

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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**Report Highlights:**

The EU28's grain harvest in MY2019/20 is forecast to exceed 311 MMT for only the fourth time on record, a significant turnaround following the drought affected crop of MY2018/19. Generally good planting conditions, albeit a little dry, on an increased area in the fall have been followed by a mild winter and timely precipitation. More rains would still be welcome but the outlook is currently positive. The much improved production outlook for MY2019/20 sees the EU28 forecast to return to being a net exporter of grain but increased domestic consumption and a rise in ending stocks are still projected.

## **Introduction**

This report presents the first outlook for grain and feed, and Production, Supply and Demand (PS&D) forecasts for the Marketing Year (MY) 2019/20. 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

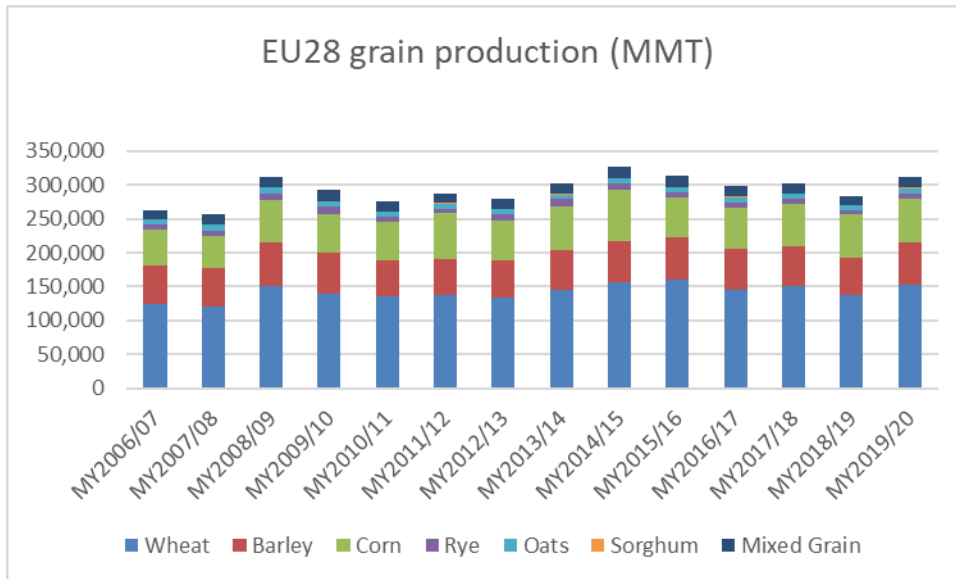
MY = Marketing Year. Post and USDA official data both follow the EU28 local marketing year of July to June except for corn which follows an October to September calendar.

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

## **Executive Summary**

The MY2019/20 EU28 grain crop is currently forecast to reach 311.6 MMT. If realized, it will be the fourth largest EU28 crop on record, similar in size to MY2008/9 and MY2015/16, albeit nearly 16 MMT smaller than the record crop of MY2014/15. The planted area is forecast 1.6 MHa higher year-on-year, in the main due to wheat and corn and, to a lesser extent, barley and mixed grain as producers switch away from rapeseed. Dry conditions across much of the EU28 detrimentally affected yield and quality

in MY2018/19. They were still being felt in the fall of 2018 at the time of the initial plantings for MY2019/20.



Source: FAS Posts

Looking at the main winter grain producers, in the northwest, in France and the United Kingdom, the dry fall meant good planting conditions for the MY2019/20 crop on an increased area. Wet weather in both January and March further bodes well for the winter crops. In Germany, which saw a significant decline in its total grain harvest in MY2018/19, the dry conditions created some challenges for the planting of winter crops. There were also some localized concerns regarding germination but overall the total winter grain area has rebounded to a level comparable to MY2017/18. The crop condition is described as good with no substantial winter kill but more rains in the east would be welcome. The dry conditions have also seen early drilling of spring barley.

