
TY Imp. from U.S.	0	0	0	0		0
Total Supply	16,989	17,095	16,300	15,995		15,895
MY Exports	0	0	0	0		0
TY Exports	0	0	0	0		0
Feed and Residual	14,300	14,450	14,000	13,650		13,700
FSI Consumption	1,200	1,150	1,200	1,200		1,200
Total Consumption	15,500	15,600	15,200	14,850		14,900
Ending Stocks	1,489	1,495	1,100	1,145		995
Total Distribution	16,989	17,095	16,300	15,995		15,895
1000 HA, 1000 MT, MT/HA						

Mixed grain numbers include triticale and the threshed, dry seeds of wheat, barley, corn, oats, rye and sorghum grown and harvested in the same field. The main producing countries are Poland, Germany and France, together accounting for 85 per cent of the production. MY2012/13 is forecast to see a marginal increase in production to 14.75 MMT but on a reduced area. Triticale is almost exclusively used in animal feeding. However, a growing portion of triticale is used in bioethanol and biogas production in Germany and Poland, accounting for an estimated total of about 450,000 MT. Following the large build up in stocks in MY2009/10, principally in Poland and used as feed the following year, these have now stabilized at just under 1 MMT. Any increase in feed usage forecast for MY2012/13 will see a reduction in carryover stocks.

## Rice

Rice, Milled EU-27	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Sep 2010		Market Year Begin: Sep 2011		Market Year Begin: Sep 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post

<b>Area Harvested</b>	468	481	462	480		465
<b>Beginning Stocks</b>	1,120	1,120	1,056	1,056		1,021
<b>Milled Production</b>	2,029	2,104	2,063	2,010		1,950
<b>Rough Production</b>	2,926	3,052	2,976	2,980		2,880
<b>Milling Rate (.9999)</b>	6,935	6,894	6,932	6,745		6,771
<b>MY Imports</b>	1,391	1,391	1,500	1,500		1,500
<b>TY Imports</b>	1,475	1,475	1,400	1,400		1,500
<b>TY Imp. from U.S.</b>	87	110	0	0		0
<b>Total Supply</b>	4,540	4,615	4,619	4,566		4,471
<b>MY Exports</b>	259	259	245	245		235
<b>TY Exports</b>	241	241	245	245		235
<b>Consumption and Residual</b>	3,225	3,300	3,353	3,300		3,300
<b>Ending Stocks</b>	1,056	1,056	1,021	1,021		936
<b>Total Distribution</b>	4,540	4,615	4,619	4,566		4,471
1000 HA, 1000 MT, MT/HA						

## Policy

### Imports

The EU limits the entry of lower priced grains from non-EU countries by means of a system of import duties and quotas.

Under the WTO Uruguay Round, all import quotas and variable levies applied to EU imports of grains and processed cereals were fixed or 'tariffed' and subsequently reduced by 36 percent over the six year period of July 1, 1995 to June 30, 2001. However, under the Blair House Accord concluded between the United States and the EU in 1993, it was agreed that the difference between the grains import price (cost insurance freight [cif] duty paid in Rotterdam) and the EU's intervention price cannot be greater than 55 percent. The EU then developed a system where duties were set on the basis of separate reference prices for six grain types, and applied to imports of high quality wheat, durum wheat (high quality), durum wheat (medium quality), maize (corn), flint maize, rye and sorghum. The resulting duty has been set at Euro 0/Metric Ton (MT) for durum wheat and high quality wheat since the beginning of the 2010/11 marketing year. The duty for corn has been calculated at Euro 0/MT since August 17, 2010 and the duty for sorghum and rye at Euro 0/MT since October 19, 2010.

#### Reference grains for calculating import duties

<i>Reference variety</i>	<i>Reference market</i>	
<i>High quality wheat</i>	<i>U.S. hard red spring No. 2</i>	<i>Minneapolis</i>
<i>Durum wheat (high quality)</i>	<i>U.S. hard amber durum No. 2</i>	<i>Minneapolis</i>
<i>Durum wheat (medium quality)</i>	<i>U.S. hard amber durum No. 2</i>	<i>Minneapolis</i>

Maize (corn)	U.S. yellow corn No. 3	Chicago Mercantile Exchange
Flint maize	U.S. yellow corn No. 3	Chicago Mercantile Exchange
Other feed grains (rye, sorghum)	U.S. yellow corn No. 3 (Commission Implementing Regulation (EU) No 643/2011, July 1, 2011)	Chicago Mercantile Exchange

