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**Date:** 3/27/2015

**GAIN Report Number:**

**EU-28**

**Grain and Feed Annual**

**2015**

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**Report Highlights:**

The outlook for the MY2015/16 EU28 grain crop is positive with another sizeable crop forecast, albeit down from the record volume achieved in MY2014/15. Feed grain consumption in MY2015/16 is forecast to remain at the high level set in MY2014/15 which has seen a move towards corn over wheat - the latter benefitting from strong demand on third country export markets despite lower quality. Industrial grain usage is again forecast to rise but with a changing mix of grains. The MY2015/16 balance suggests that the EU28 will again be a significant wheat exporter but much will ultimately depend on the size and quality of the harvest and the availability and price competitiveness of imported corn. The export situation in Ukraine, both a key supplier to the EU28 market as well as a competitor, will be a key factor.

## **Introduction**

This report presents the first outlook for grain and feed, and Production, Supply and Demand (PS&D) forecasts for the Marketing Year (MY) 2015/16. Unless stated otherwise, data in this report is based on the views of Foreign Agricultural Service analysts in the EU28 and is not official USDA data.

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HA = Hectares

MT = Metric Tonne

MY = Marketing Year. Post and USDA official data both follow the EU28 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

## **Executive Summary**

EU28 farmers are expecting another sizeable grain crop of 309 MMT in MY2015/16. This follows the record 324 MMT grain crop in MY2014/15 and, if realized, will be the third largest crop in a decade, the previous record being 312 MMT in MY2008/09. Despite strong wheat exports and domestic grain consumption, notably in the feed sector, the very large crop in MY2014/15 means that ending stocks are expected to rise by nearly 8 MMT. With total domestic consumption forecast steady in MY2015/16 and wheat exports forecast to remain at or near the high levels seen in recent years, stocks are currently forecast to fall once more. Much will depend on the ultimate size and quality of the EU28 crop, although unknowns such as the export situation in Ukraine, both a key supplier to the EU28 market as well as competitor on third country export markets, and in Russia, where an export tax on wheat is currently in place until end-June, are adding to the uncertainty.

A number of factors are currently pointing towards a good MY2015/16 harvest, both in terms of size and quality. Plantings of the winter crops went very well, only Bulgaria and Romania reporting problems. In Bulgaria, a rain delayed corn and sunflower harvest pushed back wheat and barley planting. The Bulgarian winter wheat planted area is subsequently 150-200,000 HA below expectations while the winter barley area is down 20,000 HA year-on-year. This is expected to mean increased spring planting of corn and sunflower in Bulgaria this year. Romania saw excessive dryness in some areas in the fall and substantial rainfall elsewhere, the net effect being a notable reduction in year-on-year wheat plantings of nearly 200,000 HA. Romanian winter barley plantings were also detrimentally affected but, unlike wheat, it is expected the gap will be largely filled by spring two-row barley. A reduced wheat area in the UK, as producers switch to barley, is more than offset by an increased area in France and both countries report crops to be in good condition. Indeed, a mild winter across much of the EU has seen crops develop well with minimal winterkill, albeit with some concerns regarding increased pest and disease occurrence. This is particularly the case in Austria and the Nordics. In Poland, the Czech Republic and Germany, while crops are reported to be in very good condition, they are so well developed in the latter that there are reports of increased risk of fungus infection due to the leaves not drying fast enough after rain. While there is also optimism for the crop in Hungary, saturated soils in some parts of the country are expected to disrupt spring plantings and pre-emergent weed control. Italian soft wheat and durum sowings were completed in December ahead of a period of very cold weather and no damage to the crops is reported. With milder weather than normal since then, conditions are reported to be favorable for crop development. While planting went well in Spain, there are some soil moisture concerns so good spring rainfall will be needed to support yields.

Looking forward to the EU28 corn crop, and following the record crop and record yields achieved in MY2014/15, production is currently forecast to decline 5 MMT to 68MMT on a planted area forecast to rise just 150,000 HA. All of this rise in area can be attributed to Romania where previous producer concerns regarding the European Commission's decision to restrict the use of three pesticides from the neonicotinoid family have abated. Romania has again this year notified the European Commission of its intent to authorize certain products, thereby allowing farmers to use seeds treated with insecticides from the affected family of chemicals. It should be noted that the ban on neonicotinoids also presents pest control problems for other Member States, particularly those in the south east. There is no viable technical solution at this time.

