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Report Highlights:

The EU28's grain harvest is forecast to rise 3 percent in MY2017/18 despite little change to the planted area. This follows the weather driven decline in the French grain harvest experienced in MY2016/17, a significant factor that continues to weigh on the EU28 grain balance. The current outlook for the MY2017/18 EU28 grain crop is good and spring planting is now under way. In large part due to the problems experienced in France, MY2016/17 has seen a significant supply-driven decline in exports. They are currently forecast to recover somewhat in MY2017/18 but not to pre-MY2016/17 levels.

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Introduction

This report presents the first outlook for grain and feed, and Production, Supply and Demand (PS&D) forecasts for the Marketing Year (MY) 2017/18. 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

The MY2017/18 EU28 grain crop is currently forecast to reach 306.5 MMT. If realized, this will be just 6.5 MMT smaller than in MY2015/16 and, following the record 327 MMT grain crop in MY2014/15, will be the fifth EU28 crop to surpass 300 MMT in a decade. This time last year it was forecast that the MY2016/17 grain crop would gain this accolade but very poor weather-related growing conditions in May and June in a number of countries, but especially France, saw the crop fall 15.5 MMT year-on-year. Forecast planted area in MY2017/18 is little changed in MY2016/17 but this masks a 700,000 ha reduction in the area planted to wheat and increased plantings of other grains.

MY2016/17 has been characterized by the significant decline in the wheat crop in France, the EU's largest exporter of grain. The country's average wheat yield fell to a level not seen since the early 1980's and there was a more than 30 percent year-on-year decline in production. Quality was also bad, especially for durum wheat, together meaning that in MY2016/17 France is forecast to export little more than half the amount of wheat as compared to MY2015/16, down 6.5 MMT. The other French grain crops, particularly winter barley, were also affected by the weather but to a lesser extent than for wheat. That said, its barley exports are also forecast to decline, down 3MMT in MY2016/17 as compared to a year earlier, to 1.6 MMT. While France's reduced presence on third country export markets did benefit some other EU28 Member States, including Bulgaria, Romania and Germany, there is an inevitable and significant decline in forecast total EU28 grain exports in MY2016/17, albeit not as much as previously forecast. Indeed, with countries like Lithuania and Latvia not forecast to repeat their record wheat exports of 2015/16, total EU28 grain exports are now forecast to decline nearly 13 MMT in MY2016/17.

The unusual French situation in MY2016/17, combined with a large barley crop in Spain, has seen a switch to feeding barley over wheat, but also instead of corn, at the same time as a price driven switch from grains to other feed ingredients. Overall, this means a year-on-year decline in total EU28 feed grain use in MY2016/17 is now expected. In contrast, the total Food, Seed & Industrial (FSI) forecast for MY2016/17 is raised over 1.5 MMT as compared to the previous forecast, in large part due to higher than previously anticipated use of wheat and corn in the UK and Hungarian biofuels sectors, respectively. Overall, total consumption is little changed as compared to MY2015/16 but the year-on-year production decline outweighs the decline in exports meaning total EU28 grain ending stocks in MY2016/17 are still forecast to decline substantially.

For MY2017/18, total domestic consumption is forecast unchanged, steady total grain feed use masking a switch back from barley to other grains. FSI use is also forecast unchanged, in large part due to industrial use ceasing its upward trajectory. It is only a combination of the forecast rise in production and a measured increase in exports, mainly French wheat, which limits any substantial further decline in stocks. However, as was demonstrated in MY2016/17, much will ultimately depend on the size and quality of the EU28 crop as well as the export situation in Ukraine, both a key supplier to the EU28 market as well as competitor on third country export markets; in Russia; and the pricing of the EU28 crop versus Black Sea Origins.

Harvest outlook

Prospects are currently good for the MY2017/18 harvest, both in terms of size and quality. While there were some country-specific challenges at planting of the winter crops, the general consensus is that the crop was given a good start. November and December was unusually dry in some parts of the EU and a cold snap in January also caused localized challenges but milder and wetter weather in February and March have been welcomed. Indeed, winterkill is currently thought to be limited, the winter crop in good condition and spring plantings are now under way.

Particular attention has focused on France after their much reduced grain crop, especially wheat, in MY2016/17. Good planting conditions are reported and while the fall and winter were a little dry, it is

not currently of any real concern. Similarly, a cold spell in January did not induce winter kill and is reported to have been good for reducing pest pressure.

In Germany, preliminary planting data shows a marginal decrease in total grain plantings, a small rise in the area planted to winter wheat more than offset by a decline in the area planted to rye and triticale, and to a lesser extent winter barley. At the time of writing no winter kill is reported and the crops are in good condition – a lack of moisture in January and February was alleviated by rains at the end of February and into early March.

The UK presents a positive picture. While winter plantings are marginally down in favor of spring plantings in an endeavor to tackle weed issues, especially black grass, conditions both at planting and over winter are reported to have been favorable and the crop is developing well. The situation also looks positive in Italy and Greece.

In Austria, yield expectations are closer to average and lower compared to the record yields experienced in MY2016/17 - rainy and wet conditions in the fall of 2016 delayed winter sowing, reducing yield potential. Long lasting frost conditions mean some winterkill is likely to have occurred, especially in winter barley but also, to some extent, in winter wheat. As with France though, this extended cold period is expected to reduce pest and disease occurrence. Also of note is that the area planted to organic grains is still on a rising trend. In MY2016/17, nearly 15 percent of the area planted to grains in Austria was organic.

Bulgaria experienced good planting conditions, albeit somewhat extended by prolonged rains in September. Overall, the weather conditions over winter have been good, if a little dry in the south of the country. Winter hit in late December with record low temperatures and snow continuing into January. Due to heavy snow cover, minimal winter kill is reported with the exception of some spots where the wind left the crop unprotected. February was warmer, windy and drier and, if there is any concern it is that, soil moisture levels were not fully adequate, both below MY2016/17 and below average, especially in the south. Croatia also saw low temperatures in January but no issues with winter grain development are reported thus far.

