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EU-27

Oilseeds and Products

Annual

2008

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Report Highlights:
EU-27 oilseeds production for marketing in MY 2008/09 is forecast at 26.8 MMT, an increase of 10 percent compared to the last season. Because of expected better yields, EU-27 rapeseed production is forecast to increase by 5 percent despite a decrease in area. In response to the growing demand from the biofuel sector, oil millers have increased crushing capacity for rapeseed partly at the expense of soybeans. As a result, rapeseed imports and soybean oil imports are expected to increase while imports of soybeans are forecast to decline.
Current EU discussions on future biofuel use targets could substantially increase EU-27 vegetable oil demand in coming years. However, discussions on feedstock sustainability criteria and the EU's biotech approval system could result in sizeable market access issues for U.S. oilseeds and products beginning in MY 2009/10.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Annual Report
Berlin [GM1]
[E4]

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Introduction

This report presents the outlook for oilseeds in the EU-27. The data is this report is based on the views of Foreign Agricultural Service (FAS) analysts in the EU and is not official USDA data.

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Abbreviations used in this report

Benelux	= Belgium, the Netherlands, and Luxembourg
Ha	= Hectares
GE	= Genetically engineered / Genetically engineered organisms
MT	= Metric ton (1000 kg)
MMT	= Million metric tons
MS	= EU Member States
MY	= Marketing Year

The marketing years used in this report are:

January - December

Copra complex
Palm Kernel complex
Palm Oil
Fish Meal

July-June

Rapeseed complex

October-September

Soybean complex
Sunflower complex
Cottonseed complex
Peanut complex

November - October

Olive Oil

Total Oilseeds and Summary
Coordinator: Sabine Lieberz, FAS/Berlin

Total Oilseeds PSD

Commodity:	Total Oilseeds* (1,000 ha/ 1,000 MT)					
	USDA official	Post Estimates (new)	USDA official	Post Estimates (new)	USDA official	Post Estimates (new)
Marketing Year	2006/07		2007/08		2008/09	
Area	10,295	10,278	10,702	10,657	-	10,717
Beginning Stocks	3,482	3,482	3,611	3,577	-	2,490
Production	24,258	24,263	24,441	24,366	-	26,849
Extra EU-27 imports	17,194	17,125	16,732	16,255	-	16,155
TOTAL SUPPLY	44,934	44,870	44,784	44,198	0	45,494
Extra EU-27 exports	935	913	764	738	-	1,115
Crush	36,198	36,164	37,305	37,190	-	38,660
Food Use	1,008	1,003	1,006	997	-	998
Feed, Seed, Waste	3,182	3,213	2,817	2,783	-	2,593
TOTAL Use	40,388	40,380	41,128	40,970	0	42,251
Ending Stocks	3,611	3,577	2,892	2,490	-	2,128
TOTAL DISTRIBUTION	44,934	44,870	44,784	44,198	0	45,494

* Excluding olives, linseeds, and saflor Source: FAS EU-27

EU-27 oilseeds production for marketing in MY 2008/09 is forecast to increase by 10 percent compared to MY 2007/08. This is largely a result of expected better yields in 2008. In 2007, a lack of rain in spring and summer kept yields below average in a number of EU Member States (MS), most prominently in Bulgaria and Romania. Rapeseed is the most important oilseed grown in EU-27 followed by sunflowers and soybeans.

The increase in total oilseeds area is marginal. While the area figures in table 1 could at first sight suggest a shift of area between rapeseed and sunflower, in reality the major growing areas for rapeseed and sunflower hardly overlap. Consequently, rapeseed and sunflower area develop somewhat independent of each other. The decrease in rapeseed area is largely a result of rapeseed losing out to wheat in major production areas, while the increase of sunflower area occurs at the expense of corn, soybeans or sugar beets. The decrease in soybean area is largely attributed to Romania as a result of the prohibition of genetically engineered soybean varieties which went into effect with Romania's EU accession in 2007,.

Table 1: EU-27 Area of Major Oilseeds (in 1,000 ha)

	2006	2007	2008
Rapeseed	5,408	6,553	6,380
Sunflower	3,943	3,389	3,681
Soybeans	494	341	302
Cottonseed	433	374	354
Total	10,278	10,657	10,717

Note: Table excludes area for olives, linseeds, and saflor

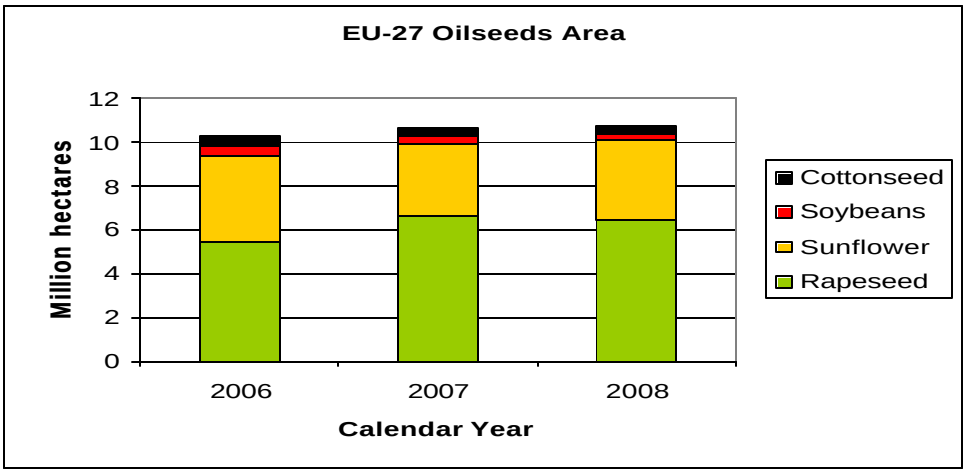
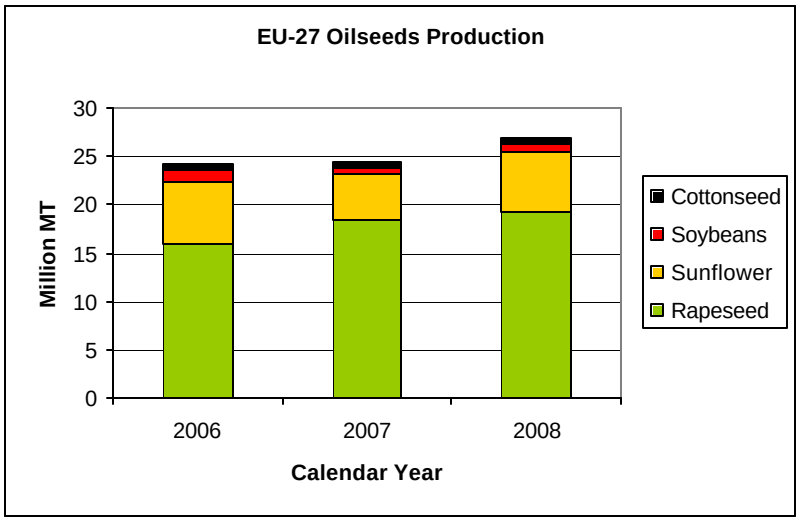


Table 2: EU-27 Oilseed Production (in 1,000 MT)

	2006	2007	2008
Rapeseed	15,904	18,320	19,250
Sunflower	6,482	4,760	6,300
Soybeans	1,241	723	768
Cottonseed	635	562	530
Total	24,262	24,365	26,848

Note: Table excludes olives, linseeds, and saflor

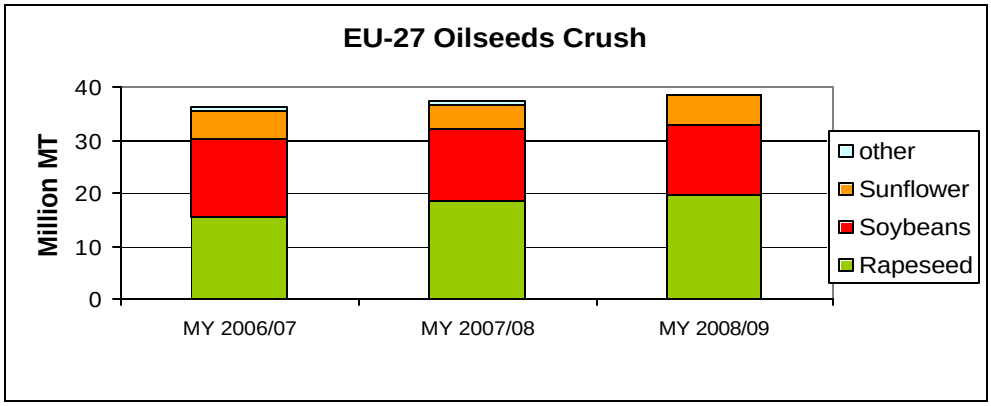


Oilseeds crushing capacity expanded considerably in recent years in response to the growing vegetable oil (mainly rapeseed oil) demand from the biofuels industry. Much of the new crushing capacity consists of soft-seed (rapeseed/sunflower seeds) or multi-seed crushing plants. Consequently, rapeseed crush is expected to further increase in MY 2008/09. As the increase in crushing is expected to outpace the increase in rapeseed production, and because of better rapeseed availability on the world market, the EU's role as a net importer of rapeseed is expected to increase. Soybean crush is expected to continue its decline, while sunflower crush is expected to partially rebound as a result of a larger EU crop and better availability of sunflower seeds on the world market.