MY2014/15 has been characterized by a large availability of feed quality grain at attractive prices within the EU28. This has fuelled a sharp rise in feed grain consumption, initially feed quality wheat

but latterly corn, and supported expansion in the livestock industry. Another large crop forecast for MY2015/16 means grain production is currently forecast to exceed domestic consumption by over 20 MMT, 15MMT less than MY2014/15 but still a considerable amount. With EU28 dairy quotas having ended on March 31, 2015, expansion expected and demand now generally buoyant in the livestock sector, MY2015/16 is forecast to see total consumption increase again, albeit marginally. Within this total, an increase is also again seen in food, seed and industrial (FSI) use of grain, predominantly due to continued increases in grain used for renewable transportation fuels. Interestingly, with margins being squeezed in the sector, the mix of grains being used in MY2014/15 has changed, with corn, rye and even barley increasingly being substituted for wheat due to the demand for the latter on export markets.

Third country imports, principally corn, down in MY2014/15, are forecast to increase in MY2015/16. This season has seen demand for corn increasing as the months passed, fuelled by the very strong pace of wheat exports, forecast to reach 32.5 MMT by year end due to ongoing demand, principally from North Africa. If realized, this will exceed the record volume seen in MY2013/14. Similarly, MY2015/16 exports are currently forecast to fall just 1 MMT, confirming the EU28 as a significant and ongoing supplier of wheat on third country markets, although the price and availability of imported corn will be a key factor in determining the final number.

Total grain stocks are currently expected to end MY2014/15 up nearly 8 MMT. This will provide some cushion from a supply shock should the current grain harvest forecast not be achieved or the situation in Ukraine deteriorates - not only is Ukraine a source of grains for the EU28, it also a competitor on third country markets. The other unknown casting a shadow over the market is the uncertainty over Russia and whether its export tax on wheat, currently in place until end-June, will be extended.

## Wheat

Wheat Market Begin Year European Union	2013/2014		2014/2015		2015/2016	
	Jul 2013		Jul 2014		Jul 2015	
	USDA Official	New post	USDA Official	New post	USDA Official	New post
Area Harvested	25,827	25,875	26,799	26,700	0	26,500
Beginning Stocks	10,815	10,815	10,635	10,056	0	16,356
Production	143,513	144,400	155,685	156,400	0	151,000
MY Imports	3,982	3,974	5,500	5,500	0	4,500
TY Imports	3,982	3,974	5,500	5,500	0	4,500

<b>TY Imp. from U.S.</b>	657	717	0	0	0	0
<b>Total Supply</b>	158,310	159,189	171,820	171,956	0	171,856
<b>MY Exports</b>	31,925	32,033	31,500	32,500	0	31,500
<b>TY Exports</b>	31,925	32,033	31,500	32,500	0	31,500
<b>Feed and Residual</b>	48,000	49,500	56,000	54,500	0	55,500
<b>FSI Consumption</b>	67,750	67,600	68,500	68,600	0	69,000
<b>Total Consumption</b>	115,750	117,100	124,500	123,100	0	124,500
<b>Ending Stocks</b>	10,635	10,056	15,820	16,356	0	15,856
<b>Total Distribution</b>	158,310	159,189	171,820	171,956	0	171,856
1000 HA, 1000 MT, MT/HA						

EU28 wheat production is currently forecast to reach 151 MMT in MY2015/16 - the second largest crop on record. If realized it will be 500,000 MT bigger than MY2008/09 which until MY2014/15 was the record. Although sizeable, MY2015/16 wheat production is forecast nearly 5.5 MMT down year-on-year, underscoring the substantial size of the wheat harvest in MY2014/15. In terms of area planted, including spring plantings, it is forecast to be 26.5 MHA, only marginally down year-on-year. While wet weather delayed and disrupted the harvest in MY2014/15, and reduced quality, especially in France, the conditions were very beneficial for yields, contrary to previous forecasts. Similarly, with the EU28 having experienced relatively good over winter conditions in MY2015/16 and a positive start to the spring, there is upside potential for yields, currently forecast average.

A mild winter across much of the EU28 has seen crops develop well with minimal winterkill, albeit there are some concerns regarding increased pest and disease occurrence, notably in Austria and the Nordics. A reduced wheat area in the UK, falling prices seeing producers switch back to barley, is more than offset by an increased area in France (for both soft wheat and durum, the latter being driven by the large price premium for durum wheat in 2014/15) and both countries report crops to be in good condition. In Poland, the Czech Republic and Germany, crops are reported to have developed well and are in good condition, so well in the latter that there is increased risk of fungus infection due to the leaves not drying fast enough after rain. While the planted area is down in Poland and the Czech Republic, Germany is preliminarily forecasting an increase in the wheat area at the expense of rapeseed and rye. The area planted to wheat in Austria is also forecast up year-on-year. There is also optimism for the crop in Hungary, only tempered by saturated soils in some parts of the country which are expected to disrupt spring plantings and pre-emergent weed control.

Italian soft wheat and durum sowings were completed in December ahead of a period of very cold weather and no damage to the crops is reported. With milder weather than normal since then, conditions are reported to be favorable for crop development. While planting went well in Spain and the area is forecast up 80,000 HA, there are some soil moisture concerns so good spring rainfall will be needed to support yields.