Further east, in Poland, plants' condition as they entered winter dormancy were rated higher than the previous year's level, especially for winter wheat, rye, and barley. The condition of winter triticale and mixed grains were reported to be good, albeit these varieties of grains were rated lower than other winter grains due to excessive growth before winter. The fall of 2018 was very warm, and sunny weather created very good conditions for the plants' fast growth. In some regions of eastern Poland insufficient soil moisture hindered, and delayed, seed planting. The Polish winter has been mild this year, with a brief cold snap in February, creating good conditions for crop development. In Hungary, Romania and Bulgaria, while the dry fall created some planting challenges, the mild winter has also boded well but dryness is now becoming a concern.

In Spain, a significant importer of third country grain, the mix depending on both its domestic crop and intra-EU28 grain availability, the lack of precipitation in October delayed plantings and persistent rains in November impeded proper planting operations. Water reservoirs are now below two thirds of storing capacity, which may represent a challenge for irrigation purposes in some river basins in MY2019/20. The winter has been very dry and temperatures mild. The grain crop is currently in need of spring rains, which will be a key factor to determine the final size of the crop.

To the north, in the Baltic States - Latvia, Lithuania and Estonia - weather conditions for winter plantings have been favorable this year. While a smaller producer on the EU28 scale, the region has seen significant fluctuations in its grain production in recent years which have impacted the overall balance. The outlook for MY2019/20 is currently positive with no reports of winter kill. Indeed, a sustained period of cold weather and snow cover is reported to have hardened plants against insects and increased plant growth potential such that the yield forecast for all winter grain varieties is currently above the six year average. Spring weather conditions will be decisive for the final winter crops results but, assuming no extreme conditions, the production of winter grains in the region is forecast to exceed the very poor MY2018/19 harvest by 50 percent.

Total grain consumption in MY2019/20, at 293.2 MMT, is forecast little changed from MY2017/18 following the largely feed use driven decline in the intervening year.

Within Food, Seed & Industrial (FSI) use, the focus is mainly on the latter sector, and principally in the UK, Hungary and Austria. In March, Ensus, one of the two closed bioethanol plants in the UK announced it will be reopening, processing a combination of domestic wheat and imported corn. In Hungary, the phased opening of a new processing plant in Visonta means increased grain usage. In February, it started producing gluten and industrial alcohol and with the completion of its final phase this summer its portfolio will add starch, ethanol and feed products. In Austria, processing of grains for starch, citric acid and bioethanol demand continues to increase, epitomized by AGRANA's ongoing construction of a new wheat starch facility scheduled to open in 2020.

On the feed side, the increased EU28 acreage and forecast harvest in MY2019/20 is expected to result in a recovery in feed use of domestic grain to near MY2017/18 levels. The much lower EU28 wheat crop, but also barley and mixed grain, in MY2018/19 has seen substitution by corn (both imported and domestic), soybean meal and sunflower seed meal.

#### Feed use by grain

	2017/18	2018/19	2019/20
<b>Wheat</b>	58650	53000	56500
<b>Corn</b>	58000	65000	58000
<b>Barley</b>	38500	36900	39500
<b>Rye</b>	3600	3250	3850
<b>Oats</b>	6000	5800	6400
<b>Sorghum</b>	1050	1250	850
<b>Mixed Grain</b>	13450	11550	13450
<b>TOTAL</b>	179250	176750	178550
(1000 MT)			

Source: FAS Posts

MY2019/20 is forecast to see the EU28 return to being a net exporter of grains, with both increased exports and reduced imports. This return to trend follows MY2018/19 where imports have been characterized by a significant influx of corn, mainly from Ukraine and Brazil. This has principally been by Spain, despite its own record grain crop, driven by the reduced availability of domestic EU28 grains, mainly wheat. Another factor increasing EU28 imports of corn has been low river levels which have

curtailed intra-EU trade from Germany to the Netherlands, while further factors have been a peak in livestock, mainly poultry and swine, production in 2018, and the drought which caused a fodder shortage for cattle. MY2018/19 has also seen an upsurge in imports of soybeans from the United States, further supporting the corn imports due to the feed grain mix. On the export side, MY2018/19 has seen the EU28 facing stiff competition on third country wheat export markets, not least from Russia. Until recently, the wheat from the EU28's largest grain exporter, France, has not been price competitive, in part due to its lower availability. Export pace has now increased and is forecast to continue into MY2019/20 with the forecast larger crop.