In Hungary, mostly benign conditions for dormant fields followed a successful planting campaign. That said, the cold snap in January did result in frost damage in several parts of the country due to thin snow cover. With most planted grains having good cold tolerance and with temperatures subsequently moving back to the seasonal average, there is still an expectation that the crop could recoup some, if not all, of any losses especially if the spring weather is good.

Romanian producers struggled with the weather at winter planting, the reasons ranging from a lack of rainfall to too much rainfall, but spring plantings are hoped to offset some of the reduction expected in the winter crops.

The Baltics – Lithuania, Latvia and Estonia – report unfavorable weather conditions in January, following good planting. In particular, low temperatures in combination with limited snow cover may have led to increased winter kill. It is also a less positive picture in the Czech Republic where winter conditions, especially very low temperatures in January, were not ideal for the winter crops. The

Nordics – Denmark, Finland and Sweden – had the low temperatures in January but without any corresponding concerns for winterkill.

January was also the key month in Poland where it saw harsh frosts. Weather conditions for planting and crop development had been good up until that point. Indeed, the condition of the plants before entering into winter dormancy was reported to be very good. While these frosts are expected to have led to some winter kill, the damage is expected to be relatively limited. Soil moisture is reported to be good.

Finally, demonstrating that country’s needs vary, both Spain and Portugal report that a lack of precipitation in September delayed early plantings as the soil was too dry. However, rains at the beginning of October allowed for most grains to be planted. Colder than previous year’s temperatures over winter are expected to have reduced pests and weeds, in Southern Spain in particular. The precipitation so far has been rather limited; hence the amount of precipitation in the spring will define the final size of the crop. Dam water reservoirs in Spain are currently reported to be just above 50 per cent of capacity which bodes well at this point in the season.

Looking forward to the corn crop specifically, an increase is forecast in the planted area, mainly in the key producing countries of France and Romania, following the six year low in MY2016/17. Even so, it is expected to remain much below the level which contributed to the record crop of MY2014/15. With three pesticides from the neonicotinoid family remaining prohibited across the EU28, for the fourth year Romania requested, and was granted, European Commission approval to allow farmers to use seeds treated with insecticides from the affected family of chemicals this year. 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.

Crop specific

Wheat

Wheat Market Begin Year	2015/2016		2016/2017		2017/2018	
	Jul 2015		Jul 2016		Jul 2017	
European Union	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	26777	26820	27092	27000	0	26300
Beginning Stocks	12730	12730	13985	15561	0	10561
Production	160000	160450	144658	145500	0	151700
MY Imports	6916	6917	5500	5500	0	6000
TY Imports	6916	6917	5500	5500	0	6000
TY Imp. from U.S.	895	895	0	0	0	0
Total Supply	179646	180097	164143	166561	0	168261
MY Exports	34677	34686	25500	27000	0	29000
TY Exports	34677	34686	25500	27000	0	29000
Feed and Residual	61000	59000	58000	57000	0	57500
FSI Consumption	69984	70850	70700	72000	0	71750
Total Consumption	130984	129850	128700	129000	0	129250
Ending Stocks	13985	15561	9943	10561	0	10011

Total Distribution	179646	180097	164143	166561	0	168261
(1000 HA) ,(1000 MT)						

EU28 wheat production is currently forecast to reach 151.7 MMT in MY2017/18. If realized, this will be over 8 MMT down on the record crop of MY2015/16 but still the third largest crop on record. Perhaps of more significance is that it will be over 6 MMT larger than MY2016/17 on a planted area forecast to decline 700,000 ha. This season, the MY2016/17 wheat balance has been characterized by the significant decline in the wheat crop in France. Despite good early potential, excessive rain in May and June combined with a lack of sunshine and low temperatures at the crucial flowering period led to very poor grain fill. Wheat ears which should have been expected to contain twenty to thirty seeds were only filled with five to ten seeds. It led to a significant drop in yield, back to that experienced in the 1980's, a 30 percent decline in total French wheat production year-on-year and a significant proportion of the durum wheat crop was feed quality. While the main impact was felt in France, Belgium also experienced a diminished crop due to this weather. With year-on-year reductions in production also recorded elsewhere, especially in the UK, Baltics and Nordics who experienced large MY2015/16 crops, and despite larger crops in the Southern and Eastern Member States, MY2016/17 will be remembered for a significant decline in total EU28 wheat production. Returning to the current outlook for MY2017/18, while the planted area is reduced as compared to MY2016/17, the wheat crop is currently reported to be in good condition and an average yield is forecast. While there is no expectation of a repeat of the French situation this year, last year's developments were a reminder that the final size and quality of the EU28 wheat crop still depends heavily on the weather from now through harvest.

A mild fall across the EU28 saw winter plantings get off to a relatively good start, albeit with some disruption due to untimely rains. While it was a little dry in November and December, a cold snap in January generally bodes well for reducing pest occurrence, albeit with some winterkill, and rains in February and March were broadly welcomed.

In the EU's largest producer and exporter of wheat, a status it still maintained in MY2016/17 despite the problems, and for the second year running, France is forecast to plant a near record area to wheat. Planting conditions were good, the aforementioned cold spell did not induce winter kill but still reduced the pest pressure on plants and market sentiments for a return to form are positive. In the UK, the area planted to wheat is also forecast unchanged year-on-year and an unremarkable, if mild, winter also means the outlook is positive. Similarly, in Germany the area planted to wheat is forecast unchanged year-on-year and the crops are reported to be in good condition, no winter kill reported, and any lack of moisture in January and February was alleviated by rains at the end of February and early March.