In the Baltics weather conditions during the relatively mild winter were favorable for winter plants development. While some localized winterkill has been reported it will not affect the total crop. In contrast, both Bulgaria and Romania have reported problems. In Bulgaria, a rain delayed corn and sunflower harvest pushed back wheat plantings. Although most were complete by end-October, there were reports of some farmers still trying to plant in December and January. Overall, the Bulgarian winter wheat planted area is subsequently 150-200,000 HA below expectations and although spring

wheat is not typical for the country some planting may be seen this year. It is also worth noting Bulgarian reports of improved genetics for the MY2015/16 crop due to seed imports from Germany, France and Hungary. Romania saw excessive dryness in some areas in the fall and substantial rainfall elsewhere, the net effect being a notable reduction in year-on-year wheat plantings of nearly 200,000 HA. In terms of crop development, snow cover was good in both countries, and although it is too early to evaluate for certain, producers have positive expectations for the two crops despite their reduced year-on-year size. In summary, the sentiment is generally good but with the EU28 entering a critical yield and quality determining weather period, this could change.

Regarding the current season, as the months have passed it has become evident that MY2014/15 has been a record year in terms of average yield across the EU28 with wheat production now expected to be 156.4 MMT, up 12 MMT on MY2013/14. That said, frequent rains through the summer in a number of Member States, including Romania, Bulgaria, Croatia, Czech Republic and France, increased disease incidence and saw a later and longer harvest. Germany's harvest was also longer but started earlier. Overall, quality suffered and the proportion of feed quality grains increased. This was especially the case in France. Spain experienced a dry summer which reduced yield while Italy saw reduced production, both soft and durum wheat yields down year-on-year as well as the planted area of the latter being lower. The main exception was the UK where conditions favored both a large and good quality crop.

Driven by the ample supplies and attractive prices, total EU28 domestic wheat consumption in MY2014/15 is forecast to rise 6 MMT year-on-year. Food, Seed & Industrial use is expected up 1 MMT. This rise would be higher were it not for the recent temporary closure of one of the UK's bioethanol facilities. This decision was apparently made due to the current difficult situation in the European bioethanol market, which the significant drop of oil prices in the last few months has exacerbated, and the devaluation of the euro compared to the British pound. That said, most of the rise in wheat consumption can be accounted for by increased use in the feed industry. Indeed, the latter might also have been higher were it not for a strong and sustained wheat export pace which has seen a steady switch towards corn in recent weeks, a trend that is forecast to continue.

The lower overall quality of the wheat crop, and of the French wheat crop in particular, was of concern for wheat exports in the early part of MY2014/15. However, these have proved unfounded. Wheat export licenses through March amount to nearly 26 MMT, with nearly 800,000 MT alone granted in the last week. Exports are expected to remain strong, in particular of (lower quality) milling wheat due to the lower availability from Ukraine and Russia. While both countries were present in the market early in the season, this is no longer the case.

With three months of the season to go, most export licenses valid for the current month plus four (most are used within 60 days), and the current value of the euro and low freight rates making EU wheat competitive on the third country markets, expectations are for another record EU28 wheat export number, currently pegged at 32.5 MMT. The principal exporter, as always, is France, and this has been achieved despite a much lower quality crop, price being the main factor. Germany, not so affected by quality concerns, has seen good intra-EU exports to France, underpinning the latter's exports, and good export volumes to North African and Middle Eastern countries. There has been a notable increase in German exports to Algeria albeit more than offset by a decline in exports to Saudi Arabia, other EU28 Member States such as Poland benefitting from Germany's loss. Indeed, Poland has also seen increased

intra-EU exports due to France's success in third country markets. Romania has also captured good export market share, recording over 2.5 MMT of wheat exports in the first six months of the season to destinations including Jordan and Turkey. Bulgarian exports are only marginally down despite competition from the Black Sea region and low prices making farmers reluctant sellers. Main overall destinations for EU28 wheat thus far this season, in rank order, have been Algeria, Iran, Egypt, Morocco, Saudi Arabia, Libya, Tunisia, Yemen, Cuba and Jordan. The competitiveness of EU28 wheat has also seen exports to non-traditional markets such as Thailand, Korea and China.

Imports are now expected to reach 5.5 MMT, largely due to increased imports of wheat by Spain but also in part, due to increased high protein durum wheat imports by Italy from Canada for blending. The heavy supply means that despite strong usage numbers, ending stocks are currently expected to end MY2014/15 up over 6 MMT year-on-year, easing the pressure on a previously tight balance.