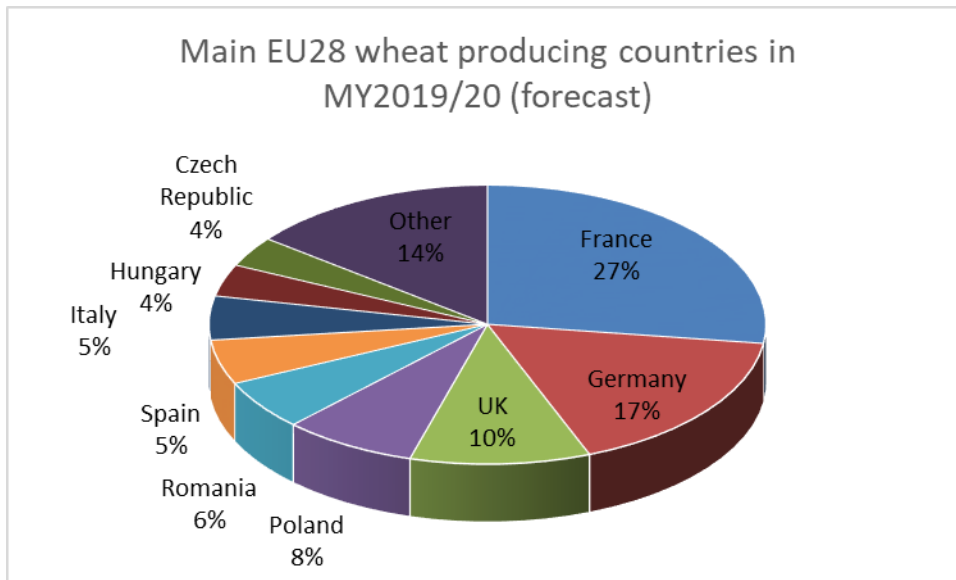
Ending stocks are currently forecast to increase to just over 33.2 MMT in MY2019/20, the near 8 MMT rise in large part due to wheat but also, to a lesser extent, corn and barley. However, as was demonstrated in MY2016/17 and again in MY2018/19, much will ultimately depend on the size and quality of the EU28 crop. Other factors at play include 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 Origin grain.

Total grains Market Begin Year	2017/2018		2018/2019		2019/2020	
	Jul 2017		Jul 2018		Jul 2019	
European Union	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	55209	55080	54961	54940		56498
Beginning Stocks	25921	25921	30574	29956		25391
Production	303756	303365	285782	284400		311645
MY Imports	25171	25223	30005	31005		23955
TY Imports	25093	25147	30005	31155		23955
TY Imports from U.S.	721	2593	0	0		0
Total Supply	354848	354509	346361	345361		360991
MY Exports	31204	31205	31552	29805		34562
TY Exports	31117	31117	31652	30155		34562
Feed	179150	179250	177700	176750		178550
FSI Consumption	113920	114098	113470	113415		114642
TOTAL Consumption	293070	293348	291170	290165		293192
Ending Stocks	30574	29956	23639	25391		33237
Total Distribution	354848	354455	346361	345361		360991

(1000 HA) ,(1000 MT) ,(MT/HA)

## Wheat

### Production



Source: FAS Posts

At 153.5 MMT, MY2019/20 wheat production is forecast to rise substantially, over and above MY2017/18, following the drought affected harvest in the interim season and due to an increase in planted area as producers switch away from rapeseed to other crops due to the neonicotinoid ban. This is best exemplified in the EU28's largest wheat producer, France. Good planting conditions on an increased area year-on-year – with much lower durum and much higher soft wheat plantings - and low rainfall at sowing time allowed ideal winter wheat sowing conditions with little nitrogen run-off. February was very dry and very mild, boosting vegetation growth. Expectations are for a 3MMT increase in production in France alone in MY2019/20, a significant decrease in durum production, following two years of disappointing quality, more than compensated by a larger soft wheat crop. Yields are reported to be plateauing due to lack of new varieties.