Theoretical example illustrating method of calculating EU import duties

(Euro/MT)	Representative world standard	EU Reference price (a)	World price (b)	FOB premium (c)	Freight (d)	Representative world price (e) = (b)+(c)+(d)	EU duty (a)-(e)
Maize (corn)	Chicago yellow corn No. 3	159.88	68.46	16.20	15.56	100.22	59.66

Notes:

Reference price = EU intervention price is 1.55 times the sum of Euro 101.31 plus Euro 0.46 times the four months between the start of the MY July 1 and the start of the buying-in period November 1. [i.e.  $1.55 \times (101.31 + (\text{Euro } 0.46 \times 4))$ ]

In January 2003, the EU discontinued this system for low and medium quality wheat and barley. A system of quotas was introduced to protect EU producers from lower priced Black Sea imports, the duty for which had been calculated on the basis of higher U.S. prices. As such, imports entered the EU at very competitive rates.

More specifically, for medium and low quality wheat, a maximum annual tariff rate quota (TRQ) of 2,981,600 MT has been opened for medium and low quality wheat. A country specific quota of 572,000 MT is allocated for imports originating in the United States and 38,835 MT for those originating in Canada. The remaining 2.372 million MT is split into four equal tranches of 592,000 MT each on a quarterly basis, and is open to other non-EU countries on a first come first served basis. From January 1, 2012, there has been a new *ergo omnes* (open to all) quota consisting of one tranche of 122,790 MT for medium and low quality wheat. This has been opened to take account of market loss arising from the accession of Bulgaria and Romania to the EU in 2007. The duty for imports under the quota is set at Euro 12/MT, while imports outside the quota are subject to a duty of Euro 95/MT.

For barley, the quota of 50,000 MT applies to malting barley at a duty of Euro 8/MT and a separate quota of 300,000 MT applies for other types of barley at Euro 16/MT. Barley outside the quota faces duties of Euro 93/MT.

The European Commission's Cereals Management Committee which met in February 2011 voted to suspend import duties on certain grains imported into the EU from February 28, 2011 until the end of June 2011. The measure has been prolonged until June 30, 2012. The move was aimed at easing the pressure on the EU market, especially for animal feed. The suspension relates to existing tariff rate quotas for low and medium quality soft

wheat and for feed barley, where preferential tariffs of Euro 12/MT and Euro 16/MT respectively were reduced to zero for the volumes permitted under the quota.

### **Reductions for maize(corn) and sorghum – “Abatimento”**

The accession of Spain to the EU resulted in the application of common EU tariff barriers to Spanish imports and the loss of competitiveness for imports from non-EU countries. An agreement between the EU and the United States allows for the import of a fixed quantity of non-EU corn and sorghum at a preferential import duty as compensation for the loss of the Spanish market. The current agreement applies to 2 million MT of corn and 0.3 million MT of sorghum.

The EU also operates a reduced tariff import quota of 500,000 MT of corn into Portugal (maximum tariff of Euro 50 per MT). Amounts are reduced by any quantity of grain substitutes (e.g. starch residues and citrus pulp) imported in the same year. Flint maize is not permitted to be included within the concession.

Following the 2004 enlargement of the EU and a subsequent agreement between the EU and the United States, the EU opened an additional annual duty-free tariff quota of 242,074 MT of imports of corn from non-EU countries – the quota has been open since July 2006.

### **Exports**

The EU's ability to grant export subsidies, especially on wheat, became limited by WTO export subsidy limit commitments with the implementation of the WTO Uruguay Round Agreement on Agriculture.

As a part of that Agreement, GATT signatories committed to reduce the level of budgetary expenditure on export subsidies by 36 percent and the volume of subsidized exports by 21 percent over the six year period between July 1, 1995 and June 30, 2001. The WTO Ministerial meeting in Hong Kong in December 2005 agreed that all forms of agricultural export subsidy should be phased out by the end of 2013, with a substantial part already realized by 2010.

Within these constraints, the European Commission may fix refunds which enable EU exporters to compete on the lower priced world market. These may also to be fixed by tender. No export refunds have been granted on grains since September 2006 and grain-based processed products since 2007.