Looking towards MY2015/16, with the forecast crop of 151 MMT, and assuming an improvement in quality after the poor results in MY2014/15, imports are forecast to fall back 1 MMT. Feed use in MY2015/16 is forecast to rise a further 1 MMT, the expansion in livestock production being the main supporting factor. For example, Poland cites the increased availability of affordable feed grains as having incentivized expansion in the poultry and hog sectors in MY2014/15. Food, Seed & Industrial (FSI) usage is forecast to up marginally in MY2014/15. Some increase in wheat use in the bioethanol sector is envisaged in the Benelux countries but question marks remain in the UK to the extent that neither of the two UK facilities, both capable of processing up to 1.1 MMT of wheat per year, are expected to operate at full capacity.

EU28 wheat exports in MY2015/16 are forecast to remain high, at 31.5 MMT, with Middle Eastern demand remaining strong. If EU28 wheat remains price competitive and there is good availability of well-priced imported corn to supplement the feed sector then increased exports to the aforementioned non-traditional markets could also be envisioned. That all said, much will depend on the Ukraine situation, principally its physical ability to export, as well as the quality and availability of its grains crop. If it is of a good quality and there are not disruptions to its export business then this could compete for market share with EU28 wheat later in the season. Another factor will be whether Russia removes or extends its export tax. Egypt is also forecast to remain a significant destination for France.

Stock levels are currently forecast to decline marginally in MY2015/16.

## Barley

Barley Market Begin Year European Union	2013/2014		2014/2015		2015/2016	
	Jul 2013		Jul 2014		Jul 2015	
	USDA Official	New post	USDA Official	New post	USDA Official	New post
Area Harvested	12,359	12,368	12,437	12,400	0	12,000
Beginning Stocks	5,071	5,071	5,513	5,649	0	6,049
Production	59,639	59,675	59,927	60,000	0	58,500
MY Imports	44	44	100	100	0	100
TY Imports	58	58	50	50	0	100
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	64,754	64,790	65,540	65,749	0	64,649
MY Exports	5,741	5,741	8,000	7,000	0	6,500
TY Exports	4,926	4,926	7,500	6,700	0	6,500

<b>Feed and Residual</b>	38,000	38,000	36,500	37,000	0	36,500
<b>FSI Consumption</b>	15,500	15,400	15,500	15,700	0	15,700
<b>Total Consumption</b>	53,500	53,400	52,000	52,700	0	52,200
<b>Ending Stocks</b>	5,513	5,649	5,540	6,049	0	5,949
<b>Total Distribution</b>	64,754	64,790	65,540	65,749	0	64,649
1000 HA, 1000 MT, MT/HA						

The total EU28 planted barley area is forecast marginally down in MY2015/16. A reduced planted area in Bulgaria, Romania and Hungary is not quite offset by increases in France, Germany and the UK. In addition, reduced yield prospects in France and Germany, the key EU28 producers, mean the EU28 barley crop in MY2015/16 is currently forecast to decrease by 1.5 MMT. Of this total forecast reduction, over 1 MMT can be attributed to reduced production in Germany. With a further 700,000 MT forecast reduction split between the Czech Republic, Poland and Romania and declines in most other Member States, the crop forecast would be smaller were it not for Spain. Production there is forecast up just over 1 MMT due to a much improved yield after a significant decline in MY2014/15. Small gains are also forecast for Austria, Croatia and the UK. As previously indicated, conditions over the winter have been generally good but with a larger proportion of the EU28 barley crop being spring sown there are more unknowns at this time than for wheat. Generally, the prospects for the 2015 harvest are currently good.

In the current season, production is estimated at 60 MMT, marginally up on MY2013/14 which included a record harvest in Spain. In contrast, the MY 2014/15 Spanish barley harvest was down over 3 MMT year-on-year, yield driven production increases in Germany and France offsetting much of this decline. Nearly 6.7 MMT of export licenses have been granted up to end-March and full season exports are currently forecast to reach 7 MMT – good third country export demand has been supported by reduced production in Canada, Australia and Argentina while Russia is reported to have already exported its availability. Of the near 5 MMT exported through end-December, some of which was exported using licenses obtained in MY2013/14, over 1.2 MMT (of feed barley) has been to Saudi Arabia and 1 MMT (of malting barley) to China with the main exporters – France, Germany and Romania – all reporting brisk trade.

Total feed barley usage in MY2014/15 is expected to decrease by almost 1 MMT, most of the decrease being accounted for by Spain and driven by the tight domestic supplies. FSI use is expected to be marginally higher in MY2014/15 meaning only a slight increase in ending stocks.

With exports in MY2015/16 currently forecast to reach 6.5 MMT, in the main to Saudi Arabia, and no change anticipated for FSI use, any downside to the outlook for this year's barley harvest will increase the focus on the feed number and ending stocks. At the current time, both are forecast down marginally but given the anticipated demand for feed grain in the EU28 in MY2015/16, any supply tightness is likely to be reflected in lower ending stocks.