In Poland, the area planted to wheat is forecast to decline 100,000 ha, around 4 per cent. Lower wheat prices and production profitability have reduced farmers' interest in wheat production for the next marketing year. Planting of the winter crop went smoothly. A harder winter, particularly heavy frosts in January, has affected some regions but the damage is reported to be limited and soil moisture levels are good. Bulgaria has also seen a reduction in winter planting of wheat, driven by the lower prices. In addition, many farmers decided to expand their rapeseed area due to excellent profitability. Most planting occurred on schedule although rains in September did cause some disruption and the weather heading into winter was described as good but rather dry. Late December saw record low temperatures and heavy snow. While the latter protected much of the crop, there were reports of isolated damage

where winds left the crop exposed to the elements. Despite the snow in January, February was drier than normal and soil moistures were not fully adequate, both below last year and the average, especially in the south of the country. Yield is therefore not forecast to match the record seen in MY2016/17 but is forecast to be above MY2015/16, improved genetics imported from France and Germany being another supporting factor.

Like Bulgaria, the area sown to wheat in Romania is down year-on-year and the 120,000 ha reduction is in part due to an expanded area planted to rapeseed. An additional factor for Romanian farmers was difficulties during the optimum planting window due to either too much or too little rain, depending on the part of the country. Yields are expected to decline due to uneven emergence and poorer appearance than in MY2016/17, acknowledging that was a record year for Romania.

Both Hungary and the Czech Republic faced less than ideal weather conditions for their winter crops, the very low temperatures and thin snow cover in January being a challenge in some areas. Hungary also faced the additional problem of flooding. While there is a hope that the crops in both countries could recover if the spring weather is good, the area planted to wheat in both countries is forecast down, by 20,000 ha and 60,000 ha, respectively. Overall, production in both countries is forecast to decline.

In the Baltics, weather conditions were unfavorable in January and there is an expectation of winterkill in the areas without good snow coverage. That said, the planted area and production is forecast little changed year-on-year, albeit below the record levels seen in MY2015/16. In the Nordic countries, no further change in the planted area is forecast in MY2017/18 following the reductions in MY2016/17 when farmers switched to other grains – to barley in Denmark and to oats in Sweden and Finland. Although low temperatures were reported in January, there are no significant winter kill losses reported.

Finally, turning to the south, the total area planted to wheat in Spain is forecast to decline marginally, the steady increase of olive groves and tree nuts plantings affecting the soft wheat area in particular while the area planted to durum wheat remains steady. The Portuguese area planted to wheat is forecast to decline due to the absence of precipitation prior to the planting season. A colder winter and lack of rain means the crops in both countries are behind normal schedule and the focus is on spring rains. Irrespective of these, the high yields of MY2016/17 are not currently forecast to be repeated. In Italy, a reduction in the forecast area planted to durum wheat outweighs the forecast increase in the soft wheat area meaning a total reduction of 100,000 ha. A relatively benign winter and suggested average yields means production is also forecast down after the record total in MY2016/17.

In summary, the sentiment is generally good but with the EU28 entering a critical yield and quality determining weather period, producers are cautious to assume a positive outlook given the French experience in MY2016/17.

Regarding the current season, the significant reduction in EU28 wheat production came as a shock to the market after the record crop of MY2015/16, not least as the area planted broke the record once again. Wheat production is now expected to be 145.5 MMT, down around 15 MMT on MY2015/16. Although much reduced year-on-year, this is slightly higher than previously forecast following recent upward revisions in yield expectations in Austria, the Czech Republic, Germany, Hungary, Romania and, most significantly, in Poland. Year-on-year, in addition to in France, there were smaller crops in the Benelux,

the UK, Germany and the Baltics in MY2016/17. Increases elsewhere mean that if it were not for the 13 MMT decline in French wheat output, the EU28 would have again experienced a very large wheat crop.

Total EU28 domestic wheat consumption in MY2016/17 is forecast to fall nearly 2 MMT year-on-year. Within this total, FSI use is expected to rise just over 1 MMT, in large part due to increased use in the biofuels sector in the UK where both bioethanol plants are reported to be running, albeit still not at full capacity. (Note, a correction to Belgian industrial use of wheat in MY2015/16 and rolled through subsequent years adds a further 700,000 MT to FSI use in all years). Consumption of wheat in the feed sector is now forecast to fall 2 MMT year-on-year. In large part this has been driven by the tighter supplies in France but two other factors are the reduced crop in Denmark and the increased availability of feed quality barley, particularly in Spain.

A steady wheat export pace in the early part of the season has slowed in recent weeks and export licenses through mid-March amount to 16.5 MMT, over 4 MMT behind MY2016/17 when a near record 34.7 MMT was exported. Despite its much smaller and poorer quality crop than we have come to expect, France is currently expected to retain the title of principal EU28 exporter, albeit only just. The main recipients for EU28 wheat are traditionally North Africa and the Middle East, principally Algeria, Morocco, Saudi Arabia and Egypt. While the EU28 is expected to lose some market share in these markets due to the French situation and, to a much lesser extent, the reduced presence of the Baltics on the wheat export market following much smaller crops, exports are forecast up in Germany, Romania and Bulgaria and, to a lesser extent, Poland and Italy. Germany reports a notable increase in exports to Algeria, Saudi Arabia and Turkey. Increases to Sudan, Kenya and the UAE in absolute terms are a lot less, albeit high in relative terms. Following an excellent wheat crop, Romania got off to a quick start in the MY2016/17 export campaign, stimulated in large part by the gap left by France. A notable buyer in the first six months was Vietnam with over 800,000 MT, a volume more than double that of Egypt which ranked second at just over 400,000 MT. Bulgaria had record high production due to favorable weather and wider adoption of higher yielding genetics. Quality was much higher and the combination of these two characteristics made the local wheat more attractive for exporters both within the EU and in third countries at a time when they could capitalize on the French situation. It is a similar story in Poland where the same factors have seen reports of a good export pace, with growing demand for soft wheat from Saudi Arabia, Egypt, Algeria and Morocco. Overall, EU28 wheat exports are currently forecast to reach 27 MMT in MY2016/17, a decline of nearly 8 MMT on a year earlier, but not as much of a reduction as previously forecast.

