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Success of EU grain exports important for internal market tone

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Grain and Feed

Approved By:
Bobby Richey
Prepared By:
Steve Knight

Report Highlights:
With Member States starting to publish first provisional harvest estimates for 2009, the total MY2009/10 EU-27 grain crop is now expected to reach 291 MMT. Although 22 MMT down on MY2008/09, it is another substantial crop. Within this total, the EU-27 wheat, barley and corn harvests are estimated at 138 MMT, 62 MMT and 56 MMT, respectively. The pace of EU grain exports remained strong through to the end of the MY2008/09 campaign, most notably for wheat which saw a record 25 MMT exported - North African nations were the key recipients. Despite the good progress, MY2008/09 ending stocks are substantial. The ample MY2009/10 supplies mean the focus is once again on the demand side. While domestic consumption is forecast to remain buoyant, the MY2009/10 situation on export markets is not as favorable as compared to MY2008/09, not least due to a less competitive Euro on international currency markets. With EU-27 on-farm prices under pressure and the financial outlook remaining uncertain, plantings for the 2010 grain harvest are expected lower.

General Information:

Introduction

This report presents the outlook for grain and feed, and Production, Supply and Demand (PS&D) forecasts for the Marketing Year (MY) 2009/2010. Unless stated otherwise, data in this report is based on the views of Foreign Agricultural Service analysts in the EU and is not official USDA data.

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

Dietmar Achilles, FAS/Bonn
Xavier Audran, FAS/Paris
Mila Boshnakova, FAS/Sofia
Monica Dobrescu, FAS/Bucharest
Bob Flach, FAS/The Hague
Marta Guerrero, FAS/Madrid
Michael Hanley, FAS/Dublin
Jana Mikulasova, FAS/Prague
Steve Knight, FAS/London
Roswitha Krautgartner, FAS/Vienna
Asa Lexmon, FAS/Stockholm
Piotr Rucinski, FAS/Warsaw
Ferenc Nemes, FAS/Budapest
Sandro Perini, FAS/Rome
Barrie Williams, FAS/USEU/Brussels

HA = Hectares
MT = Metric Tonne
MY = Marketing Year. Post and USDA official data both follow the EU 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

Total Grains EU-27	2007			2008			2009		
	2007/08			2008/09			2009/10		
	Market Year Begin: Jul 2007			Market Year Begin: Jul 2008			Market Year Begin: Jul 2009		
	USDA Official	Post Estimate Old	Post Estimate New	USDA Official	Post Estimate Old	Post Estimate New	USDA Official	Post Estimate Old	Post Estimate New
Area Harvested	56,734	56,788	56,605	60,177	60,377	60,470	58,348	58,465	57,975
Beginning Stocks	29,213	29,208	29,213	25,273	29,052	26,240	39,800	46,598	39,244
Production	256,314	256,582	256,327	312,854	312,817	312,848	290,165	286,475	290,695
MY Imports	27,240	27,240	27,240	10,928	10,172	10,912	8,430	8,930	10,430
TY Imports	26,834	27,240	26,834	10,586	10,172	10,578	8,430	8,930	10,430
TY Imp. From U.S.	5,714	5,714	5,714	0	0	0	0	0	0
TOTAL SUPPLY	312,767	313,030	312,780	349,055	352,041	350,000	338,395	342,003	340,369
MY Exports	16,893	16,903	16,904	30,950	30,749	31,201	24,305	22,805	23,805
TY Exports	16,950	16,903	16,950	29,846	30,749	30,140	24,305	22,805	23,805
Feed	171,336	167,820	170,262	173,600	171,089	174,850	173,325	169,700	172,600
FSI Consumption	99,265	99,255	99,374	104,705	104,605	104,705	106,605	106,405	107,005
TOTAL consumption	270,601	267,075	269,636	278,305	275,694	279,555	279,930	276,105	279,605
Ending Stocks	25,273	29,052	26,240	39,800	45,598	39,244	35,154	43,093	37,059
Total Distribution	312,767	313,030	312,780	349,055	352,041	350,000	339,389	342,003	340,469
Yield	4.5178	4.5174	4.5283	5.1989	5.1811	5.1736	4.9728	4.8999	5.0141