The EU28's second largest wheat producer is Germany and it is mostly winter wheat. Preliminary data on crop planting has the winter wheat area 5 percent above that for the 2018 harvest, but 2 percent below the five year average. The drop in area in MY2018/19 occurred following problems with planting in the fall of 2017 that saw excess moisture in the fields making some fields inaccessible. Assuming 5 year average yields, also higher than that achieved in MY2018/19, wheat production is forecast to increase by nearly 20 percent as compared to 2018.

The UK planted area is forecast to rise 4 percent. Good planting conditions, with many producers getting their crops into the ground ahead of schedule, and a mild winter, means crops have developed well thus far. While it has been a little dry, rains in January and March have been well received and the prospects for the 2019 harvest currently suggest a 1 MMT increase in production.

Poland is forecasting a 14 percent year-on-year increase in wheat production. Despite difficult planting conditions due to dry soils, winter wheat plantings were reported to be in a very good health before entering into their winter dormancy state, much improved on their state a year earlier. Winter kill has been very limited and the total area planted to wheat for harvest 2019 is forecast the same as for 2018.

An increased area planted to winter wheat in the Czech Republic, combined with no widespread reports of winter kill, means production is currently forecast up 600,000 MT, or 14 percent year-on-year.

Across the border in Austria, winter wheat acreage is expected to increase slightly while spring wheat area is expected to remain at the previous year's level. Yield potential is currently good. Although dry during planting season, growing conditions have been favorable so far. Southern regions need rain in the coming weeks. No winterkill has been reported.

Romania also experienced difficult planting conditions for wheat because of the drought. Rains in late November helped wheat germinate and emerge in some regions but there are some areas where wheat only emerged in February of this year. As a consequence, producers are concerned about future yield losses. The total area planted to wheat is forecast to increase 4 percent in MY2019/20 as farmers converted rapeseeds acres into wheat acres. Yields are currently forecast to fall 10 percent due to the aforementioned and continuing moisture deficit, meaning production is forecast to decline 500,000 MT.

Bulgaria saw a marginal increase in winter wheat plantings, albeit later than the optimum time which has affected germination in some areas, much improved wheat prices encouraging producers despite the challenges of fall dryness. The winter was mild with above normal temperatures, average rainfall, some beneficial snow cover and limited periods of very cold weather. However, the main concern is that soil moisture levels, both surface and subsoil reserves, are much lower year-on-year. The mild winter also saw the crop develop early meaning the early use of fertilizers and disease control measures. The challenges facing the Bulgarian wheat crop mean that an average yield is currently forecast, similar to MY2018/19, but due to the slight increase in area, total production is forecast slightly higher.

In MY2019/20, the Hungarian wheat area is forecast unchanged from MY2018/19 with an improved outlook for yield meaning production is forecast to rise 2 percent. Sowing conditions were dry in the fall. Rain in November helped the plants to emerge but it was followed by slow development. Temperatures stayed slightly over the seasonal average. The country received some snowfall in January, and snow-covered fields were protected from cold snaps. In February, temperatures were also above the average for the season in spite of cold snaps at the end of the month. Even though the weather was mild, crops seemingly remained in their dormant stage because of low temperatures at night. Therefore, there are no reports of winterkill damage. The winter wheat is generally in a good condition and, unlike MY2018/19, there is no excess water on fields. Indeed, soil moisture levels are low for the time of year and one concern is that it is unlikely that ground water reserves will have replenished to optimum levels before crop growth resumes in earnest.

The Spanish wheat area is forecast to continue to decline due to competition from other arable crops such as barley and the steady increase of tree crops (olives, almonds and pistachios). Yield is also forecast lower after the high seen in MY2018/19, meaning production is expected down 800,000MT.