### **Intervention mechanism**

EU legislation allows the EU to intervene in markets by purchasing grains from farmers and traders at an intervention price of Euro 101.31/MT, which reflects the delivered to store price at which EU purchases are made. Selling into intervention is aimed to be the market of last resort for farmers and traders. Intervention purchases may be made between November 1 and May 31 for common wheat, barley, corn, sorghum and durum wheat. Grain held in intervention stores is disposed of mainly through sale by tender onto the domestic market or for export, although a proportion is released for the most deprived people in the EU.

The intervention arrangement was abolished for rye with effect from marketing year (MY – July 1 to June 30 for all grains and grains products) 2004/05. Guaranteed intervention quantities were reduced to 0 MT for corn from

MY 2009/10, durum wheat from MY 2009/10, barley from 2010/11 and rice from MY 2009/10. By reducing the guaranteed intervention quantity to 0, the EU maintains the right to reintroduce intervention if market conditions are considered to be appropriate. A guaranteed intervention quantity of 3 million MT at the intervention price applies to soft wheat with effect from MY 2010/11. When that quantity has been reached, intervention may be made through tenders or bids. In the absence of guaranteed intervention quantities, tendering procedures were introduced for barley, corn and sorghum with effect from MY 2010/11.

## Special support measures

EU legislation allows for special measures in addition to intervention to be taken to support the market for grains in time of crisis. These measures would take place on an *ad hoc* basis and be proposed by the European Commission and decided by the Member States at the Management Committee. The transfer of grains between regions of the EU to relieve pressure is possible. For example, grain has been released occasionally from intervention to relieve animal feed shortages in drought-hit regions in the EU.

## Biotechnology

Two biotech products, MON 810 corn and the Amflora starch potato, are approved for cultivation in the EU. Monsanto's MON 810 received its original approval for cultivation in the EU in 1998, and is currently undergoing the approval renewal process. Since 2007, the area sown with MON 810 in the EU has remained fairly stable at between 91,000 hectares and 115,000 hectares. ISAAA data shows that MON 810 is largely grown in Spain, the Czech Republic, Portugal, Poland, Slovakia and Romania.

### Cultivation of MON 810 corn in the EU (hectares)

	2005	2006	2007	2008	2009	2010	2011
Spain	53225	53667	75148	79269	76057	76575	97326
France	492	5000	21174	-	-	-	-
Czech Republic	150	1290	5000	8380	6480	4830	5091
Portugal	750	1250	4263	4851	5094	4868	7724
Germany	400	950	2685	3173	-	15	2
Slovakia	-	30	900	1900	875	1248	761
Romania [1]	110000	90000	350	7146	3244	822	588
Poland [2]	-	100	327	3000	3000	3000	3000
Sweden	-	-	-	-	-	80	15
Total	165017	152287	109847	107719	94750	91438	114507

Source: ISAAA (International Service for the Acquisition of Agri-biotech applications) report "Global Status of Commercialized Biotech/GM Crops: 2011"

[1] 2005 & 2006 - biotech soybeans; 2007 onwards - biotech corn

[2] Polish area is not confirmed by the public authorities

BASF's Amflora was approved for cultivation in the EU in March, 2010, and is estimated to have been grown on some 225 hectares in the Czech Republic, Sweden and Germany. In 2012, BASF decided it will stop

commercialization and research activities on European potato varieties. It further announced the relocation of its corporate headquarters from Germany to the United States.

Factors discouraging farmers from cultivating biotech crops in the EU include:

- Public field registers detailing the location of commercially grown biotech crops (compulsory in most Member States);
- National cultivation bans in Austria, France, Germany, Greece, Luxembourg and Hungary;
- Stringent national coexistence measures in Belgium, Czech Republic, Germany, Hungary, Portugal, Romania and Slovakia;
- Threats by anti-biotech non-governmental organizations.

Despite these factors, many EU farming groups remain interested in using plant biotechnology because of the resultant yield benefits and cost saving.

For more information on biotechnology in the EU, see [GAIN Report Number FR 9074 “EU 27 Agricultural Biotechnology Annual” of July 27, 2011](#).

Report Title	Date Released
<a href="#">Still no Rain in Spain</a>	3/7/2012
<a href="#">No Rain in Spain falling on the Plain</a>	2/8/2012
<a href="#">Preliminary Reports on Winterkill Loses in Poland Warsaw Poland 3-30-2012</a>	3/30/2012