## Corn

<b>Corn</b>	<b>2013/2014</b>	<b>2014/2015</b>	<b>2015/2016</b>
<b>Market Begin Year</b>	<b>Oct 2013</b>	<b>Oct 2014</b>	<b>Oct 2015</b>



European Union	USDA Official	New post	USDA Official	New post	USDA Official	New post
Area Harvested	9,739	9,660	9,565	9,500	0	9,650
Beginning Stocks	5,147	5,147	6,424	6,838	0	8,038
Production	64,259	64,675	74,160	73,700	0	67,700
MY Imports	15,919	15,919	8,000	8,000	0	12,000
TY Imports	15,919	15,919	8,000	8,000	0	12,000
TY Imp. from U.S.	1,337	1,011	0	0	0	0
Total Supply	85,325	85,741	88,584	88,538	0	87,738
MY Exports	2,401	2,403	2,500	2,500	0	2,500
TY Exports	2,401	2,403	2,500	2,500	0	2,500
Feed and Residual	58,000	58,000	59,500	59,000	0	59,500
FSI Consumption	18,500	18,500	19,000	19,000	0	19,000
Total Consumption	76,500	76,500	78,500	78,000	0	78,500
Ending Stocks	6,424	6,838	7,584	8,038	0	6,738
Total Distribution	85,325	85,741	88,584	88,538	0	87,738
1000 HA, 1000 MT, MT/HA						

Corn production in MY2014/15 is estimated to be a record 74 MMT. With the planted area down marginally on MY2013/14, the increase of 9 MMT follows much improved yields in most of the EU28 despite a sizeable crop in MY2013/14. Of particular note was the late, and wet, harvest and the number of Member States with record crops. Romania had its second successive record crop. Increased use of commercial corn hybrids versus saved seeds further helped increase yield in an already good year despite delayed ripening in some cases and unfavorably wet harvesting conditions meaning some crops were left in the field. There were also record crops in Germany, where late maturing led to quality declines prior to harvest and some grain corn being harvested for silage, and in Bulgaria, Hungary, Poland and France. In the latter, the wet weather through much of the summer, that was so detrimental to wheat quality, was beneficial for the corn. Bulgaria reported a late harvest in wet conditions. Hungary experienced a much improved yield while Poland planted a record area to corn in a year that also proved good for yields. Based on more typical yields, MY2015/16 production is currently forecast to decline to just under 68 MMT on a planted area forecast to rise 150,000 HA. Previous producer concerns in Romania, regarding the European Commission's decision to restrict the use of three pesticides from the neonicotinoid family, have once again abated. Romania has this year again notified the European Commission regarding its intent to authorize the use of certain products, thereby allowing farmers to use seeds treated with insecticides from the affected family of chemicals. Indeed, the planted area is forecast up 150,000 HA year-on-year. A small increase forecast for Bulgaria and Croatia is offset by Spain which is currently forecasting a 40,000 HA reduction in its planted area. It should be noted that the ban on neonicotinoids also presents pest control problems, mainly in the form of rootworm, for other Member States, particularly those in the south east. There is no viable technical solution available in the EU28 at this time.

Corn imports are now expected to reach 8 MMT in MY2014/15. Due to the demand for EU28 wheat on third country markets, corn has been increasingly competitive in feed in the current marketing year. Demand is also strong in the FSI sector. Hungary's newest ethanol plant, which opened in 2012, is now ratcheting up production and Germany, the Netherlands and Poland continue to favor corn in their biofuel sectors. Demand from the industrial sector in Austria remains strong. While Spain and Portugal are traditionally the main importers, the Netherland has become an increasingly important entry point for third country corn in recent years with a significant tonnage of Ukrainian corn destined for bioethanol. All three are expected to import significant tonnages this season, albeit a total of 7 MMT

down on a year earlier due to much improved domestic supply availability. With Ukraine being the main source of EU28 corn supplies, the duty free access granted them by the European Commission also adds support to imports but the political situation in that region adds uncertainty. Other suppliers, but to a much smaller extent, include Brazil, Russia and Serbia as well as both Canada and the United States. MY2015/16 is forecast to see imports rise to 12 MMT in large part due to sustained demand from the animal feed sector and anticipated increased imports from Ukraine under the duty free quota.

With corn export licenses to end-March totaling just over nearly 2.3 MMT, albeit on a July-June year, EU28 exports in MY2014/15 are now expected to be 2.5 MMT. Total EU28 exports are currently forecast unchanged in MY2015/16.

As indicated previously, feed consumption of corn is expected to increase in MY2014/15 due to its price competitiveness and the demand for wheat on third country markets. Also as discussed, demand for corn in the FSI sector is expected to rise by 500,000 MT, principally due to the increased industrial usage of corn in Germany, Hungary and Poland. MY2015/16 is currently forecast to see EU28 feed use little changed due to strong and ongoing demand in the livestock sector and the expected demand for wheat on third country export markets. With FSI use also currently forecast unchanged, unless production is higher than currently forecast, the tight stock situation in MY2014/15 is forecast to remain so next season.