In Italy, after a very wet autumn, the weather has been much drier since early December with more typical weather in recent weeks. The durum wheat area decrease is forecast to be largely offset by a soft wheat area increase. Soft wheat prices are forecast to be higher than those for durum. Production is currently forecast up based on improved average yield.

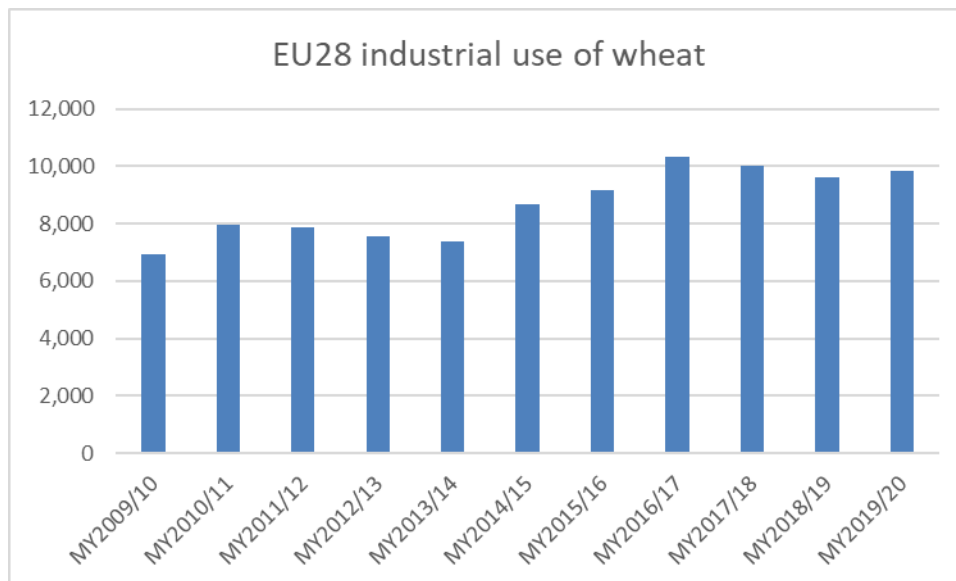
Belgian wheat production is forecast to increase again, in line with an increase in planted area to the detriment of rapeseed and sugar beet crops, which are down due to the neonicotinoid ban and low beet contract prizes, respectively.

In MY2019/20, Croatia is forecast to see a further increase in the area planted to wheat, a continuation of the trend seen in MY2018/19. In part, this is because farmers started sowing better quality seeds and applying better agro-technical measures, resulting in better wheat quality and improved prices.

### Consumption

MY2019/20 total wheat consumption is forecast to recover substantially following a steep decline in MY2018/19, albeit not to the level seen in MY2017/18.

The main reason for the low usage number in MY2018/19 is reduced feed consumption. While overall feed grain demand remains strong, the significant decline in wheat production and domestic availability has seen an expected 5.6 MMT reduction in feed use, much of this in France, Germany, Spain, Denmark and Sweden. There has been a significant switch to imported corn, which this year is of better quality, competitively priced and plentiful in supply, especially from Ukraine. The forecast increase in wheat production in MY2019/20 is currently expected to lead to increased intra-EU trade and a swing back to domestic wheat in feed use over that of imported grains, but below the level seen in MY2017/18.