Table 3: EU-27 Oilseed Crush (in 1,000 MT)

	2006/07	2007/08	2008/09
Rapeseed	15,535	18,700	19,700
Soybeans	14,555	13,600	13,300
Sunflower	5,600	4,450	5,250
Other*	474	440	410

Note: Crush for olive oil production is not included



Total Oilseed Meals PSD

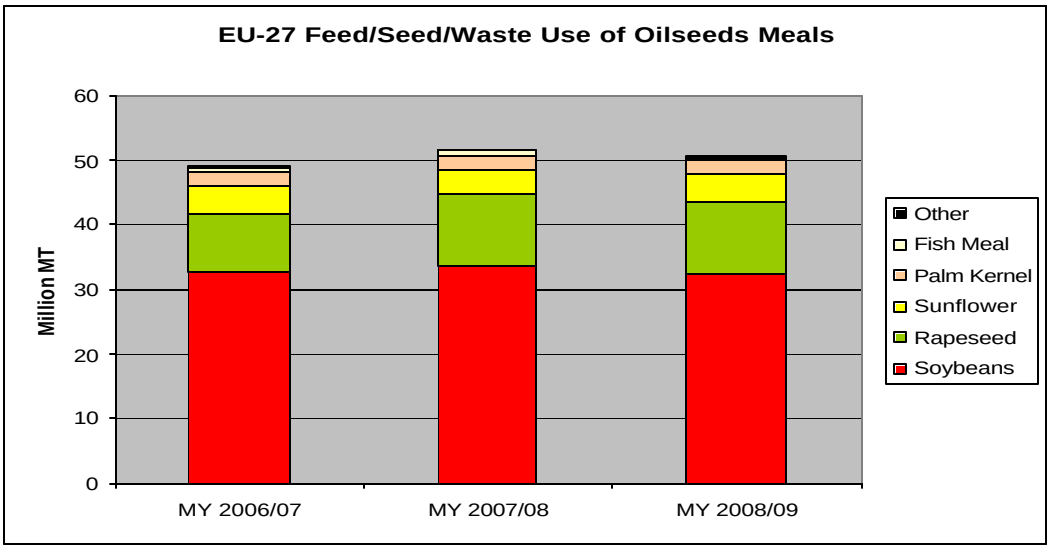
Commodity:	Total Meals (1,000 MT)					
	USDA official	Post Estimates (new)	USDA official	Post Estimates (new)	USDA official	Post Estimates (new)
Marketing Year	2006/07		2007/08		2008/09	
Crush	36,198	36,164	37,305	37,190	-	38,660
Extraction Rate	4	3	4	3	-	3
Beginning Stocks	1,103	1,103	1,053	1,602	-	1,351
Production	24,174	23,971	24,833	24,404	-	25,075
Extra EU-27 imports	26,961	26,898	29,105	28,237	-	27,293
TOTAL SUPPLY	52,263	51,972	54,991	54,243	0	53,719
Extra EU-27 exports	894	877	873	895	-	960
Industrial	507	260	507	283	-	293
Food Use	32	32	32	32	-	32
Feed, Seed, Waste	49,752	49,201	52,544	51,682	-	50,723
TOTAL Use	50,291	49,493	53,083	51,997	0	51,343
Ending Stocks	1,053	1,602	1,035	1,351	-	1,416
TOTAL DISTRIBUTION	52,263	51,972	54,991	54,243	0	53,719

Source: FAS EU-27

In MY 2008/09 the feed, seed, waste use of oil meals in the EU-27 is expected to drop compared to MY 2007/08. In MY 2007/08 the use of meal, primarily from soybeans, in animal feed rations was boosted by unusually high feed grain prices. As meal use in animal feed is expected to fall back to MY 2006/07 levels because of an expected drop in grain prices, total EU-27 imports are also expected to decline. In addition to the overall drop in meal use, greater domestic availability of rapeseed and sunflower meal is expected to result in a partial replacement of soybean meal in feed rations in MY 2008/09.

Table 4: Feed, Seed, Waste Use of Oil Meals in the EU-27 (in 1,000 MT)

	2006/07	2007/08	2008/09
Soybeans	32,750	33,858	32,518
Rapeseed	8,741	10,648	11,167
Sunflower	4,600	3,950	4,150
Palm Kernel	1,986	2,100	2,100
Fish Meal	813	820	505
Other	311	306	283
Total	49,201	51,682	50,723



Total Oils PSD

Commodity:	Total Oils (1,000 MT)					
	USDA official	Post Estimates (new)	USDA official	Post Estimates (new)	USDA official	Post Estimates (new)
Marketing Year	2006/07		2007/08		2008/09	
Crush	36,198	36,164	37,305	37,190	-	38,660
Extraction Rate	0.379	0.372	0.381	0.380	-	0.388
Beginning Stocks	1,761	1,761	1,747	1,650	-	1,502
Production	13,729	13,443	14,222	14,133	-	14,985
Extra EU-27 imports	8,152	8,558	7,965	8,675	-	9,022
TOTAL SUPPLY	23,642	23,762	23,934	24,458	0	25,509
Extra EU-27 exports	1,017	970	879	1,018	-	1,057
Industrial	7,524	2,353	7,667	2,359	-	2,316
Biofuels	0	6,384	-	7,135	-	8,185
Food Use	12,921	11,993	13,280	12,007	-	12,125
Feed, Seed, Waste	433	412	499	437	-	451
TOTAL Use	20,878	21,142	21,446	21,938	0	23,077
Ending Stocks	1,747	1,650	1,609	1,502	-	1,375
TOTAL DISTRIBUTION	23,642	23,762	23,934	24,458	0	25,509

Source: FAS EU-27

While food use of vegetable oil still accounts for over 50 percent of total use, the demand from the biofuels sector[1] is the factor that currently drives the EU-27 vegetable oil market. The use for biofuels is expected to increase in MY 2007/08 and even further in MY 2008/09, reaching 35 percent of total use. Most of the increase will be satisfied with domestic oil production. Food use is expected to increase only marginally.

Soybean Complex
Coordinator: Marie-Cécile Hénard, FAS/Paris

Soybeans PSD

Commodity	Soybeans (1,000 ha/1,000 MT)					
Marketing Year	2006/07		2007/08		2008/09	
	USDA official	Post Estimates (new)	USDA official	Post Estimates (new)	USDA official	Post Estimates (new)
Marketing Year Begin	10/2006		10/2007		10/2008	
Area	496	494	364	341		302
Beginning Stocks	978	978	1,464	1,399	1,288	1,093
Production	1241	1,241	839	723		768
Extra EU-27 imports	15289	15,291	14,950	14,200		13,700
TOTAL SUPPLY	**17,508**	**17,510**	**17,253**	**16,322**	**1,288**	**15,561**
Extra EU-27 exports	47	47	30	13		20
Crush	14555	14,555	14,500	13,600		13,300
Food Use	117	109	120	108		105
Feed, Seed, Waste	1325	1,400	1,315	1,508		1,350
TOTAL Use	15,997	16,064	15,935	15,216	-	14,755
Ending Stocks	1464	1,399	1,288	1,093	-	786
TOTAL DISTRIBUTION	**17,508**	**17,510**	**17,253**	**16,322**	**-**	**15,561**

Source: FAS EU-27

MY 2007/08:

EU-27 soybean acreage and production declined significantly, mainly due to the sharp reduction in Romania. While Romania was the major European producer of soybeans, with 30% of total EU-27 production in MY 2006/07, its production in MY 2007/08 is estimated to account for only 15% of EU-27 production. This decline in Romanian acreage and yields can be attributed to its prohibition of genetically engineered (GE) soybean varieties in January 2007 (in line with its accession to the EU). In addition, a drought in Romania reduced yields in 2007. In MY 2007/08, Italy was the largest European producer with more than half of the EU-27 production.

Due to the crushing industry's increase in rapeseed crush, (the Netherlands recently invested in multi-seed crushing facilities increasing rapeseed crush at the expense of soybean crush) the European demand for soybeans for crush is declining while imports of soybean meal and oil are increasing. The use of whole soybeans in animal feed is showing strong growth in MY 2007/08 as abnormally-high grain prices resulted in some displacement by soy in feed rations.

[1] This includes demand for the production of biodiesel production as well as for the straight use as a biofuel without prior conversion.