With some Member States starting to publish first provisional harvest estimates for 2009, the total MY2009/10 EU-27 grain crop is now expected to reach 291 MMT. Although 22 MMT down on the record MY2008/09 harvest, it is still a substantial crop. Within this total, the EU-27 wheat, barley and corn harvests are estimated at 138 MMT, 62 MMT and 56 MMT, respectively. Combined with the large ending stocks from MY2008/09, this means ample supplies are available. While both feed and FSI use are forecast to be strong in MY2009/10 there is still an inevitable focus on export markets. However, unlike last season, an unfavorable Euro exchange rate on international currency markets means that EU-27 grain exports are facing the prospect of much stiffer competition. This is having a knock on effect on planting decisions for 2010.

With large MY2008/09 wheat ending stocks, estimated at over 19 MMT, and an estimated 138 MMT of wheat harvested in 2009, exports will remain an important outlet for EU-27 wheat supplies in MY2009/10. Quality is a little variable and while on-farm wheat prices have declined at the beginning of MY2009/10, the US dollar/Euro exchange rate is negatively impacting EU wheat's competitiveness, particularly against the plentiful Black Sea origin supplies. Despite this, France – the EU's largest wheat exporter – has strong expectations of wheat sales to the Middle East, notably to Egypt and possibly to Iran. These are not, though, expected to reach the highs seen in the MY2008/09 campaign. Good MY2009/10 wheat crops in Morocco and Algeria, who took significant volumes of EU wheat in MY2008/09, will also reduce their need for imports and put further pressure on the EU to find alternative markets. If a good MY2009/10 export pace cannot be maintained, the current forecast for a small decline in wheat ending stocks may be revised upwards. The lower wheat quality, prices and competitiveness against compound feed are expected to see wheat being heavily utilized by the animal feed sector and fed on-farm. That said, usage is currently forecast to reach 60 MMT, 1 MMT down on last season, as feed wheat will face increased competition from the larger barley crop in MY2009/10. Increased FSI use, notably in the bioethanol markets in the UK, France and the Benelux, is forecast to see this sector utilize an additional 1.5 MMT in MY2009/10.

The MY2009/10 EU-27 barley harvest is revised upwards a further 1 MMT, to 62 MMT, following improved expectations in a number of Member States, most notably Poland. Quality, particularly in France, is reported to be good and there are ample supplies of malting barley. Further shipments of the latter to China, first seen in MY2008/09, are expected in MY2009/10. As with wheat, EU-27 feed barley faces stiff competition on export markets from Black Sea origin supplies in MY2009/10. Domestic use in the animal feed sector is forecast to rise to 42 MMT, albeit limited by the aforementioned competition from wheat and also by the likelihood that some producers may favor intervention. For example, Germany is currently forecast to place 1 MMT of barley in intervention in MY2009/10. As As such, an increase in MY2009/10 ending stocks looks likely.

The 2009 EU-27 corn harvest is progressing well and is now forecast to reach 56 MMT. Of particular interest for MY2009/10 will be how corn fairs against wheat and barley in the EU feed sector. Usage is currently forecast down 2.5 MMT at 45 MMT.

The reduction in internal EU-27 grain prices, combined with the anticipated challenges on export markets, is reported to be negatively affecting planting decisions for the 2010 harvest. In the east of the EU, despite excellent conditions for planting, the decreased profitability in the grains sector is also reportedly reducing the ability of farmers to obtain much needed credit. In the West, while credit is not an issue, dry weather has delayed plantings and will likely increase the vulnerability of late sown crops to winterkill.