Source: FAS Posts

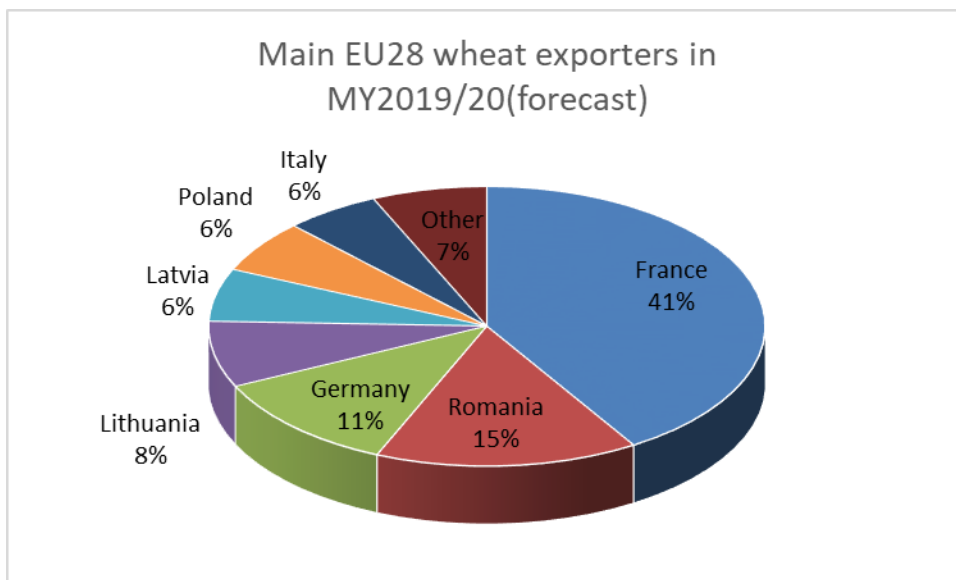
After a slight decline in MY2018/19, food, seed and industrial usage is forecast to continue its upward rise in MY2019/20. The largest users of wheat for industrial use are Germany, France and Poland but the quantities in these three countries has been flat since MY2017/18. The increases are elsewhere. In March, Ensus, one of the two closed bioethanol plants in the UK announced it will be reopening, processing a combination of domestic wheat and imported corn. In Hungary, the phased opening of a new processing plant in Visonta means increased wheat usage. In February, it started producing gluten and industrial alcohol and with the completion of its final phase this summer its portfolio will add starch,



ethanol and feed products. In Austria, an AGRANA wheat starch facility which started construction in 2018 is scheduled to open in 2020.

## Trade

EU28 wheat exports are forecast to rise significantly in MY2019/20, over and above the past two seasons but not currently to the levels seen in successive years prior to MY2017/18 due to a continued expectation of increased competition. While the supply situation is a key driver, MY2019/20 follows a year where the EU28 has faced stiff competition on export markets, notably from Russia and Black Sea Origins (BSO). The main recipients for EU28 wheat are traditionally North Africa and the Middle East, principally Algeria, Saudi Arabia, Morocco and Egypt. While the EU28 has lost market share in the latter two markets thus far in MY2018/19, that has not been the case for Algeria and Saudi Arabia. Rather, the EU28 has lost out to the aforementioned competitors in other markets that have proved successful in recent years, such as South Africa, Cuba, Libya, Nigeria and Angola. France, the EU28's largest wheat exporter, routinely accounting for around 40 percent of EU28 wheat exports, has only recently become price competitive. Most all of the other significant exporters of wheat – Romania, Germany, Lithuania, Latvia and Italy – are also expected to see lower year-on-year exports in MY2018/19, the only exception being Poland. It had a particularly poor MY2017/18 export campaign.



Source: FAS Posts

EU28 wheat export licenses through end-March amount to just 14.6 MMT, nearly 1.2 MMT lower than the same time in MY2017/18. Export pace is now picking up but total year exports for this season are currently expected to be lower year-on-year. All of the aforementioned exporters are forecasting improved sales in MY2019/20 and an overall 4 MMT increase in volume, buoyed by increased import demand from the likes of Saudi Arabia and other Middle Eastern countries. Much will ultimately depend on the fortunes of the Russian and Black Sea Origin crops, and the price differential with EU wheat, mainly from France.

Wheat imports are forecast to fall in MY2019/20 due to the more plentiful domestic supplies. The two principal EU28 wheat importers will remain Italy and Spain.

## Stocks

EU28 wheat ending stocks are currently forecast to increase over 40 percent in MY2019/20. This reflects the large forecast increase in production and is despite the aforementioned expected rise in domestic consumption and exports.