Imports are expected to reach 5.5 MMT in MY2016/17, 1.5 MMT down on MY2015/16 and mainly due to reduced import demand by Italy and Spain, both due to much improved domestic crops. The considerable tightening in EU28 supply and increased FSI use means that, despite reduced feed wheat consumption, stocks are now forecast to fall 5 MMT through MY2016/17 to below the level seen at the beginning of MY2015/16 and before that season's record crop.

These lower carry in stocks will weigh heavily on the MY2017/18 balance, even with production forecast at 151.7 MMT. Imports are forecast to rise slightly, in part due to expectations of a reduced wheat crop in Italy. The increased availability of domestic wheat in the EU28 is forecast to support a partial recovery in wheat consumption in feed, but only by 500,000 MT. FSI usage which has been rising year-on-year is forecast little changed – industrial use is the main driver and no gains are forecast for the principal markets of Germany, France, the UK, Netherland, Poland or Belgium. Consequently,

the focus will once again return to exports where France is forecast to be at the fore, albeit at a reduced volume than seen immediately prior to the disastrous crop this season. EU28 wheat exports in MY2017/18 are currently forecast to increase once more, to 29 MMT. If this export number is achieved, stock levels are currently forecast to fall just 500,000 MT in MY2017/18.

Corn

Corn Market Begin Year	2015/2016		2016/2017		2017/2018	
	Oct 2015		Oct 2016		Oct 2017	
European Union	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	9455	9250	8674	8500	0	8800
Beginning Stocks	9626	9626	6655	6695	0	6070
Production	58410	58750	60295	60750	0	62000
MY Imports	13768	13768	13100	12500	0	13000
TY Imports	13768	13768	13100	12500	0	13000
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	81804	82144	80050	79945	0	81070
MY Exports	1949	1949	2000	2250	0	2500
TY Exports	1949	1949	2000	2250	0	2500
Feed and Residual	55000	55500	55400	53000	0	54750
FSI Consumption	18200	18000	17600	18625	0	18900
Total Consumption	73200	73500	73000	71625	0	73650
Ending Stocks	6655	6695	5050	6070	0	4920
Total Distribution	81804	82144	80050	79945	0	81070
(1000 HA) ,(1000 MT)						

The summer 2015 drought was very challenging for most EU28 producing countries, reducing yields and squeezing margins. Production in MY2016/17 is expected up 2 MMT year-on-year but on a much reduced planted area and fortunes are mixed across the EU28. In France, the EU28's largest corn producer, the corn crop was less affected by the adverse weather conditions than the winter grains. Nevertheless, plantings were impacted by excessive rains leading to poor yield for the second year running and production fell 1.6 MMT, over 6 MMT below the record set in MY2014/15. In stark contrast, Hungary is reporting a record yield in MY2016/17 and has recorded its second largest corn crop, up 2.2 MMT year-on-year, only beaten by the crop of MY2008/9 due to a larger area. A larger harvest was also reported in the EU28's second largest producer, Romania, albeit 1.7 MMT below its record, like France set in MY2014/15. A heat wave negatively impacted the pollination process reducing yields, albeit to a lesser extent than in MY2015/16. Poland also has a much improved crop after the challenges of 2015 while Spain's production has declined in line with a lower planted area. Bulgaria has recorded much lower yields due to a summer drought. Indeed, the variability is repeated across the EU28 making for a very mixed picture.

An increase in forecast planted area, mainly in the key producing countries of France and Romania but also in Bulgaria, Poland and Germany, combined with more typical yields means MY2017/18 production is currently forecast to reach 62 MMT. With three pesticides from the neonicotinoid family remaining prohibited across the EU28, for the fourth year Romania requested, and was granted, European Commission approval to allow farmers to use seeds treated with insecticides from the affected family of chemicals this year. 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. Romanian forecast planted area is up 60,000 Ha year-on-year while it is 70,000 Ha higher in France. Bulgarian farmers currently plan to expand their area under corn by nearly 40,000 Ha due to good profitability, increasing prices and expectations for prices to continue to rise driven by good demand. That said, a dry spring may see them switch some area to sunflowers. In Spain and Portugal, poor crop margins along with the limited amount of dam water in Portugal in particular will result in a switch away from corn to more profitable and less water demanding crops.

Returning to MY2016/17, on the demand side, the main story is reduced use in the feed sector. In MY2015/16, feed use was also down but received some support from beginning stocks. These are much tighter in MY2016/17 so despite the increase in production, supplies remain tight and, as with wheat, there has been a switch towards barley in the ration. The situation has supported third country corn imports which are now expected to reach 12.5 MMT – while import licenses to mid-March are nearing 7.5 MMT, these are on a July-June year and compare to 10 MMT at the same time last year. Ukraine and Russia are the main suppliers. Overall, the availability of barley means that feed use of corn is forecast to fall in MY2016/17. MY2017/18 is forecast to see an increase in imports from Ukraine due to an expected increase in the tariff free quota by 650,000 MT. This will support imports and, in combination with increased production, means MY2017/18 is currently forecast to see EU28 feed use recover somewhat, albeit the increase tempered by increased consumption of other grains, especially wheat.