MY 2008/09:

EU-27 soybean production is expected to be relatively stable in MY 2008/09, with lower acreage in the two largest producing MS (Romania and Italy, which together total 70% of the production) offset by higher yields.

EU-27 soybean imports are expected to continue their decline due to reduced crush demand. If export restrictions from Argentina continue, this might open export opportunities for U.S. soybeans. Crush and stocks are expected to be lower. Whole soybean incorporation in animal feed is expected to return to lower - more normal - levels with the projected lower grain prices and the resulting rebound of grain use in feed.

Soybean Meal PSD

Commodity:	Soybean Meal (1,000 MT)					
Marketing Year	2006/07		2007/08		2008/09	
	USDA official	Post Estimates (new)	USDA official	Post Estimates (new)	USDA official	Post Estimates (new)
Marketing Year Begin	10/2006		10/2007		10/2008	
Crush	14,555	14,555	14,500	13,600	-	13,300
Extraction Rate	0.787	0.787	0.787	0.787		0.779
Beginning Stocks	866	866	854	1,165	862	965
Production	11,450	11,450	11,410	10,700		10,360
Extra EU-27 imports	22,075	22,168	24,400	23,500		22,700
TOTAL SUPPLY	**34,391**	**34,484**	**36,664**	**35,365**	**862**	**34,025**
Extra EU-27 exports	545	527	450	500		500
Industrial	10	10	10	10		10
Food Use	32	32	32	32		32
Feed, Seed, Waste	32,950	32,750	35,310	33,858		32,518
TOTAL Use	32,992	32,792	35,352	33,900	-	32,560
Ending Stocks	854	1,165	862	965		965
TOTAL DISTRIBUTION	**34,391**	**34,484**	**36,664**	**35,365**	**-**	**34,025**

Source: FAS EU-27

Note: MY 2006/07 ending stocks have been revised due to new estimates available in Germany.

Most soybean crush in the EU-27 occurs in Benelux (28 percent in MY 2006/07), Germany (23 percent), Spain (16 percent), Italy (12 percent), and Portugal (7 percent).

MY 2007/08:

Reduced soybean meal production is resulting in increased meal imports, mainly from Argentina and Brazil, driven by higher demand for soybean meal in feed. In addition, this increased meal consumption is also expected to result in reduced stocks.

MY 2008/09:

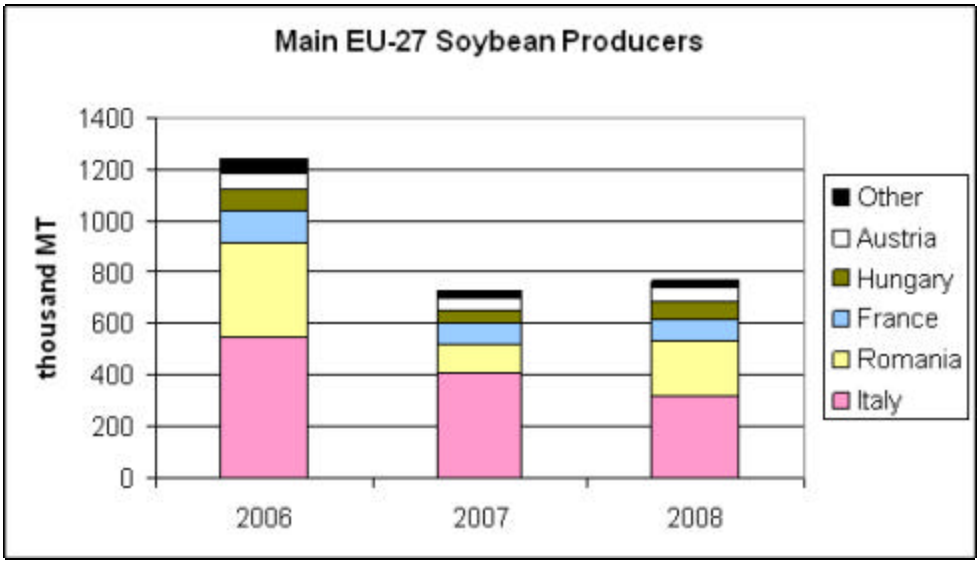
The projected higher use of grains in animal feed because of lower grain prices are expected to reduce the demand for imports of soybean meal in MY 2008/09.

Soybean Oil PSD

Commodity:	Soybean Oil (1,000 MT)					
Marketing Year	2006/07		2007/08		2008/09	
	USDA official	Post Estimates (new)	USDA official	Post Estimates (new)	USDA official	Post Estimates (new)
Marketing Year Begin	10/2006		10/2007		10/2008	
Crush	14,555	14,555	14,500	13,600	-	13,300
Extraction Rate	0.179	0.179	0.179	0.180		0.180
Beginning Stocks	194	194	200	234	183	256
Production	2,600	2,600	2,600	2,450		2,400
Extra EU-27 imports	958	969	960	1,250		1,350
TOTAL SUPPLY	**3,752**	**3,763**	**3,760**	**3,934**	**183**	**4,006**
Extra EU-27 exports	242	243	230	300		300
Industrial	1,555	286	1,600	290		290
Biofuels		1,280		1,300		1,400
Food Use	1,625	1,580	1,615	1,600		1,600
Feed, Seed, Waste	130	140	132	188		200
TOTAL Use	3,310	3,286	3,347	3,378	-	3,490
Ending Stocks	200	234	183	256		216
TOTAL DISTRIBUTION	**3,752**	**3,763**	**3,760**	**3,934**	**-**	**4,006**

Source: FAS EU-27

In MY 2007/08, and again in MY 2008/09, reduced soybean oil production will lead to increased oil imports because of the demand for soybean oil to replace higher priced rapeseed oil in biodiesel production. Total EU-27 consumption of soybean oil for biodiesel processing is expected to increase slightly, mainly due to rising Italian demand, driven by the price differential between soybean oil and rapeseed oil. The largest consumers of soybean oil for biodiesel production are: Germany (39 percent in MY 2006/07); Spain (16 percent); the United Kingdom (15 percent); and Italy (14 percent).



Trends in soybean oil for biofuel use vary by Member State. While Italian demand is on the rise, German demand is expected to decline. The latter is a combined effect of lower biodiesel production and a change in the German energy tax law which restricts tax benefits to biofuels that comply with the EU and German norms and regulations[2]. This limits the amount of soybean oil in the feedstock mix compared to previous years. This is not the case in Italy or other MS.

Both food use and industrial consumption of soybean oil are expected to remain stable in MY 2007/08 and MY 2008/09.

Non Biotech Soybeans

Non-GE soybean products continue to find a market in a number of MS, including France, Italy, Germany, and Hungary. The market share for non-GE soybean meal reportedly ranges from 5 to 20 percent of these markets, totaling roughly 1.5 million MT of soybean meal per year. This is approximately 4 percent of the EU-27 soybean meal supply. The premium for these non-biotech soybean products, imported mainly from Brazil, ranges from € 60 to 80 per MT.

The European demand for non-GE soybean meal is driven by the food and feed industry. For example, French poultry products under Protected Geographical Indications and quality labels have standards specifying the absence of biotech in their feed. National legislation also has an impact. Poland enacted a moratorium on biotech in animal feed in 2006 that goes into effect in August 2008. However, Poland is considering whether to postpone the ban's introduction to 2012. Poland uses roughly 2 million metric tons of soybean meal each year. Its feed ban would more than double the demand for non-GE feed in the EU, significantly increasing competition to find non-GE feed on the world market and potentially increasing premiums significantly. In addition, Germany recently passed a law easing non-GE labeling restrictions for food products, despite industry opposition.

The feed industry in Europe is aware of the declining availability of non-biotech soybean products, mainly due to the reduced availability of these products from Brazil. Fore more information on this topic, see the "biotechnology" section on page 29 in this report.

[2] EU norm 14214 for biodiesel and German pre-norm 51605 for vegetable oil for fuel use.

Rapeseed Complex
Coordinator: Sabine Lieberz, FAS/Berlin

Rapeseed PSD

Commodity:	Rapeseed (1,000 ha/1,000 MT)					
Marketing Year (MY)	2006/07		2007/08		2008/09	
	USDA official	Post Estimates (new)	USDA official	Post Estimates (new)	USDA official	Post Estimates (new)
Marketing Year Begin	7/2006		7/2007		7/2008	
Area	5,400	5,408	6,550	6,553		6,380
Beginning Stocks	1,729	1,729	1,588	1,651	1,309	1,181
Production	16,015	15,904	18,318	18,320		19,250
Extra EU-27 imports	432	409	550	900		1,250
TOTAL SUPPLY	18,176	18,042	20,456	20,871	1,309	21,681
Extra EU-27 exports	75	56	375	240		200
Crush	15,580	15,535	17,863	18,700		19,700
Food Use	-	-	-	-		-
Feed, Seed, Waste	933	800	909	750		700
TOTAL Use	16,513	16,335	18,772	19,450	-	20,400
Ending Stocks	1,588	1,651	1,309	1,181		1,081
TOTAL DISTRIBUTION	18,176	18,042	20,456	20,871	-	21,681

Source: FAS EU-27

MY 2007/08

In response to growing demand for rapeseed oil from the biodiesel industry and resulting higher rapeseed prices, EU farmers increased rapeseed area by 21 percent to 6.5 million ha. Production, however, only increased by 14 percent as a lack of rain resulted in below average yields in major rapeseed growing areas.