Appendices

Wheat PSD

Country:	EU 27									
Commodity:	Wheat									
		2007/08			2008/09			2009/10		UOM
	USDA Official	Post Estimate Old	Post Estimate New	USDA Official	Post Estimate Old	Post Estimate New	USDA Official	Post Estimate Old	Post Estimate New	
Marketing Year Begins		07/2007			07/2008			07/2009		MM/YYYY
Area Harvested	24766	24777	24450	26694	26934	26985	25598	25800	25500	(1000 HA)
Beginning Stocks	14075	14075	14075	12636	16112	13331	18760	24332	19405	(1000 MT)
Production	120426	120212	120141	151274	151720	151224	139085	138000	138000	(1000 MT)
MY Imports	6942	6942	6942	7740	7000	7740	6500	6500	7000	(1000 MT)
TY Imports	6942	6942	6942	7740	7000	7740	6500	6500	7000	(1000 MT)
TY Imp. From U.S.	1732	1732	1732	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	141443	141229	141158	171650	174832	172295	164345	168832	164405	(1000 MT)
MY Exports	12271	12271	12271	25390	25000	25390	20000	18000	19000	(1000 MT)
TY Exports	12271	12271	12271	25390	25000	25390	20000	18000	19000	(1000 MT)
Feed	52436	48746	51276	61000	59000	61000	60000	58500	60000	(1000 MT)
Food, Seed & Industrial (FSI)	64100	64100	64280	66500	66500	66500	68000	68000	68000	(1000 MT)
TOTAL consumption	116536	112846	115556	127500	125500	127500	128000	126500	128000	(1000 MT)
Ending Stocks	12636	16112	13331	18760	24332	19405	16345	24332	17405	(1000 MT)
TOTAL DISTRIBUTION	141443	141229	141158	171650	174832	172295	164345	168832	164405	(1000 MT)
Yield	4.862554	4.851758	4.913742	5.666966	5.633029	5.604002	5.433432	5.348837	5.411765	(MT/HA)

Barley PSD

Country:	EU 27									
Commodity:	Barley									
		2007/08			2008/09			2009/10		UOM
	USDA Official	Post Estimate Old	Post Estimate New	USDA Official	Post Estimate Old	Post Estimate New	USDA Official	Post Estimate Old	Post Estimate New	
Marketing Year Begins		07/2007			07/2008			07/2009		(MM/YEAR)
Area Harvested	13,760	13,770	13,895	14,566	14,563	14,572	14,265	14,250	14,050	(1000 HA)
Beginning Stocks	5,824	5,824	5,824	5,621	5,696	5,801	10,436	10,538	10,461	(1000 MT)
Production	57,461	57,555	57,542	65,554	65,578	65,458	61,462	61,000	62,000	(1000 MT)
MY Imports	339	339	339	299	299	299	150	150	150	(1000 MT)
TY Imports	519	339	519	200	299	200	150	150	150	(1000 MT)
TY Imp. From U.S.	2	2	2	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	63,624	63,718	63,705	71,474	71,573	71,558	72,048	71,688	72,611	(1000 MT)
MY Exports	3,803	3,803	3,804	3,538	3,535	3,597	2,500	3,500	3,000	(1000 MT)
TY Exports	3888	3,803	3,888	2500	3,535	2,500	2500	3,500	3,000	(1000 MT)
Feed	38,700	38,719	38,762	41,500	41,500	41,500	43,500	42,000	42,000	(1000 MT)
Food, Seed & Industrial (FSI)	15,500	15,500	15,338	16,000	16,000	16,000	16,000	16,000	16,000	(1000 MT)
TOTAL consumption	54,200	54,219	54,100	57,500	57,500	57,500	59,500	58,000	58,000	(1000 MT)
Ending Stocks	5,621	5,696	5,801	10,436	10,538	10,461	10,048	10,188	11,611	(1000 MT)
TOTAL DISTRIBUTION	63,624	63,718	63,705	71,474	71,573	71,558	72,048	71,688	72,611	(1000 MT)
Yield	4.175945	4.179739	4.141202	4.500481	4.503056	4.49204	4.308587	4.280702	4.412811	(MT/HA)