FSI use is forecast to rise in MY2016/17. While food and seed use are comparatively stable, the change is largely driven by industrial use of corn. The largest rise, of 300,000 MT year-on-year, is expected in Hungary where the two biggest processors, Hungrana and Pannonia Ethanol, have both completed expansion of their capacity. Each is now able to process 1 MMT of corn per year. Pannonia Ethanol produces un-denatured ethanol and DDGS. Hungrana has a wide assortment of products including starch, ethanol and animal feed. Elsewhere in the EU28, industrial use of corn is also expected up in Austria, the Netherlands, Poland, Austria and the UK. Overall, industrial use of corn in the EU28 is forecast to rise nearly 650,000 MT year-on-year. Further expansion of Hungarian capacity, scheduled for completion in 2018, means a further increase in the Hungarian industrial use number in MY2017/18 and is the main reason EU28 FSI use of corn is forecast to rise again.

Corn export licenses to mid-March total just over 1.7 MMT, again on a July-June year, and compare to 1.1 MMT at this time last year. EU28 exports in MY2016/17 are now expected to be 2.25 MMT. In the first three months of the season, of the near 900,000 MT already exported, Romania accounted for over 700,000 MT of the total. Principle destinations for Romania were Egypt and Vietnam. In line with the small forecast increase in production, total EU28 corn exports are currently forecast to rise to 2.5 MMT in MY2017/18.

The tight supply situation in MY2016/17 and MY2017/18 is expected to see stocks decline in both seasons.

Barley

Barley	2015/2016	2016/2017	2017/2018
Market Begin Year	Jul 2015	Jul 2016	Jul 2017

European Union	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	12191	12225	12485	12350	0	12400
Beginning Stocks	5871	5871	5198	6008	0	5458
Production	61521	62050	60042	60000	0	60800
MY Imports	292	292	350	350	0	150
TY Imports	315	315	350	350	0	150
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	67684	68213	65590	66358	0	66408
MY Exports	10786	10830	5900	5500	0	7500
TY Exports	8603	8603	5900	5500	0	7500
Feed and Residual	36300	36500	38700	40500	0	38000
FSI Consumption	15400	14875	15400	14900	0	15000
Total Consumption	51700	51375	54100	55400	0	53000
Ending Stocks	5198	6008	5590	5458	0	5908
Total Distribution	67684	68213	65590	66358	0	66408
(1000 HA) ,(1000 MT)						

Following a drop in MY2015/16, the total EU28 planted barley area has steadily increased year-on-year and in MY2017/18 is forecast to return to the 12.4 MHa seen in MY2014/15. Of particular note is the increased spring barley area in the UK as producers increasingly try to manage their weed incidence by planting later crops. With the total planted area in other Member States broadly unchanged year-on-year, an expected recovery in yields in the largest producers - France, Germany and the UK – means the EU28 barley crop in MY2017/18 is currently forecast to increase by 800,000 MT. If it were not for the record MY2016/17 Spanish crop the increase would be much more significant. To explain, in MY2016/17, combined production in the three largest barley producers is expected to have fallen nearly 4.5 MMT. As with wheat, the fall is most dramatic for France. It was also despite an increased planted area. With Nordic and Baltic barley production also down in MY2016/17, it is mainly an expected 2.5 MMT increase in Spanish barley production on a reduced area that means the EU28 barley crop is only expected to be 2 MMT down year-on-year. While the Spanish number is significant in limiting the decline in production in MY2016/17, it follows a low yield in MY2015/16, in contrast to most Member States, and is no record. 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 2017 harvest are currently good.

With production estimated at 60 MMT in MY2016/17, the significance of the smaller and lower quality harvest, especially in France and Germany, translates directly into reduced exports. Indeed, excluding malting barley, just 3.2 MMT of export licenses have been granted up to the middle of March, less than half of the volume at this time last year, and full season exports are currently forecast to reach just 5.5 MMT – on a par with MY2013/14 and significantly below the 10.5 MMT plus seen in the intervening years. Of the 2.3 MMT exported through end-December, some of which was exported using licenses obtained in MY2015/16, over 750,000 MT has been exported to Saudi Arabia. China, a key market in MY2015/16 has taken just 325,000 MT as compared to over 2.2 MMT at this point last year. The main exporters remain France, Germany and Romania with the latter taking an increased proportion thus far in MY2016/17.

The increased crop in Spain in MY2016/17 translates directly into increased feed use in that country along with some stocks being built. In combination with increased feed use of barley elsewhere, largely due to a switch away from wheat and corn, the MY2016/17 total is raised a further 2 MMT on the

previous forecast, putting it 4 MMT up year-on-year. With FSI usage expected unchanged, ending stocks are now forecast marginally down 500,000 MT, rather than up.

With exports in MY2017/18 currently forecast to reach 7.5 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, feed use is forecast to drop back 2.5 MMT as the sector switches back to wheat and corn. Some recovery in ending stocks is currently anticipated.

Rye

Rye Market Begin Year	2015/2016		2016/2017		2017/2018	
	Jul 2015		Jul 2016		Jul 2017	
European Union	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1955	1960	2134	1940	0	2025
Beginning Stocks	1386	1386	1008	1151	0	951
Production	7832	7800	7997	7500	0	7800
MY Imports	51	50	50	75	0	75
TY Imports	50	50	50	75	0	75
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	9269	9236	9055	8726	0	8826
MY Exports	161	160	125	50	0	100
TY Exports	160	160	125	50	0	100
Feed and Residual	4100	4050	4200	3900	0	3900
FSI Consumption	4000	3875	4200	3825	0	3850
Total Consumption	8100	7925	8400	7725	0	7750
Ending Stocks	1008	1151	530	951	0	976
Total Distribution	9269	9236	9055	8726	0	8826
(1000 HA) ,(1000 MT)						

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. The German planted area fell in MY2016/17 and is forecast lower again in MY2017/18, a continuation of an onward trend towards other grains. In contrast, the Polish planted area increased 10 per cent in MY2016/17 with a similar increase forecast for MY2017/18 but it will still be much lower than the level seen pre-MY2013/14. As with the other grains, the current crop is reported to be progressing well and with the total area up year-on-year, production is forecast to rise 300,000 MT.