Table 5: Production in Top Ten Rapeseed Producing MS (1,000 MT)

Year COUNTRY	2006	2007	2008
Germany	5,337	5,307	5,300
France	4,124	4,600	4,500
Poland	1,652	2,125	2,200
United Kingdom	1,890	2,108	2,150
Czech Republic	880	1,031	990
Romania	170	352	650
Denmark	435	586	600
Hungary	338	494	570
Lithuania	170	330	350
Slovak Republic	260	321	347

The good market for rapeseed oil has resulted in expanded crushing capacity and/or conversion of existing soybean to multi-seed crushing facilities, especially in the Benelux and Germany. As a result, the EU rapeseed crush is expected to increase by 20 percent in MY 2007/08 and rapeseed imports are forecast to increase despite the larger domestic crop. The main third country suppliers of rapeseed to the EU are the Ukraine, Russia, and Kazakhstan.

Table 6: Top Ten Rapeseed Crushing MS (1000 MT)

MY COUNTRY	2006/07	2007/08	2008/09
Germany	6,568	7,500	7,600
France	2,336	2,950	3,000
Benelux	920	1,900	1,950
Poland	1,444	1,500	1,800
United Kingdom	1,550	1,650	1,700
Denmark	619	750	750
Czech Republic	722	725	750
Austria	329	335	335
Sweden	280	265	260
Finland	250	250	250

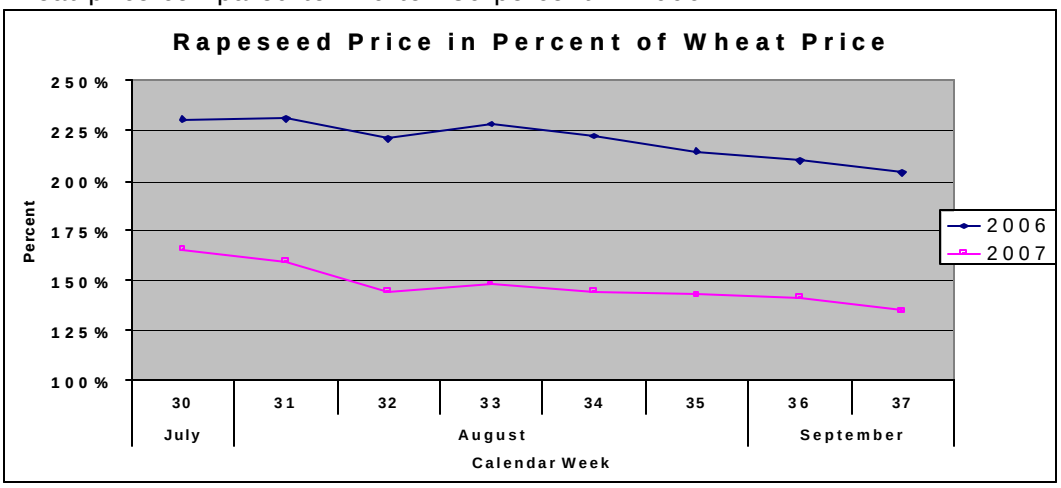
EU-27 export data for the first seven months of MY 2007/08 show a steep increase and a shift in destinations for rapeseed exports. From July 2007 through January 2008, the major destination included Pakistan (mainly from France and Romania), U.A.E (mainly from Romania), Turkey, and Mexico. This compares to Norway, Israel, and Morocco as major export markets in the same period in MY 2006/07.

With crush increasing faster than domestic rapeseed production and net imports, ending stocks are expected to fall.

MY 2008/09

Total EU rapeseed area for harvest in 2008 is estimated three percent lower than in the previous year, despite record rapeseed prices. The major factor behind the decline was a more attractive producer price for wheat[3] at the time of rapeseed sowing in the chief

[3] For example in Germany, on average, producer prices for rapeseed need to be roughly 200 percent the price of wheat, in order for rapeseed to be a more attractive production alternative compared to wheat. This premium offsets higher input costs. In Germany, the majority of rapeseed is sown in calendar weeks 33 through 35. During the time of decision making and sowing in 2007, rapeseed prices were only between 163 and 133 percent of the wheat price compared to 210 to 230 percent in 2006.



rapeseed growing areas (Germany, France, the U.K). Other factors adding to the decline in area included:

- Disappointing rapeseeds yields in the past two years (France);
- The suspension of the EU's compulsory set-aside requirements (the U.K.); the set-aside scheme allowed for the production of rapeseed for non-food use. With the removal of this requirement, rapeseed now competes with grains for this land; and
- Adverse weather conditions during the sowing period which prevented farmers from accessing fields (Germany).

The decline would have been even larger if it was not for the expansion of rapeseed area in other MS. Reasons for area expansion include:

- Good prices and good market opportunities within the EU (Romania, Bulgaria);
- Growing demand from expanding domestic biodiesel sector (Romania);
- Benefits for crop rotation (Hungary); and
- Reduction of sugar beet area in response to the reform of the EU sugar regime (Hungary).

Rapeseed production in the EU-27 is forecast to increase by 5 percent in MY 2008/09 as important rapeseed producing MS expect better yields compared to the disappointing 2007 results. Mild winter temperatures and sufficient water resulted in a good development of the rapeseed plants in most of the EU. This is expected to more than offset the forecast decline in area.

The EU's position as a net importer of rapeseed continues to increase. The increase in crushing is expected to outpace the increase in domestic rapeseed production. In addition, availability of rapeseed on the world market is expected to increase in MY 2009/09 as main non-EU producers, for example the Ukraine, expect a good crop. As a result imports are expected to increase, while exports are expected to decrease in MY 2008/09 compared to MY 2007/08.

Rapeseed Meal PSD

Commodity:	**Rapeseed Meal (1,000 MT)**					
Marketing Year (MY)	2006/07		2007/08		2008/09	
	USDA official	Post Estimates (new)	USDA official	Post Estimates (new)	USDA official	Post Estimates (new)
Marketing Year Begin	7/2006		7/2007		7/2008	
Crush	15,580	15,535	17,863	18,700	-	19,700
Extraction Rate	0.576	0.571	0.575	0.572		0.574
Beginning Stocks	95	95	84	261	100	250
Production	8,970	8,865	10,280	10,700		11,300
Extra EU-27 imports	106	106	110	110		90
TOTAL SUPPLY	9,171	9,066	10,474	11,071	100	11,640
Extra EU-27 exports	64	64	150	150		160
Industrial		-		23		33
Food Use		-		-		-
Feed, Seed, Waste	9,023	8,741	10,224	10,648		11,167
TOTAL Use	9,023	8,741	10,224	10,671	-	11,200
Ending Stocks	84	261	100	250		280
TOTAL DISTRIBUTION	9,171	9,066	10,474	11,071	-	11,640

Source: FAS EU-27

Note: The large difference in old and new figures for ending stocks is a result of the fact that Germany started to officially report rapeseed meal ending stock while in previous years this figure had to be estimated.

Rapeseed meal/cake is predominantly used for animal feed; however, small quantities of rapeseed meal are used in biomass power stations in Hungary, Slovenia, and Slovakia. Rapeseed meal use in animal feed is expected to increase by 20 percent in MY 2007/08 compared to MY 2006/07. The increase is most prominent in Germany, the Benelux, France, and the U.K., where educational efforts by the local rapeseed industry concerning the benefits of rapeseed meal for feeding purposes continue to pay dividends. The high grain prices also helped push up the demand. As a result, the majority of the increased rapeseed meal production remains in the EU rather than being exported. Nonetheless, the EU is expected to turn from a net importer of rapeseed meal into a net exporter in MY 2007/08.

For MY 2008/09 a further but more moderate (5 percent) increase in feed use is projected, as some MS such as the Benelux seemed to have reached maximum inclusion levels in their feed mixes.