## Rye

Rye Market Begin Year European Union	2013/2014		2014/2015		2015/2016	
	Jul 2013		Jul 2014		Jul 2015	
	USDA Official	New post	USDA Official	New post	USDA Official	New post
<b>Area Harvested</b>	2,563	2,550	2,164	2,100	0	2,200
<b>Beginning Stocks</b>	793	793	1,189	1,151	0	981
<b>Production</b>	10,188	10,100	8,790	8,780	0	8,150
<b>MY Imports</b>	77	77	75	50	0	50
<b>TY Imports</b>	96	96	50	50	0	50
<b>TY Imp. from U.S.</b>	0	0	0	0	0	0
<b>Total Supply</b>	11,058	10,970	10,054	9,981	0	9,181
<b>MY Exports</b>	169	169	175	150	0	150
<b>TY Exports</b>	201	201	150	150	0	150
<b>Feed and Residual</b>	4,900	4,900	4,500	4,450	0	3,900
<b>FSI Consumption</b>	4,800	4,750	4,400	4,400	0	4,500
<b>Total Consumption</b>	9,700	9,650	8,900	8,850	0	8,400
<b>Ending Stocks</b>	1,189	1,151	979	981	0	631
<b>Total Distribution</b>	11,058	10,970	10,054	9,981	0	9,181

1000 HA, 1000 MT, MT/HA

Rye is predominantly planted in less fertile sandy regions. The main producing and consuming countries for rye in the EU28 are Germany and Poland, which account for about three quarters of the total EU28 rye market. MY2014/15 was characterized by a reduced area as a consequence of reduced

prices the previous year. While yields were good, total EU28 rye production fell over 1.3 MMT. The current crop is reported to be progressing well but despite a price driven 100,000 HA increase in planted area in Poland, more typical yields mean EU28 production is forecast to fall a further 600,000 MT in MY2015/16. Most of this decline will be in Germany.

Around half of the rye production is used in animal feeds and MY2014/15 is expected to be no exception albeit. With food use relatively steady, the tighter supplies in MY2014/15 are seeing a reduction in the volume of rye being converted into bio-ethanol and in the form of rye-whole-plant silage in biogas digesters, mainly in Germany. The further reduction in supply in MY2015/16 is mainly forecast to be reflected in reduced feed and stocks.

## Sorghum

Sorghum Market Begin Year European Union	2013/2014		2014/2015		2015/2016	
	Jul 2013		Jul 2014		Jul 2015	
	USDA Official	New post	USDA Official	New post	USDA Official	New post
Area Harvested	120	134	131	145	0	135
Beginning Stocks	5	5	17	13	0	38
Production	616	700	736	850	0	760
MY Imports	193	193	100	150	0	150
TY Imports	186	186	100	150	0	150
TY Imp. from U.S.	25	25	0	0	0	0
Total Supply	814	898	853	1,013	0	948
MY Exports	2	3	20	2	0	2
TY Exports	18	18	5	2	0	5
Feed and Residual	775	860	800	950	0	910
FSI Consumption	20	22	20	23	0	23
Total Consumption	795	882	820	973	0	933
Ending Stocks	17	13	13	38	0	13
Total Distribution	814	898	853	1,013	0	948

1000 HA, 1000 MT, MT/HA

MY2007/08 saw significant interest in the sorghum market when tight global supplies of feed grains saw EU28 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 EU28 feed ration in years of tight feed grain supply and so has increased the possibility of future imports. Neither MY2014/15 nor MY2015/16 is currently expected to see any such trade and import volumes are forecast to remain at a very low level.

## Oats

Oats Market Begin Year European Union	2013/2014		2014/2015		2015/2016	
	Jul 2013		Jul 2014		Jul 2015	
	USDA Official	New post	USDA Official	New post	USDA Official	New post
Area Harvested	2,623	2,580	2,591	2,500	0	2,475
Beginning Stocks	902	902	778	815	0	782
Production	8,388	8,300	7,869	7,800	0	7,900
MY Imports	4	4	5	2	0	2
TY Imports	3	3	5	5	0	2
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	9,294	9,206	8,652	8,617	0	8,684
MY Exports	316	316	250	150	0	160
TY Exports	293	293	250	250	0	160
Feed and Residual	6,500	6,400	6,000	6,000	0	6,100
FSI Consumption	1,700	1,675	1,700	1,685	0	1,680
Total Consumption	8,200	8,075	7,700	7,685	0	7,780
Ending Stocks	778	815	702	782	0	744
Total Distribution	9,294	9,206	8,652	8,617	0	8,684

1000 HA, 1000 MT, MT/HA

The four main producers of oats in the EU28 are Poland, Finland, Sweden and Spain, traditionally accounting for around 50 percent of production. In MY2014/15, a reduced planted area in Finland and Sweden was partially offset by an increase in Poland. Combined with a year-on-year decline in yield, production is expected to fall 500,000 MT. Oats can be planted late and seed is inexpensive and readily available. Current expectations are for MY2015/16 to see a recovery in yields, a switch in planted area back to the Nordic countries and a 100,000 MT increase in production. The increase is tempered by two new CAP regulations - the rule to plant a minimum of three crops on each farm and the regulations regarding the ecological focus areas. Despite the long-term downward trend in oat production, the EU28 market remains underpinned by the organic industry which still has an interest in oats for crop rotation purposes and demand for food and feed use.