Around half of the rye production is used in animal feeds and MY2016/17 is expected to be no exception. With food use relatively steady, the tighter supplies in MY2016/17 are seeing a slight reduction in the volume of rye being converted into bio-ethanol and in the form of rye-whole-plant silage in biogas digesters. The biggest impact is on stocks which are expected to decline 200,000 MT. The slightly heavier balance in MY2016/17 is forecast to see little change in overall usage but steady stocks.

Sorghum

Sorghum	2015/2016	2016/2017	2017/2018
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Market Begin Year	Jul 2015		Jul 2016		Jul 2017	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
European Union						
Area Harvested	140	145	130	132	0	137
Beginning Stocks	27	27	13	29	0	29
Production	731	730	744	675	0	715
MY Imports	117	118	150	100	0	100
TY Imports	119	119	150	100	0	100
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	875	875	907	804	0	844
MY Exports	2	2	5	2	0	2
TY Exports	2	2	5	2	0	2
Feed and Residual	840	820	860	750	0	790
FSI Consumption	20	24	20	23	0	23
Total Consumption	860	844	880	773	0	813
Ending Stocks	13	29	22	29	0	29
Total Distribution	875	875	907	804	0	844
(1000 HA) ,(1000 MT)						

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 and has seen sporadic, but much smaller, imports in subsequent years. Recent low volumes of sorghum from Ukraine into Spain are an example of this trade, based on its price competitiveness and favorable logistics (utilizing a compartment on a vessel transporting other grain). Should the EU28 experience a very tight feed grain supply again then more significant imports should be expected but this scenario is yet to be repeated.

Oats

Market Begin Year	2015/2016		2016/2017		2017/2018	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
European Union						
Area Harvested	2479	2500	2511	2550	0	2585
Beginning Stocks	770	770	1160	691	0	646
Production	7494	7525	7858	8050	0	8050
MY Imports	9	9	5	5	0	5
TY Imports	9	9	5	5	0	5
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	8273	8304	9023	8746	0	8701
MY Exports	213	213	200	200	0	200
TY Exports	220	220	200	200	0	200
Feed and Residual	5200	5700	6000	6200	0	6150
FSI Consumption	1700	1700	1700	1700	0	1700
Total Consumption	6900	7400	7700	7900	0	7850
Ending Stocks	1160	691	1123	646	0	651
Total Distribution	8273	8304	9023	8746	0	8701
(1000 HA) ,(1000 MT)						

The six main producers of oats in the EU28 are Poland, Finland, Spain, Sweden, the UK and Germany, traditionally accounting for around 70 percent of production. Oats can be planted late, seed is inexpensive and readily available, and planted area is influenced by the prices of other grains. Following a period of steady decline in the planted area in the EU28, MY2016/17 saw a slight increase, mainly in the Nordics and Poland. Germany, Poland, and Spain all forecast a further slight increase in MY2017/18. Above average overall yield in MY2016/17 means production is expected to have risen by 500,000 MT year-on-year. With no current reason to expect anything other than average yields in MY2017/18, production is forecast unchanged year-on-year. 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.

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 75,000 MT. The remaining production is fed to animals and, supported by the tighter overall EU28 feed grain situation in MY2016/17, this is where the extra 500,000 MT of oats produced in MY2016/17 is expected to end up. The forecast for unchanged oats production in MY2017/18 and continued demand for oats as feed means use and stocks are also forecast stable.

Mixed Grain

Mixed Grain Market Begin Year	2015/2016		2016/2017		2017/2018	
	Jul 2015		Jul 2016		Jul 2017	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
European Union						
Area Harvested	4105	4110	4129	4000	0	3975
Beginning Stocks	1242	1242	831	892	0	792
Production	15739	15800	15233	15100	0	15500
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	16981	17042	16064	15992	0	16292
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Feed and Residual	14550	14500	14000	13600	0	13900
FSI Consumption	1600	1650	1500	1600	0	1550
Total Consumption	16150	16150	15500	15200	0	15450
Ending Stocks	831	892	564	792	0	842
Total Distribution	16981	17042	16064	15992	0	16292

(1000 HA) ,(1000 MT)

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 around 80 percent of the production.

In Poland, MY2016/17 saw a decline in plantings of mixed grain with the exception of triticale. The reason for the overall decline is cited as reduced hog production and lower on farm use – nearly all of Polish produced mixed grain is fed on-farm. Only a slightly higher yield prevented production falling further. With the area planted to triticale forecast to continue to increase in Poland in MY2017/18, a slight increase in overall area is forecast but average yields mean production and feed use are forecast little changed. Only a very small percentage of the Polish mixed grain crop is used in the bioethanol sector while a small volume is exported within the EU, mainly to Germany, again for feed.

The French and German areas are fairly steady. In France, where yield was down in MY2016/17 along with other grains, it is nearly all used as feed. In Germany there is steady demand for about 350,000 MT as a bioethanol feedstock, the remainder again being used as feed.

With the overall EU28 mixed grain area down in MY2016/17, and a weather-related 450,000 MT production decline in France alone, production is expected down 700,000 MT. In MY2017/18, a relatively unchanged, if little lower, total planted area and no expectation of a repeat of the French situation means some recovery in production is forecast. Most of this will buoy the feed number although a small increase in stocks is forecast to correct the decline in MY2016/17.