Rapeseed Oil PSD

Commodity:	**Rapeseed oil (1,000 MT)**					
Marketing Year (MY)	2006/07		2007/08		2008/09	
	USDA official	Post Estimates (new)	USDA official	Post Estimates (new)	USDA official	Post Estimates (new)
Marketing Year Begin	7/2006		7/2007		7/2008	
Crush	15,580	15,535	17,863	18,700	-	19,700
Extraction Rate	0.415	0.409	0.415	0.406		0.414
Beginning Stocks	192	192	189	200	190	300
Production	6,465	6,353	7,413	7,600		8,150
Extra EU-27 imports	740	727	400	300		400
TOTAL SUPPLY	7,397	7,272	8,002	8,100	190	8,850
Extra EU-27 exports	51	51	75	80		80
Industrial	4,781	530	4,823	510		510
Biofuels		4,410		5,100		5,950
Food Use	2,371	2,071	2,909	2,100		2,100
Feed, Seed, Waste	5	10	5	10		10
TOTAL Use	7,157	7,021	7,737	7,720	-	8,570
Ending Stocks	189	200	190	300		200
TOTAL DISTRIBUTION	7,397	7,272	8,002	8,100	-	8,850

Source: FAS EU-27

Growing demand from biofuels industry drives up rapeseed oil production. EU-27 rapeseed oil production is expected to increase in MY 2008/09 by another 7 percent after a 20 percent increase in MY 2007/08. More than half of the EU-27 production is located in Germany and France. The top five producing countries (Germany, France, Benelux, the U.K., and Poland) account for more than 80 percent of rapeseed oil production.

The driving force behind the increased rapeseed oil production in the EU-27 is the growing demand from the biodiesel industry. While in MY 2006/07, 61 percent of the rapeseed oil supply was used for biofuels, this share is projected to increase to 63 and 67 percent in the MY 2007/08 and MY 2008/09, respectively.

In MY 2006/07, over 95 percent of rapeseed oil imports were destined for technical use. Largest suppliers were Canada, the United States, and the United Arab Emirates. For MY 2007/08 imports are projected to decline as a result of the growing EU-27 domestic

rapeseed oil production. For MY 2008/09 a partial rebound is forecast for imports, as demand is expected to grow faster than domestic production.

Food use of rapeseed oil is expected to remain flat, while industrial uses other than for biofuels[4] are expected to moderately decline in MY 2007/08 due to the high rapeseed oil price and remain stable in MY 2008/09.

Sunflower Complex
Coordinator: Monica Dobrescu, FAS/Bucharest

Sunflower Seeds PSD

Sunflower Seed (1,000 MT)						
	2006/07		2007/08		2008/09	
	USDA official	Post Estimates (new)	USDA official	Post Estimates (new)	USDA official	Post Estimates (new)
Marketing Year Begin	**10/2006**		**10/2007**		**10/2008**	
Area	3,977	3,943	3,414	3,389		3,681
Beginning Stocks	662	662	513	500		190
Production	6,483	6,482	4,772	4,760		6,300
Extra EU-27 imports	572	570	400	300		350
TOTAL SUPPLY	**7,717**	**7,714**	**5,685**	**5,560**	**-**	**6,840**
Extra EU-27 exports	749	749	300	300		700
Crush	5,601	5,600	4,462	4,450		5,250
Food Use	210	220	210	220		225
Feed, Seed, Waste	644	645	468	400		430
TOTAL Use	6,455	6,465	5,140	5,070		5,905
Ending Stocks	513	500	245	190		235
TOTAL DISTRIBUTION	**7,717**	**7,714**	**5,685**	**5,560**	**-**	**6,840**

Source: FAS EU-27

MY 2007/2008

EU-27 sunflower seeds production fell by 26 percent mainly as a result of the severe drought recorded in the Eastern Europe MS during the summer of 2007, but also because of smaller area. Romania and Bulgaria accounted for 80 percent of this drop, while the balance was attributed to Hungary, Italy, and Slovakia. As a consequence, exports are expected to decline by 60 percent, since Romania and Bulgaria are the largest EU sunflower seeds exporters. Imports are also expected to decline, due to the export restrictions imposed by several large producing countries (Ukraine, Russia, and Argentina) which limit the product availability. The U.S. continues to be a stable supplier of sunflower seeds for food use to the EU.

For the same reason (limited availability), crush is expected to decline by 20 percent, especially in Romania, Bulgaria, and Spain. Food use will remain stable, while feed/seed use will decline. The tight sunflower seeds availability is also reflected in the ending stocks, which are expected to be more than halved.

[4] Industrial uses include detergents, lubricants, paints, inks, and other uses in the oleochemical industry.

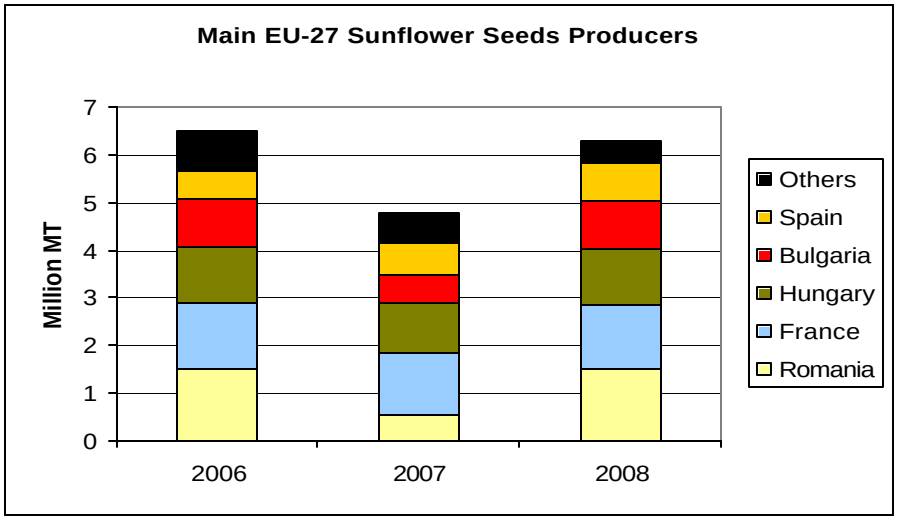
MY 2008/2009

Driven by high profits the area planted with sunflower seeds is expected to grow by 9 percent at the expense of corn acreage, especially in Spain, France, Romania, and Hungary. For 2008, the yields are forecast to reach a normal level considering the planting conditions and weather forecast. Hence, exports are expected to rebound to the volume recorded in MY 2006/2007, while imports are forecast to remain relatively low. Another factor restricting imports is an expected switch in Ukrainian exports from sunflower seeds to sunflower oil.

Crush is forecast to expand by 18 percent compared to the previous year, but still be slightly lower than two years before. This is a result of the industry's switch to rapeseed processing and higher competition from large processing countries, such as Ukraine. Several countries anticipate a crush expansion, such as France, Spain, Italy, Hungary, while Benelux expects a decline. Food use and feed/seed use are expected to slightly rise, in response to a larger supply.

Table 7: Production in Top Five Sunflower Seeds Producing MS (1,000 MT)

COUNTRY	2006	2007	2008
Romania	1,500	540	1,500
France	1,386	1,320	1,350
Hungary	1,181	1,043	1,180
Bulgaria	1,000	564	1,000
Spain	607	700	800



Sunflower meal

Sunflower Meal (1,000 MT)						
	2006/07		2007/08		2008/09	
	USDA official	Post Estimates (new)	USDA official	Post Estimates (new)	USDA official	Post Estimates (new)
Marketing Year Begin	**10/2006**		**10/2007**		**10/2008**	
Crush	5,601	5,600	4,462	4,450		5,250
Extraction Rate	0.545	0.530	0.545	0.530		0.530
Beginning Stocks	105	105	85	98		58
Production	3,055	2,970	2,430	2,360		2,780
Extra EU-27 imports	1,770	1,770	1,550	1,650		1,550
TOTAL SUPPLY	**4,930**	**4,845**	**4,065**	**4,108**	**-**	**4,388**
Extra EU-27 exports	146	147	128	100		150
Industrial	4	-	4	-		-
Food Use	-	-	-	-		-
Feed, Seed, Waste	4,695	4,600	3,890	3,950		4,150
TOTAL Use	4,699	4,600	3,894	3,950		4,150
Ending Stocks	85	98	43	58		88
TOTAL DISTRIBUTION	**4,930**	**4,845**	**4,065**	**4,108**	**-**	**4,388**

Source: FAS EU-27

MY 2007/2008

As a result of a lower crush, sunflower meal production is expected to drastically decline in Romania (50 percent) and Bulgaria (20 percent), leading to a drop of 21 percent at the EU level. Given the tight world supply, it is unlikely that this gap can be filled with imports. Sunflower meal incorporation in the feed rations will decrease by 14 percent, with substitution from other meals, like soybeans and rapeseed. Benelux, Romania, and the United Kingdom expect the largest drops in sunflower meal feed use.

As export restrictions imposed by Ukraine, Russia, and Argentina do not include sunflower meal, these countries are predicted to continue to be the main source for EU sunflower meal imports.

MY 2008/2009

Meal production is forecast to grow by 18 percent, but still be relatively lower than two years before. Imports are anticipated to be fairly stable. Feed meal use is estimated to increase especially in the producing countries, such as Romania and Spain, as a higher availability is expected to make sunflower meal more price competitive.