Trade in oats is traditionally almost exclusively intra-EU with a minor export volume to non-EU28 countries originating from Finland and Sweden. Third country destinations are mainly Switzerland and the United States, the latter mainly destined for horse feed. MY2013/14 saw Canadian oat exports to the United States drop due to rail transportation issues which led to an increase in EU28 exports to the United States. Total EU28 exports are currently forecast to return to typical levels in MY2014/15 and MY2015/16.

Total annual FSI use has stabilized in recent years. Within the total, usage for the production of bioethanol and biogas is forecast to remain steady at around 60,000 MT. The remaining production is fed to animals, a forecast 6 MMT in MY2014/15 rising in line with production in MY2015/16.

## Mixed Grain

Mixed Grain Market Begin Year European Union	2013/2014		2014/2015		2015/2016	
	Jul 2013		Jul 2014		Jul 2015	
	USDA Official	New post	USDA Official	New post	USDA Official	New post
Area Harvested	3,938	3,950	4,157	4,015	0	3,860
Beginning Stocks	960	960	776	795	0	1,025
Production	15,416	15,400	16,766	16,750	0	15,250
MY Imports	0	0	0	0	0	0
TY Imports	0	0	0	0	0	0
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	16,376	16,360	17,542	17,545	0	16,275
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Feed and Residual	14,200	14,100	15,000	14,850	0	14,150
FSI Consumption	1,400	1,465	1,500	1,670	0	1,650
Total Consumption	15,600	15,565	16,500	16,520	0	15,800
Ending Stocks	776	795	1,042	1,025	0	475
Total Distribution	16,376	16,360	17,542	17,545	0	16,275

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 over 80 percent of the production. In Poland, within the mixed grain total, plantings of triticale are rising but not as fast as plantings of other mixed grains are falling. As such, the total planted area in Poland is in year-on-year decline. High yields in MY2014/15 boosted Polish production but this is not currently forecast to be repeated in MY2015/16. Only a very small percentage of the Polish mixed grain crop is used in the bioethanol sector, with the vast majority used for on-farm feed. The French planted area is also in decline, again the majority being used as feed. The exception to this downward trend in planted area is Germany where it is rising year-on-year, supported by demand for mixed grain as a bioethanol feedstock. Indeed, the increased supply of mixed grain in Poland in MY2014/15 has seen Germany increase its imports from Poland. With overall EU28 mixed grain production expected to rise 1.35 MMT in MY2014/15, this will see an increase in both feed use and stocks, as well as the aforementioned industrial use in Germany. The strong feed grain demand forecast for MY2015/16 and reduced production is forecast to create conditions that mean this increase in stocks will be short-lived.

## Rice

Rice, Milled Market Begin Year European Union	2013/2014		2014/2015		2015/2016	
	Sep 2013		Sep 2014		Sep 2015	
	USDA Official	New post	USDA Official	New post	USDA Official	New post
Area Harvested	438	433	431	430	0	430
Beginning Stocks	1,188	1,188	1,191	1,149	0	1,105
Milled Production	1,965	1,923	1,974	1,881	0	1,895
Rough Production	2,828	2,785	2,843	2,723	0	2,741
Milling Rate (.9999)	6,948	6,905	6,944	6,908	0	6,914
MY Imports	1,530	1,530	1,500	1,550	0	1,550
TY Imports	1,556	1,556	1,500	1,550	0	1,550



Maize (corn)	Chicago yellow corn No. 3	157.03	68.46	16.20	15.56	100.22	56.81
Notes: Reference price = EU intervention price is 1.55 times Euro 101.31							

In January 2003, the EU discontinued this system for low and medium quality wheat and barley and introduced a system of quotas 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 3,112,030 MT was opened in 2003 for medium and low quality wheat. A country specific quota of 572,000 MT was allocated for imports originating in the United States and 38,853 MT for those originating in Canada. The remaining 2.378 million MT is split into four equal tranches of 594,000 MT each on a quarterly basis, and is open to other non-EU countries on a first come first served basis. All of these TRQs remain operational today.

In addition to these TRQs, 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 50,890 MT applies to malting barley at a duty of Euro 8/MT and a separate quota of 307,105 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 November 2012 voted to suspend import duties on low and medium quality soft wheat and feed barley imported into the EU from January 2013 until the end of June 2013. The move was aimed at easing the pressure on the EU market, especially for animal feed. The suspension relates to existing tariff rate quotas, where preferential tariffs of Euro 12/MT and Euro 16/MT respectively were reduced to zero for the volumes permitted under the quota.