Rice

Rice, Milled Market Begin Year	2015/2016		2016/2017		2017/2018	
	Sep 2015		Sep 2016		Sep 2017	
European Union	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	432	437	439	440	0	442
Beginning Stocks	1151	1151	1182	1178	0	1198
Milled Production	2050	2045	2050	2070	0	2082
Rough Production	2965	2987	2954	3023	0	3037
Milling Rate (.9999)	6914	6846	6940	6848	0	6855
MY Imports	1803	1804	1850	1850	0	1875
TY Imports	1814	1816	1850	1850	0	1875
TY Imp. from U.S.	57	49	0	0	0	0
Total Supply	5004	5000	5082	5098	0	5155
MY Exports	272	272	280	250	0	250
TY Exports	270	270	280	250	0	250
Consumption and Residual	3550	3550	3650	3650	0	3700
Ending Stocks	1182	1178	1152	1198	0	1205
Total Distribution	5004	5000	5082	5098	0	5155

(1000 HA) ,(1000 MT)

The vast majority of EU28 rice production is concentrated in the Southern Member States, namely Italy, Greece, Portugal, France, Romania, Bulgaria and Hungary. Rice cultivation is input intensive as it needs high initial investments for land preparation and a significant amount of working capital to cover input costs.

Italy is by far the largest rice producer in the EU28 accounting for about 50 per cent of production. Rice cultivation is mostly located in the north (Piemonte, Lombardia, and Veneto regions) where water is relatively abundant and the rice crop can be raised in flooded fields. Over 80 per cent, and rising, of rice varieties grown in Italy are Japonica while the remainder are Indica varieties. Except for rough

(unmilled) rice exports and domestic seed sales, virtually all the Italian rice is marketed as a whole-kernel milled product.

Italy's MY 2016/17 paddy rice production is forecast up 6 percent at 1.54 MMT, in part due to an increased planted area, driven by higher profitability in the sector as compared to corn and soybeans, but also improved yields. The decrease in the long grain Indica variety planted area – as a consequence of the increasing long grain imports from Cambodia, Myanmar, Guyana, and Surinam enjoying duty free market access under 'Everything But Arms' (EBA) agreements – is more than offset by an increase in the area planted to the Japonica variety. The total Italian rice planted area is forecast marginally up in MY2017/18, as is production.

The second largest rice producer in the EU28, accounting for around 30 per cent of the total, is Spain with the main producing regions being Andalucia, Extremadura, Comunidad Valencia, Cataluna, Aragon and Navarra. The planted area has been in decline since 2011 but is now stabilizing, there being no viable alternatives in the traditional growing areas. Low market prices, the aforementioned stiff competition from third countries, high input costs and limited active matters available for rice cultivation are seen as the main drivers for the area reduction. While rice is a crop with high irrigation needs, there has not been a water shortage over the last few years and irrigation considerations have not influenced planting decisions. In MY2015/16, while excessive rainfall during planting delayed some sowing operations, the crop recovered but warmer than usual temperatures negatively affected yields in the Southern producing areas. Like Italy, some farmers made a switch to the better-priced but lower yielding Japonica varieties in MY2016/17 due to the competition from imported rice. This trend is forecast to continue in MY2017/18.

EU28 consumption is trending upwards. There is a traditional affinity for Japonica varieties, in rice producing member states in particular, due to its cooking characteristics, namely its capacity to absorb flavors. Indica consumption, which is more popular in non-producing Member States, along with other non-traditional varieties (ie Basmati, wild rice blends, brown rice, glutinous rice or starchy rice) and ready-to-eat rice portions continue to grow. While this could be linked in part to immigration, the more significant factor is consumers continuing to evolve their eating habits and adopt non-traditional dishes.

Most exports are intra-EU28 but competition from third countries is making this increasingly challenging. Turkey is the largest recipient of EU28 rice, followed by Switzerland, both due to their proximity. India is the key rice supplier to the EU28 but, as mentioned, duty free access for EBA countries, has seen a surge in imports from the likes of Cambodia, Guyana and Myanmar with the former threatening India's dominance in the market. These imports are seen as a threat by domestic rice producers in the EU28. While the United States is not among the main suppliers of rice to the EU28, ten years on from the discovery of LL601 in commercial channels, a variety unapproved for food use, and following considerable work by the U.S. rice industry, imports are now on the rise. Indeed, the U.S. holds good potential as a supplier in certain market niches such as specialty rice (Calrose, Jupiter, Wild Rice).

EU Import Policy

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

Under the WTO Uruguay Round Agreement, all import quotas and variable levies applied to EU imports of grains and processed cereals were fixed or ‘tariffied’ 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 could not 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. All duties are at zero levels. More specifically, the resulting duty has been set at Euro zero/Metric Ton (MT) for durum wheat and high quality wheat since the July 1, 2010 (beginning MY2010/11). The duty for corn has been set at Euro zero/MT since August 17, 2010 and the duty for sorghum and rye at Euro zero/MT since October 19, 2010.

From November 6, 2016 both import and export licenses have only been required ([Commission Delegated Regulation \(EU\) 2016/1237](#) and [Commission Implementing Regulation \(EU\) 2016/1239](#)) for trade subject to Tariff Rate Quotas (TRQs). Actual quantities of grain traded, based on the European Commission’s DG TAXUD surveillance, have been published on [the Europa website](#) on a weekly basis (on Thursdays at 16:00 Brussels time) since July 2016. Import licenses applying to grains subject to TRQs are valid for the current month plus two.

Reference grains for calculating import duties:

High quality wheat	U.S. hard red spring No. 2	Minneapolis
Durum wheat (high quality)	U.S. hard red spring No. 2	Minneapolis
Durum wheat (medium quality)	U.S. hard red spring No. 2	Minneapolis
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	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 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. From April 2017, the Canadian duty free TRQ for wheat will be increased to 100,000 MT per annum with the implementation of the EU-Canada Comprehensive Economic and Trade Agreement (CETA).