Sunflower oil

Sunflower Oil (1,000 MT)						
	2006/07		2007/08		2008/09	
	USDA official	Post Estimates (new)	USDA official	Post Estimates (new)	USDA official	Post Estimates (new)
Marketing Year Begin	**10/2006**		**10/2007**		**10/2008**	
Crush	5,601	5,600	4,462	4,450		5,250
Extraction Rate	0.397	0.422	0.397	0.422		0.422
Beginning Stocks	283	283	240	270		90
Production	2,223	2,365	1,770	1,880		2,215
Extra EU-27 imports	1,183	1,171	1,133	1,200		1,300
TOTAL SUPPLY	**3,689**	**3,819**	**3,143**	**3,350**	**-**	**3,605**
Extra EU-27 exports	147	148	45	100		130
Industrial	115	90	115	90		90
Biofuels		240		200		250
Food Use	3,184	3,050	2,865	2,850		3,000
Feed, Seed, Waste	3	21	2	20		22
TOTAL Use	3,302	3,401	2,982	3,160		3,362
Ending Stocks	240	270	116	90		113
TOTAL DISTRIBUTION	**3,689**	**3,819**	**3,143**	**3,350**	**-**	**3,605**

Source: FAS EU-27

MY 2007/2008

Human consumption continues to be the main driving factor for sunflower oil utilization. Nevertheless, record high prices are expected to lead to a drop in human consumption, especially in Romania and Hungary in MY 2007/08. The largest imported amounts originated from the Ukraine, before the oil export quota was implemented in March 2008. Sunflower oil imports are anticipated to continue for the rest of the marketing year, but at a slower pace. In terms of oil utilization, biodiesel production holds the second place, although a decline of 25 percent is shown compared to the previous year, in response to the high prices.

MY 2008/2009

Food use of sunflower oil is foreseen to recover to its previous level in Romania, Hungary, and Poland as the higher production is anticipated to result in lower prices. Imports are projected to grow by 8 percent, especially due to additional crushing capacity built in the Ukraine, which is targeted at EU countries. Sunflower oil use for biodiesel is forecast to grow by 25 percent, with the main increase projected for France. Other major users of sunflower oil for biodiesel production include the United Kingdom, Greece, Lithuania, and Italy. Industrial use and feed use are forecast to remain relatively stable.

Palm oil
Coordinator: Bob Flach, FAS/The Hague

Palm Oil PSD

Commodity:	Palm Oil (1000 MT)					
Marketing Year	2006/07		2007/08		2008/09	
	USDA official	Post Estimates (new)	USDA official	Post Estimates (new)	USDA official	Post Estimates (new)
Marketing Year Begin	1/2007		1/2008		1/2009	
Area	0	0	0	0	-	0
Beginning Stocks	200	200	180	150	-	115
Production	0	0	0	0	-	0
Extra EU-27 imports	3,575	4,000	3,800	4,050	-	4,100
TOTAL SUPPLY	3,775	4,200	3,980	4,200	-	4,215
Extra EU-27 exports	150	100	105	100	-	100
Industrial	650	650	700	630	-	600
Biofuels	-	450	-	525	-	575
Food Use	2,535	2,630	2,725	2640	-	2,650
Feed, Seed, Waste	260	220	270	190	-	180
TOTAL Use	3,445	3,950	3,695	3,985	-	4,000
Ending Stocks	180	150	180	115	-	110
TOTAL DISTRIBUTION	3,775	4,200	3,980	4,200	-	4,215

EU palm oil imports declined from 4.1 MMT in 2006 to about 4.0 MMT in 2007. The cutback of palm oil imports is partly a result of a significant price increase; the FOB Rotterdam palm oil price nearly doubled during 2007. The reduction is, however, limited due to the following factors:

- Despite the price rally in 2007, the price margin with the three other main vegetable oils, soybean, rapeseed, and sunflower oil, improved during 2007. This margin makes palm oil an economical alternative in the growing EU oils and fats market.
- Palm oil refineries cannot easily switch to another feedstock.
- The production and refining of palm oil is highly integrated, which makes its use less susceptible to price fluctuations compared with other vegetable oils.

As a result of the beneficial price relationship with other vegetable oils, EU palm oil use and imports are expected to recover during 2008 and 2009. The growth in imports is further based on industry plans to increase the palm oil refining capacity in the Rotterdam port. Currently, the refining capacity in the port of Rotterdam is estimated at about 1.5 MMT per year.

The reduced palm oil imports in 2007 had only a marginal effect on total palm oil use as the refineries depleted their palm oil stocks, built up during 2006. Palm oil use for industrial purposes, excluding the use for electricity generation and biofuels, stabilized at about 635,000 MT. Due to the price sensitivity of this sector, however, palm oil is expected to be gradually replaced by oil derivatives, such as by-products from the oils and fat industry.

The use of palm oil for electricity generation by Dutch power plants declined significantly as a result of actions by protest groups, which questioned the sustainability of palm oil production. As a consequence, the Dutch Government cut the subsidy on using palm oil for electricity generation effective July 1, 2006. Palm oil combustion declined from about 400,000 MT in 2005, to about 100,000 MT in 2006, and finally to about 15,000 MT in 2007.

Biodiesel production is forecast to be a growth market for palm oil use. In 2007, the use of palm oil for biodiesel production is estimated at 450,000 MT. The majority of this volume is used by the German biodiesel sector, about 235,000 MT. Limited volumes are used by the sector in Italy, Spain, and France. The use of palm oil for biodiesel production is expected to grow to about 575,000 MT in 2009. Palm oil use by the food processing industry is expected to increase gradually. The main growth is expected in the New Member States (NMS), mainly Poland. The main two factors for choosing palm oil as a food ingredient are the favorable price margin with other vegetable oils and the low content of trans-fatty acids.

Palm Kernel Complex

Coordinator: Bob Flach, FAS/The Hague

Commodity:	Palm Kernel (1000 MT)					
Marketing Year	2006/07		2007/08		2008/09	
	USDA official	Post Estimates (new)	USDA official	Post Estimates (new)	USDA official	Post Estimates (new)
Marketing Year Begin	1/2007		1/2008		1/2009	
Area	0	0	0	0	-	0
Beginning Stocks	0	0	0	0	-	0
Production	0	0	0	0	-	0
Extra EU-27 imports	25	0	25	0	-	0
TOTAL SUPPLY	25	0	25	0	-	0
Extra EU-27 exports	0	0	0	0	-	0
Crush	25	0	25	0	-	0
Food Use	0	0	0	0	-	0
Feed, Seed, Waste	0	0	0	0	-	0
TOTAL Use	25	0	25	0	-	0
Ending Stocks	0	0	0	0	-	0
TOTAL DISTRIBUTION	25	0	25	0	-	0

Commodity:	Palm Kernel Meal (1000 MT)					
	USDA official	Post Estimates (new)	USDA official	Post Estimates (new)	USDA official	Post Estimates (new)
Marketing Year Begin	1/2007		1/2008		1/2009	
Crush	25	0	25	0	-	0
Extraction Rate	0.56	0	0.56	0	-	0
Beginning Stocks	0	0	0	0	-	0
Production	14	0	14	0	-	0
Extra EU-27 imports	2,400	2,236	2,400	2,350	-	2,350
TOTAL SUPPLY	2,439	2,236	2,414	2,350	-	2,350
Extra EU-27 exports	0	0	0	0	-	0
Industrial	493	250	493	250	-	250
Food Use	0	0	0	0	-	0
Feed, Seed, Waste	1,921	1,986	1,921	2,100	-	2,100
TOTAL Use	2,414	2,236	2,414	2,350	-	2,350
Ending Stocks	0	0	0	0	-	0
TOTAL DISTRIBUTION	2,439	2,236	2,414	2,350	-	2,350

Commodity:	Palm Kernel Oil (1000 MT)					
	USDA official	Post Estimates (new)	USDA official	Post Estimates (new)	USDA official	Post Estimates (new)
Marketing Year Begin	1/2007		1/2008		1/2009	
Crush	25	0	25	0	-	0
Extraction Rate						
Beginning Stocks	19	19	18	0	-	0
Production	10	0	10	0	-	0
Extra EU-27 imports	604	616	630	640	-	647
TOTAL SUPPLY	633	635	658	640	-	647
Extra EU-27 exports	0	4	0	2	-	2
Industrial	108	350	114	358	-	365
Biofuels	0	0	0	0	-	0
Food Use	492	265	511	265	-	265
Feed, Seed, Waste	15	16	15	15	-	15
TOTAL Use	615	631	640	638	-	645
Ending Stocks	18	0	18	0	-	0
TOTAL DISTRIBUTION	633	635	658	640	-	647