Corn PSD

Country:	EU 27									
Commodity:	Corn									
		2007/08			2008/09			2009/10		UOM
	USDA Official	Post Estimate Old	Post Estimate New	USDA Official	Post Estimate Old	Post Estimate New	USDA Official	Post Estimate Old	Post Estimate New	
Marketing Year Begins		10/2007			10/2008			10/2009		(MM/YEAR)
Area Harvested	8444	8439	8444	8924	8876	8869	8658	8680	8420	(1000 HA)
Beginning Stocks	7382	7382	7382	4461	4461	4380	6899	6841	5581	(1000 MT)
Production	47554	47554	47555	62688	62380	62701	56572	55500	56000	(1000 MT)
MY Imports	14016	14016	14016	2500	2500	2500	2500	3000	3000	(1000 MT)
TY Imports	14016	14016	14016	2500	2500	2500	2500	3000	3000	(1000 MT)
TY Imp. From U.S.	144	144	144	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	68952	68952	68953	69649	69341	69581	65971	65341	64581	(1000 MT)
MY Exports	591	591	591	1750	2000	2000	1500	1000	1500	(1000 MT)
TY Exports	591	591	591	1750	2000	2000	1500	1000	1500	(1000 MT)
Feed	51000	51000	51000	46500	46000	47500	45000	45000	45000	(1000 MT)
Food, Seed & Industrial (FSI)	12900	12900	12982	14500	14500	14500	14800	14750	15000	(1000 MT)
TOTAL consumption	63900	63900	63982	61000	60500	62000	59800	59750	60000	(1000 MT)
Ending Stocks	4461	4461	4380	6899	6841	5581	4671	4591	3081	(1000 MT)
TOTAL DISTRIBUTION	68952	68952	68953	69649	69341	69581	65971	65341	64581	(1000 MT)
Yield	5.631691	5.635028	5.63181	7.024653	7.027941	7.069681	6.534073	6.394009	6.650831	(MT/HA)

Rye PSD

Country:	EU 27									
Commodity:	Rye									
		2007/08			2008/09			2009/10		UOM
	USDA Official	Post Estimate Old	Post Estimate New	USDA Official	Post Estimate Old	Post Estimate New	USDA Official	Post Estimate Old	Post Estimate New	
Marketing Year Begins		07/2007			07/2008			07/2009		MM/YYYY
Area Harvested	2580	2578	2580	2740	2770	2741	2717	2700	2750	(1000 MT)
Beginning Stocks	616	616	616	1019	1046	1019	1569	1587	1498	(1000 MT)
Production	7681	7685	7679	9239	9146	9234	9468	9000	9500	(1000 MT)
MY Imports	98	98	98	25	9	9	25	25	25	(1000 MT)
TY Imports	88	98	88	25	9	9	25	25	25	(1000 MT)
TY Imp. From U.S.	3	3	3	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	8395	8399	8393	10283	10201	10262	11062	10612	11023	(1000 MT)
MY Exports	76	76	76	114	114	114	150	150	150	(1000 MT)
TY Exports	59	76	59	150	114	150	150	150	150	(1000 MT)
Feed	3200	3177	3173	3800	3750	3850	4300	4000	4400	(1000 MT)
Food, Seed & Industrial (FSI)	4100	4100	4125	4800	4750	4800	4900	4850	5000	(1000 MT)
TOTAL consumption	7300	7277	7298	8600	8500	8650	9200	8850	9400	(1000 MT)
Ending Stocks	1019	1046	1019	1569	1587	1498	1712	1612	1573	(1000 MT)
TOTAL DISTRIBUTION	8395	8399	8393	10283	10201	10262	11062	10612	11123	(1000 MT)
Yield	2.977132	2.980993	2.976357	3.371898	3.301805	3.368843	3.484726	3.333333	3.454545	(MT/HA)

Sorghum PSD

Country:	EU 27									
Commodity:	Sorghum									
		2007/08			2008/09			2009/10		UOM
	USDA Official	Post Estimate Old	Post Estimate New	USDA Official	Post Estimate Old	Post Estimate New	USDA Official	Post Estimate Old	Post Estimate New	
Marketing Year Begins		07/2007			07/2008			07/2009		MM/YYYY
Area Harvested	93	93	93	97	95	96	106	105	115	(1000 HA)
Beginning Stocks	14	9	14	71	100	71	64	50	33	(1000 MT)
Production	525	525	525	547	545	515	567	575	645	(1000 MT)
MY Imports	5841	5841	5841	359	360	360	250	250	250	(1000 MT)
TY Imports	5267	5841	5267	125	360	125	250	250	250	(1000 MT)
TY Imp. From U.S.	3833	3833	3833	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	6380	6375	6380	977	1005	946	881	875	928	(1000 MT)
MY Exports	4	4	4	8	8	8	5	5	5	(1000 MT)
TY Exports	8	4	8	5	8	8	5	5	5	(1000 MT)
Feed	6300	6266	6300	900	942	900	825	825	900	(1000 MT)
Food, Seed & Industrial (FSI)	5	5	5	5	5	5	5	5	5	(1000 MT)
TOTAL consumption	6305	6271	6305	905	947	905	830	830	905	(1000 MT)
Ending Stocks	71	100	71	64	50	33	40	40	18	(1000 MT)
TOTAL DISTRIBUTION	6380	6375	6380	977	1005	946	875	875	928	(1000 MT)
Yield	5.645161	5.645161	5.645161	5.639175	5.736842	5.364583	5.349057	5.47619	5.608696	(MT/HA)