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, and has been a TRQ since January 1, 2016, ([Commission Implementing Regulation \(EU\) 2015/2081](#) of November 18, 2015) additionally providing for an annual increase in the quantity of corn subject to zero import duty from 400,000 MT from January 1, 2016 to 650,000 MT from 2021). In September 2016, the Commission proposed an additional duty free measure for Ukraine, the details of which are as follows: Common wheat, spelt and meslin, flour, groats, meal and pellets – 100,000 MT per annum; Maize (corn), other than seed, flours, groats, meal, pellets and grains – 650,000 MT per annum; Barley, other than seed, flour and pellets – 350,000 MT per annum (Annex II of Commission Proposal [COM\(2016\) 631](#) final). The proposal has yet to be agreed by the European Parliament and the Council.

Reductions for Maize (Corn) and Sorghum – “Abatimento”

The accession of Spain and Portugal to the EU resulted in the application of common EU tariff barriers to Spanish and Portuguese 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.

The Commission has proposed an amended system of managing the scheme whereby the current bidding system would be replaced by the automatic fixation of “0” duty from May 1 each year (i.e. the normal import regime would apply from January 1 until April 31). At the time of writing, discussions on the Commission’s proposal are ongoing.

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. The WTO Nairobi Agreement provides that developed WTO Members must eliminate their remaining scheduled export subsidy entitlements from the date of adoption of the Ministerial Decision.

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.

From November 6, 2016 export licenses have no longer been required. Actual quantities of grain traded, based on the European Commission’s DG TAXUD surveillance, have been published on the Europa website on a weekly basis (on Thursdays at 16:00 Brussels time) since July 2016 ([Commission Delegated Regulation \(EU\) 2016/1237](#) and [Commission Implementing Regulation \(EU\) 2016/1239](#)).

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 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 may be 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 and corn starting from MY 2010/11. In practice, no grains have been held in intervention since 2010. In 2016, the rules applying to the intervention system were simplified by [Commission Delegated Regulation \(EU\) 2016/1238](#) and [Commission Implementing Regulation \(EU\) 2016/1240](#).

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.

Promotion of Sorghum

Further to calls made by the French National Federation of maize and sorghum seed producers (FNPSMS), the European Commission cleared Euro 1.17 million, Euro 870,000 of which will be spread over a three year period from Spring 2017 to promote sorghum. The promotion programs will be concentrated on two geographical regions: five EU Member States (France, Spain, Italy, Bulgaria and Romania) and two Eastern European countries (Russia and Ukraine).

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. To date, 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 entered into force in spring 2015.

To date, nineteen MS have “opted out” of genetically engineered (GE) crop cultivation for all or part of their territories.

Only one biotech product, MON 810 corn, has been approved for cultivation in the EU by the Commission.

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.

(hectares)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Spain	75148	79269	76057	76575	97326	116307	136962	131538	107749	129081
Czech Republic	5000	8380	6480	4680	5091	3080	2560	1754	997	75
Portugal	4263	4851	5094	4868	7724	9278	8171	8542	8017	7069
Germany	2685	3173	-	-	-	-	-	-	-	-
Slovakia	900	1900	875	1248	761	189	100	411	400	112
Romania	350	7146	3244	822	588	217	220	771	2.5	-
Poland	327	3000	3000	3000	3000	N/A	-	-	-	-

Total	88673	107719	94750	91193	114490	129071	148013	143016	117166116870	136337
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Source: ISAAA report “Global Status of Commercialized Biotech/GM Crops: 2013” and FAS Offices in the EU

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
- Difficulties marketing the product

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

Despite the fact that 19 MS have excluded all or part of their territory from the cultivation of GE crops, on January 27, 2017 the Commission’s Standing Committee on Plants, Animals, Food and Feed failed to reach a qualified majority either for or against the renewal of the cultivation license for GE corn MON810 as well as on authorizations for cultivation of two other GE varieties 1507 and Bt11. The Commission’s expectation that allowing MS to ‘opt out’ of cultivation of an approved GE crop would lead them to be less opposed to allowing other MS to proceed with cultivation if they so wished has not been fulfilled.

For more information on biotechnology in the EU, see [GAIN Report Number FR1624 “EU Agricultural Biotechnology Annual 2016”](#) of June 12, 2016.

Rice – import and export licenses

Rice products for which an import license is required are as follows:

- Husked rice under heading 1006 20: period of validity is until the end of the second month following that of application. Security is Euro 30/MT. Current rate of duty is Euro 30/MT

- Milled rice under heading 1006 30: period of validity is until the end of the second month following that of application. Security is Euro 30/MT. Current rate of duty is Euro 175/MT
- Broken rice under heading 1006 40 00: period of validity is until the end of the second month following that of application. Security is Euro 1/MT. Current rate of duty is Euro 65/MT

Exports of rice to countries outside the EU are mostly subject to the issuing of an export license.

CAP Reform

The last CAP Reform package was approved by the European Parliament in November 2013 and the Council in December 2013. All aspects of the reform were applicable as from January 2014 with the exception of the new direct payments structure (including “green” payments and additional support for young farmers) which applied from 2015. Further to the CAP Reform, sorghum no longer has the potential to be subject to intervention. Additionally, sectors in difficulty may also receive Voluntary Coupled Support (VCS) to maintain typical production levels. Durum wheat is the only grain receiving VCS based on MS’ decisions.

In February 2017 the European Commission launched a three month public consultation on the post-2020 CAP. The online consultation asks stakeholders questions on how to simplify and modernize the CAP with a view to achieving Agriculture Commissioner Hogan’s priorities of increased sustainable production, generational renewal, and market resilience. The Commission intends to publish a Communication on modernizing and simplifying the CAP by the end of November 2017 ahead of formal legislative proposals in early 2018. The new CAP should be applicable from 2020.

For more information on CAP Reform, see [GAIN Report Number E1710 “Post-2020 CAP consultation launched”](#).