Peanut Complex
Coordinator: Steve Knight, FAS/London

Commodity:	Peanuts (1,000 ha/ 1,000 MT)					
Marketing Year (MY)	2006/07		2007/08		2008/09	
	USDA official	Post Estimates (new)	USDA official	Post Estimates (new)	USDA official	Post Estimates (new)
Marketing Year Begin	**10/2006**		**10/2007**		**10/2008**	
Area	0	-	-	-	-	-
Beginning Stocks	12	12	9	12	9	11
Production	0	1	-	1	-	1
Extra EU-27 imports	754	746	750	740	-	740
TOTAL SUPPLY	**766**	**759**	**759**	**753**	**9**	**752**
Extra EU-27 exports	28	25	26	25	-	25
Crush	45	45	45	45	-	45
Food Use	681	674	676	669	-	668
Feed, Seed, Waste	3	3	3	3	-	3
TOTAL Use	729	722	724	717	-	716
Ending Stocks	9	12	9	11	-	11
TOTAL DISTRIBUTION	**766**	**759**	**759**	**753**	**-**	**752**

Source: FAS EU-27

Commodity:	Peanut Meal (1,000 MT)					
	USDA official	Post Estimates (new)	USDA official	Post Estimates (new)	USDA official	Post Estimates (new)
Marketing Year Begin	**10/2006**		**10/2007**		**10/2008**	
Crush	45	45	45	45	-	45
Extraction Rate	0.444	0.444	0.444	0.444	-	0.444
Beginning Stocks	-	-	-	-	-	-
Production	20	20	20	20	-	20
Extra EU-27 imports	55	55	50	50	-	50
TOTAL SUPPLY	**75**	**75**	**70**	**70**	**-**	**70**
Extra EU-27 exports	-	-	-	-	-	-
Industrial	-	-	-	-	-	-
Food Use	-	-	-	-	-	-
Feed, Seed, Waste	75	75	70	70	-	70
TOTAL Use	75	75	70	70	-	70
Ending Stocks	-	-	-	-	-	-
TOTAL DISTRIBUTION	**75**	**75**	**70**	**70**	**-**	**70**

Source: FAS EU-27

Commodity:	Peanut Oil (1,000 MT)					
	USDA official	Post Estimates (new)	USDA official	Post Estimates (new)	USDA official	Post Estimates (new)
Marketing Year Begin	**10/2006**		**10/2007**		**10/2008**	
Crush	45	45	45	45	-	45
Extraction Rate	0.356	0.356	0.356	0	-	0
Beginning Stocks	5	5	5	5	5	5
Production	16	16	16	16	-	16
Extra EU-27 imports	103	103	92	105	-	105
TOTAL SUPPLY	**124**	**124**	**113**	**126**	**5**	**126**
Extra EU-27 exports	11	3	3	4	-	4
Industrial	0	-	-	-	-	-
Biofuels	0	-	-	-	-	-
Food Use	108	116	105	117	-	117
Feed, Seed, Waste	0	-	-	-	-	-
TOTAL Use	108	116	105	117	-	117
Ending Stocks	5	5	5	5	-	5
TOTAL DISTRIBUTION	**124**	**124**	**113**	**126**	**-**	**126**

Source: FAS EU-27

Fish Meal

Coordinator: Hasse Kristensen, FAS/Copenhagen

Commodity:	Fish Meal (1,000 MT)					
Marketing Year (MY)	**2006/07**		**2007/08**		**2008/09**	
	USDA official	Post Estimates (new)	USDA official	Post Estimates (new)	USDA official	Post Estimates (new)
Marketing Year Begin	**01/2007**		**01/2008**		**01/2009**	
Beginning Stocks	25	25	25	25		25
Production	497	425	502	455		450
Extra EU-27 imports	527	527	555	510		500
TOTAL SUPPLY	**1,049**	**977**	**1,082**	**990**	**-**	**975**
Extra EU-27 exports	139	139	145	145		150
Industrial		-		-		-
Food Use		-		-		-
Feed, Seed, Waste	885	813	912	820		505
TOTAL Use	885	813	912	820	-	800
Ending Stocks	25	25	25	25		25
TOTAL DISTRIBUTION	**1,049**	**977**	**1,082**	**990**	**-**	**975**

Source: FAS EU-27

Cottonseed Complex

Coordinator: Stamatis Sekliziotis, FAS/Athens

Commodity:	Cottonseed (1,000 ha/1,000 MT)					
	USDA official	Post Estimates (new)	USDA official	Post Estimates (new)	USDA official	Post Estimates (new)
Marketing Year Begin	**10/2006**		**10/2007**		**10/2008**	
Area	422	433	374	374		354
Beginning Stocks	96	96	32	10	41	10
Production	519	635	512	562		530
Extra EU-27 imports	90	90	42	100		100
TOTAL SUPPLY	**705**	**821**	**586**	**672**	**41**	**640**
Extra EU-27 exports	36	36	33	160		170
Crush	360	410	390	380		350
Food Use		-	-	-		-
Feed, Seed, Waste	277	365	122	122		110
TOTAL Use	637	775	512	502		460
Ending Stocks	32	10	41	10		10
TOTAL DISTRIBUTION	**705**	**821**	**586**	**672**		**640**

Source: FAS EU-27

European cotton production continued to drop despite the EU's maintaining partially coupled payments to cotton farmers intended to keep them producing. Smaller crops translated into proportionally lower meal and oil outputs. Most of the meal is utilized as a ruminant feed in a few MS, being a high-protein feed supplement mainly for dairy cattle and sheep. A small amount of cotton oil is used in Greece by biofuel producers. Cotton in Europe (only in Greece and Spain) is cultivated for lint production with cotton meal and oil considered as less marketable and less competitive byproducts compared to other vegetable oils and feed protein supplements.

Commodity:	Cotton meal (1,000 MT)					
	USDA official	Post Estimates (new)	USDA official	Post Estimates (new)	USDA official	Post Estimates (new)
Marketing Year Begin	**10/2006**		**10/2007**		**10/2008**	
Crush	360	410	390	380	-	350
Extraction Rate	0.433	0.573	0.433	0.432		0.457
Beginning Stocks	12	12	5	53	5	53
Production	156	235	169	164		160
Extra EU-27 imports	7	7	15	12		13
TOTAL SUPPLY	**175**	**259**	**189**	**229**	**5**	**226**
Extra EU-27 exports		-	-	-		-
Industrial		-	-	-		-
Food Use		-	-	-		-
Feed, Seed, Waste	170	201	184	176		168
TOTAL Use	170	201	184	176	-	168
Ending Stocks	5	53	5	53		58
TOTAL DISTRIBUTION	**175**	**259**	**189**	**229**	**-**	**226**

Source: FAS EU-27

Commodity:	Cotton oil (1,000 MT)					
	USDA official	Post Estimates (new)	USDA official	Post Estimates (new)	USDA official	Post Estimates (new)
Marketing Year Begin	**10/2006**		**10/2007**		**10/2008**	
Crush	360	410	390	380	-	350
Extraction Rate	0.156	0.149	0.156	0.171		0.177
Beginning Stocks	3	3	3	3	3	3
Production	56	61	61	65		62
Extra EU-27 imports	8	8	5	5		5
TOTAL SUPPLY	**67**	**72**	**69**	**73**	**3**	**70**
Extra EU-27 exports	1	1	1	2		1
Industrial		2	-	1		1
Biofuels		4	-	10		10
Food Use	63	62	-	57		55
Feed, Seed, Waste	-		65			-
TOTAL Use	63	68	65	68	-	66
Ending Stocks	3	3	3	3		3
TOTAL DISTRIBUTION	**67**	**72**	**69**	**73**		**70**

Source: FAS EU-27

Olive oil
Coordinator: Sandro Perini, FAS/Rome

Commodity:	Olive Oil (1,000 MT)					
Marketing Year (MY)	**2006/07**		**2007/08**		**2008/09**	
	USDA official	Post Estimates (new)	USDA official	Post Estimates (new)	USDA official	Post Estimates (new)
Marketing Year Begin		**11/2006**		**11/2007**		**11/2008**
Beginning Stocks	805	805	865	725	885	715
Production	2,340	2,037	2,340	2,113		2,133
Extra EU-27 imports	221	221	225	235		235
TOTAL SUPPLY	**3,366**	**3,063**	**3,430**	**3,073**	**885**	**3,083**
Extra EU-27 exports	408	408	410	420		425
Industrial	50	50	50	50		50
Food Use	2,043	1,880	2,085	1,888		1,898
Feed, Seed, Waste						
TOTAL Use	2,093	1,930	2,135	1,938	-	1,948
Ending Stocks	865	725	885	715		710
TOTAL DISTRIBUTION	**3,366**	**3,063**	**3,430**	**3,073**	**-**	**3,083**

Source: FAS EU-27

Total EU olive oil production is increasing slightly. The three leading producing countries (Spain, Italy and Greece) account for over 97 percent of the total EU crop. However, while production in Spain (between 50 and 60 percent of the overall EU figure) is continuing its upward trend, the situation is different in both Italy and Greece. In both countries many trees are too old and low in productivity, and thus suffer more from the effects of adverse weather (as the drought reported in Italy in the summer of 2007). About half of the EU olive

oil exports originate from Italy: in most cases they are represented by a blend of olive oil coming from different origins (EU and non-EU). Domestic EU consumption is rather stable or only slightly increasing, and is concentrated in the leading producing countries.