In addition, the Commission introduced an autonomous tariff measure (ATM) introducing zero import duty for 950,000 MT of wheat, 400,000 MT of corn and 250,000 MT of barley from Ukraine to apply from the end of April until October 31, 2014. This measure was prolonged to apply from January 1, 2015 until the end of December 2015.

#### 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 277,988 MT of imports of corn from non-EU countries. The quota has been open since July 2006.

## **EU Export Policy**

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. At the WTO Ministerial meeting in Hong Kong in December 2005, it was 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.

Export licenses are mostly valid for 60 days, with some applying to more specialized items being valid for the current month plus four – see Commission Regulations (EC) Nos [1129/2007](#) and [1555/2007](#).

## **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 starting from marketing year 2004/05 (MY – July 1 to June 30 for all grains and grains products). Guaranteed intervention quantities were reduced to zero 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 zero, the EU maintains the right to reintroduce intervention if market conditions are considered to be appropriate. A guaranteed intervention quantity of three million MT at the intervention price has applied to soft wheat since MY



2010/11. When that quantity has been reached, intervention is made through tenders or bids. In the absence of guaranteed intervention quantities, tendering procedures were introduced for barley, corn and sorghum starting 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**

### Authorization of GE 1507 corn for cultivation

On September 26, 2013, the European Court of Justice (ECJ) found that the European Commission had failed to forward an application for GE 1507 corn cultivation, submitted by Pioneer Hi-Bred in 2001, in a timely manner. After not being able to reach an agreement in 2009 at the Commission's 2001/18 Standing Committee, the Commission failed to put the matter to vote in Council "without delay."

The ECJ also criticized the Commission for unnecessarily resubmitting the Pioneer application to the European Food Safety Authority (EFSA) seven times. On March 3, 2014, the application was put to the General Affairs Council which gave no opinion. As pre-Lisbon rules apply in this case, the Commission is obliged to adopt the proposal. As of March 27, 2015, the Commission has not adopted its proposal.

### Member States allowed to "opt out" of cultivating approved biotech crops

The Commission has asserted that the approval of another biotech crop for cultivation necessitates the introduction of a system for Member States (MS) to opt out of cultivating approved biotech crops for non-scientific reasons. EU legislation governing plant biotechnology currently allows MS to ban the cultivation of biotech crops in their territories if new scientific evidence suggests that such cultivation could be harmful to the environment, or human or animal health. Since many MS have historically used spurious science to invoke this "safeguard clause," in 2010 the Commission proposed an amendment to the legislation that would allow MS to "opt out" of cultivating approved biotech crops for non-scientific reasons. This proposal failed to achieve a consensus at Council. In March 2014, the Greek Presidency of the Council tabled a compromise proposal which includes elements that both pro- and anti-biotech Member States could accept. The proposal was agreed by the Parliament and Council in January 2015 and will enter into force in Spring 2015.

Only two biotech products, MON 810 corn and the Amflora starch potato, have been approved for cultivation in the EU by the Commission. However, the Amflora potato was subsequently banned by the EU General Court in 2013.

### Cultivation of MON 810 corn

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 89,000 hectares and 129,000 hectares, the most significant increase taking place in Spain in 2011 and 2012. International Service for the Acquisition of Agri-biotech Applications (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)

	2006	2007	2008	2009	2010	2011	2012	2013
Spain	53667	75148	79269	76057	76575	97326	116307	136962
France	-	-	-	-	-	-	-	-
Czech Republic	1290	5000	8380	6480	4680	5091	3080	2560
Portugal	1250	4263	4851	5094	4868	7724	9278	8171
Germany	950	2685	3173	-	-	-	-	-
Slovakia	30	900	1900	875	1248	761	189	100
Romania	-	350	7146	3244	822	588	217	220
Poland	100	327	3000	3000	3000	3000	N/A	-
Sweden	-	-	-	-	-	-	-	-
Total	57287	88673	107719	94750	91193	114490	129071	148013

Source: ISAAA report “Global Status of Commercialized Biotech/GM Crops: 2013”

NB: Polish area is not confirmed by the public authorities

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 FR9169 “EU 28 Agricultural Biotechnology Annual”](#) of December 31, 2014.

### **CAP Reform**

The final CAP Reform package was approved by the European Parliament in November 2013 and the Council in December 2013. All aspects of the reform are applicable as from January 2014 with the exception of the new direct payments structure (including “green” payments and additional support for

young farmers) which will apply from 2015. The only amendment to the EU grains regime made by the CAP Reform is that sorghum will no longer have the potential to be subject to intervention. As such, the CAP Reform will not have a significant direct impact on the grains sector.