Oats PSD

Country:	EU 27									
Commodity:	Oats									
		2007/08			2008/09			2009/10		UOM
	USDA Official	Post Estimate Old	Post Estimate New	USDA Official	Post Estimate Old	Post Estimate New	USDA Official	Post Estimate Old	Post Estimate New	
Marketing Year Begins		07/2007			07/2008			07/2009		MM/YYYY
Area Harvested	2971	2970	3003	2931	2920	2962	2898	2850	2940	(1000 HA)
Beginning Stocks	795	795	795	473	609	646	595	800	923	(1000 MT)
Production	8482	8618	8634	8767	8750	8865	8318	8100	8550	(1000 MT)
MY Imports	4	4	4	5	4	4	5	5	5	(1000 MT)
TY Imports	2	4	2	5	4	4	5	5	5	(1000 MT)
TY Imp. From U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	9281	9417	9433	9245	9363	9515	8918	8905	9478	(1000 MT)
MY Exports	158	158	158	150	92	92	150	150	150	(1000 MT)
TY Exports	133	158	133	150	92	92	150	150	150	(1000 MT)
Feed	6900	6900	6885	6700	6671	6700	6200	6175	6400	(1000 MT)
Food, Seed & Industrial (FSI)	1750	1750	1744	1800	1800	1800	1800	1750	1750	(1000 MT)
TOTAL consumption	8650	8650	8629	8500	8471	8500	8000	7925	8150	(1000 MT)
Ending Stocks	473	609	646	595	800	923	768	830	1178	(1000 MT)
TOTAL DISTRIBUTION	9281	9417	9433	9245	9363	9515	8918	8905	9478	(1000 MT)
Yield	2.854931	2.901684	2.875125	2.991129	2.996575	2.99291	2.870255	2.842105	2.908163	(MT/HA)

Mixed Grain PSD

Country:	EU 27									
Commodity:	Mixed grain									
		2007/08			2008/09			2009/10		UOM
	USDA Official	Post Estimate Old	Post Estimate New	USDA Official	Post Estimate Old	Post Estimate New	USDA Official	Post Estimate Old	Post Estimate New	
Marketing Year Begins		07/2007			07/2008			07/2009		MM/YYYY
Area Harvested	4,120	4,172	4,140	4,225	4,219	4,245	4,107	4,100	4,200	(1000 HA)
Beginning Stocks	507	507	507	992	1028	992	1477	1450	1343	(1000 MT)
Production	14,185	14,433	14,251	14,785	14,698	14,851	14,693	14,300	16,000	(1000 MT)
MY Imports	0	0	0	0	0	0	0	0	0	(1000 MT)
TY Imports	0	0	0	0	0	0	0	0	0	(1000 MT)
TY Imp. From U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	14,692	14,940	14,758	15,777	15,726	15,843	16,170	15,750	17,343	(1000 MT)
MY Exports	0	0	0	0	0	0	0	0	0	(1000 MT)
TY Exports	0	0	0	0	0	0	0	0	0	(1000 MT)
Feed	12,800	13,012	12,866	13,200	13,226	13,400	13,500	13,200	13,900	(1000 MT)
Food, Seed & Industrial (FSI)	900	900	900	1100	1050	1100	1100	1050	1250	(1000 MT)
TOTAL consumption	13,700	13,912	13,766	14,300	14,276	14,500	14,600	14,250	15,150	(1000 MT)
Ending Stocks	992	1028	992	1477	1450	1343	1570	1500	2193	(1000 MT)
TOTAL DISTRIBUTION	14,692	14,940	14,758	15,777	15,726	15,843	16,170	15,750	17,343	(1000 MT)
Yield	3.442961	3.459492	3.442271	3.499408	3.483764	3.498469	3.577551	3.487805	3.809524	(MT/HA)