Copra Complex
Coordinator: Sabine Lieberz, FAS/Berlin

Commodity:	Copra (1,000 MT)					
	2006/07		2007/08		2008/09	
	USDA official	Post Estimates (new)	USDA official	Post Estimates (new)	USDA official	Post Estimates (new)
Marketing Year Begin	**01/2007**		**01/2008**		**01/2009**	
Area		-		-		-
Beginning Stocks	5	5	5	5		5
Production		-		-		-
Extra EU-27 imports	32	19	15	15		15
TOTAL SUPPLY	**37**	**24**	**20**	**20**	**-**	**20**
Extra EU-27 exports		-		-		-
Crush	32	19	20	15		15
Food Use		-		-		-
Feed, Seed, Waste		-		-		-
TOTAL Use	32	19	20	15		15
Ending Stocks	5	5	-	5		5
TOTAL DISTRIBUTION	**37**	**24**	**20**	**20**		**20**

Source: FAS EU-27

Commodity:	Copra Meal (1,000 MT)					
	USDA official	Post Estimates (new)	USDA official	Post Estimates (new)	USDA official	Post Estimates (new)
Marketing Year Begin	**01/2007**		**01/2008**		**01/2009**	
Crush	32	19	20	15	-	15
Extraction Rate	0.375	0.316	0.400	0.333		0.333
Beginning Stocks	-	-	-	-		-
Production	12	6	8	5		5
Extra EU-27 imports	21	29	25	55		40
TOTAL SUPPLY	**33**	**35**	**33**	**60**	**-**	**45**
Extra EU-27 exports		-		-		-
Industrial		-		-		-
Food Use		-		-		-
Feed, Seed, Waste	33	35	33	60		45
TOTAL Use	33	35	33	60	-	45
Ending Stocks		-		-		-
TOTAL DISTRIBUTION	**33**	**35**	**33**	**60**	**-**	**45**

Source: FAS EU-27

Commodity:	Coconut Oil (1,000 MT)					
	USDA official	Post Estimates (new)	USDA official	Post Estimates (new)	USDA official	Post Estimates (new)
Marketing Year Begin	**01/2007**		**01/2008**		**01/2009**	
Crush	32	19	20	15		15
Extraction Rate	0.594	0.579	0.600	0.600		0.600
Beginning Stocks	60	60	47	63		18
Production	19	11	12	9		9
Extra EU-27 imports	760	743	720	890		880
TOTAL SUPPLY	**839**	**814**	**779**	**962**	**-**	**907**
Extra EU-27 exports	7	12	10	10		15
Industrial	265	395	265	430		415
Biofuels		-		-		-
Food Use	500	339	465	500		460
Feed, Seed, Waste	20	5	10	4		4
TOTAL Use	785	739	740	934	-	879
Ending Stocks	47	63	29	18		13
TOTAL DISTRIBUTION	**839**	**814**	**779**	**962**	**-**	**907**

Source: FAS EU-27

Policy
Aid system for oilseed

During the 1990s support for growing oilseeds was incorporated in the arable area payments scheme. With the Agenda 2000 CAP reforms, support for EU oilseeds farmers became decoupled. There is no system of intervention operated for oilseeds, except for olive oil. Olive oil is the only regime still operating a price subsidy or production aid system of support.

Farmers can still get the €45/ha "energy premium" support for producing crops for the production of energy. The €45/ha is limited to 2 million hectares for EU-27 total. In 2007, the area under this scheme exceeded this ceiling and the premium was retro-actively lowered to €30/ha. Because of the administrative procedure, information on the use of the program in 2008 and a possible cut in the premium will only become available in the fall of 2008.

Set Aside

The EU obligatory set-aside rate for fall 2007 and spring 2008 crops was set at '0' percent. This reduction did not lead to any increase in EU-27 oilseeds area. This is because oilseeds, predominantly rapeseed was already allowed for the production for non-food use on set-aside land. In fact, with '0' percent set-aside, in some locations there is additional competition for these areas from grains.

Proposal for 10 percent biofuels obligation

On 23 January 2008, the Commission proposed a package of proposals including a legally enforceable target to achieve 10 percent use of biofuels in transport in the EU to be reached by 2020. This target would apply to each MS. As a result, the European Commission

anticipates[5] that 15 percent of the utilized agricultural area will be used for biofuels production. This assessment is based on the assumption that 30 percent of biofuels production would be from second generation biofuels and 20 percent of the supply would be imported. If this proposal is adopted in its current form demand for biofuel feedstocks, currently oilseeds and grains, will increase substantially in coming years.

Sustainability criteria

There are currently intense discussions under way in the EU about sustainability criteria for biofuels and for feedstocks for biofuel production. The European Commission's proposal on a biofuel target cited above includes a proposal for sustainability criteria. This was primarily a response to the public debate on how biofuels consumption in the EU might adversely affect the environment and contribute to deforestation in developing countries. Depending on the details of the criteria, they could have a substantial impact on the oilseeds and vegetable oil trade. The Commission is expected to decide on the details by December 2008.

The most important criterion currently being discussed for biofuel made out of oilseed is the requirement for Green House Gas (GHG) savings. The proposal sets minimum GHG saving at 35 percent. MS are divided on the timing and the size of the final savings that should apply. Some MS demand GHG savings of as much as 60 percent and others much less. Calculating the GHG savings is another contentious issue, with potential trade implications.

Another important sustainability criterion is that biofuels shall not be sourced from land with recognized high biodiversity levels such as highly biodiverse grassland, land designated for nature protection purposes, or forests undisturbed by significant human activity. The raw material should also not be taken from land with high carbon stock. This leads to concerns about "indirect land-use change" where for example, existing farmland is diverted to production of feedstock for biofuels and new ground is broken for food production, which has no sustainability criterion.

Biotechnology

With the more widespread cultivation of GE oilseeds varieties that are approved in the exporting countries such as the U.S. but not in the EU, potential trade disruptions could result in shortage of soybeans and products on the EU market.

It is expected that new biotech soybean events will be commercialized in the U.S. and other major producing countries beginning in MY 2009/10. Under the current EU biotech policy, it is unlikely that these events will be approved in a timely fashion.

In addition, the EU has a strict zero-tolerance policy for the presence of non EU-approved biotech events. DG Agri's report, *'Economic Impact of Unapproved GMOs on EU Feed Imports and Livestock Production*' notes that the regulatory procedures for the approval of genetically engineered varieties in the EU differ significantly from those of exporting third countries, including differences in the time for treating authorization dossiers. The time it takes for authorizations to be completed in the EU is more than 2.5 years as compared with a U.S. average of 15 months. This discrepancy can lead to 'asynchronous authorizations' where a GE variety is fully approved for commercial use in food and feed in one country, but not in others.

The Report underlines that fast approval of new GE varieties that have received clearance from the European Food Safety Agency (EFSA) can not be guaranteed in the EU, given the

[5] DG Agri's *Note to the file* of 30 April 2007, '*The impact of a minimum 10 % obligation for biofuels use in the EU-27 in 2020 on agricultural markets'*

persistent disagreement among MS in the respective Regulatory Committees and the Council. The report also indicates that not a single genetically engineered variety has been approved by qualified majority. Authorizations have nevertheless been granted by the Commission in line with the comitology procedure, as there were no qualified majorities against the proposals.

Certain elements in Europe's feed and livestock industry are pushing the European Commission for approval of these new varieties and/or more flexibility on adventitious presence rules. This is important to maintain the economic viability of livestock production in the EU.

For a more extensive discussion of EU biotech policies please refer to the Annual Agricultural Biotechnology Report listed below.

Genetically Engineered Varieties

There are currently no GE rapeseed or soybean being commercially cultivated in the EU. However, there are two rapeseed events that have a valid authorization for import and processing. There is only one GE soybean event that is notified as "existing product" for food and feed. However there are seven more for which applications have been submitted.

Related reports from USEU Brussels and MS posts:

Report Number	Title	Date Released
E48063	Biofuels Annual	05/30/2008
GM8009	Details on German Rapeseed Plantings for Harvest 2008	02/12/2008
E47106	Oilseeds Update	12/07/2007
GM7049	Farmers Plant Less Rapeseed fro 2008 due to Price Relation to Wheat	11/13/2007
E47047	Oilseeds and Products Annual	05/31/2007
E47044	Annual Agricultural Biotechnology Report	06/05/2007
These reports can be accessed through the USEU mission's website http://useu.usmission.gov/agri/ or through the FAS website http://www.fas.usda.gov/scriptsw/attacherep/default.asp.		