Wheat Market Begin Year	2017/2018		2018/2019		2019/2020	
	Jul 2017		Jul 2018		Jul 2019	
European Union	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	26081	26150	25545	25700	0	26600
Beginning Stocks	10719	10719	14118	13754	0	10854
Production	151264	151100	137600	137200	0	153500
MY Imports	5824	5824	6000	6000	0	5000
TY Imports	5824	5824	6000	6000	0	5000
TY Imp. from U.S.	577	631	0	0	0	0
Total Supply	167807	167643	157718	156954	0	169354
MY Exports	23289	23289	24000	22000	0	26000
TY Exports	23289	23289	24000	22000	0	26000
Feed and Residual	58000	58650	51000	53000	0	56500
FSI Consumption	72400	71950	72000	71100	0	71500
Total Consumption	130400	130600	123000	124100	0	128000
Ending Stocks	14118	13754	10718	10854	0	15354
Total Distribution	167807	167643	157718	156954	0	169354
Yield	5.7998	5.7782	5.3866	5.3385	0	5.7707

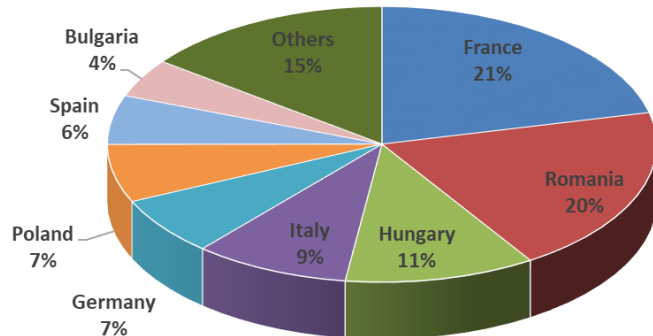
(1000 HA) ,(1000 MT) ,(MT/HA)

## Corn

### Production

EU28 corn production is forecast to reach 64.25 Million Metric Tons (MMT) in MY2019/20, up 1.2 percent from MY2018/19, driven by higher production in France, Germany and Poland, and despite lower crop expectations in Romania, Hungary, Bulgaria and Italy. Note that at drafting time, most of the corn in the EU28 has not been planted yet, and thus those forecasts are based on farmers' planting intentions and market intelligence.

Main EU28 Corn producing countries in MY2019/20 (forecast)



Source: FAS Posts

French farmers are expected to plant more corn in MY2019/20 as they reduce their rapeseed area due to the neonicotinoid ban. French corn area is therefore anticipated to grow by almost 7 percent. Yields are also anticipated to be higher as the MY2018/19 corn yields were negatively impacted by the summer 2018 drought (which also led some corn grain to be harvested as silage/forage corn). Thus, the French corn crop is expected to be 8 percent larger than in MY2018/19. Water supplies in France are currently at average levels with some exceptions, such as in Alsace, which may hamper corn cultivation in this region if rainfall in the spring and summer is below average.

The Romanian corn acreage is anticipated to benefit from the poorly developed rapeseed area compared to the previous year. When choosing between corn and sunflower as substitute crops for rapeseeds, farmers base their decision on last year's corn high profitability. Therefore, corn area is expected to increase by 8 percent from MY2018/2019. A dry fall and mild winter have aggravated the water deficit, especially in the southern region, which is the main agricultural region. Overall, the corn crop is unlikely to equal last year's record and yields are projected to fall by 17 percent, leading to corn production decreasing by 11 percent versus MY2018/19.

Hungary's corn crop in MY2019/20 may be hampered by dryness as corn area soils are not saturated enough and more precipitation is needed to increase water reserves. Lower but reasonable yield (7.3 MT/ha) is expected in 2019, leading to production falling by 7 percent from MY2018/19.

The Italian corn crop is foreseen to slightly increase as good corn prices in the peninsula pushed farmers to plant more corn. However, after a very wet autumn, the weather has been much drier since early December, thus the yield potential might be affected, leading to an overall reduced Italian corn crop in MY2018/19.

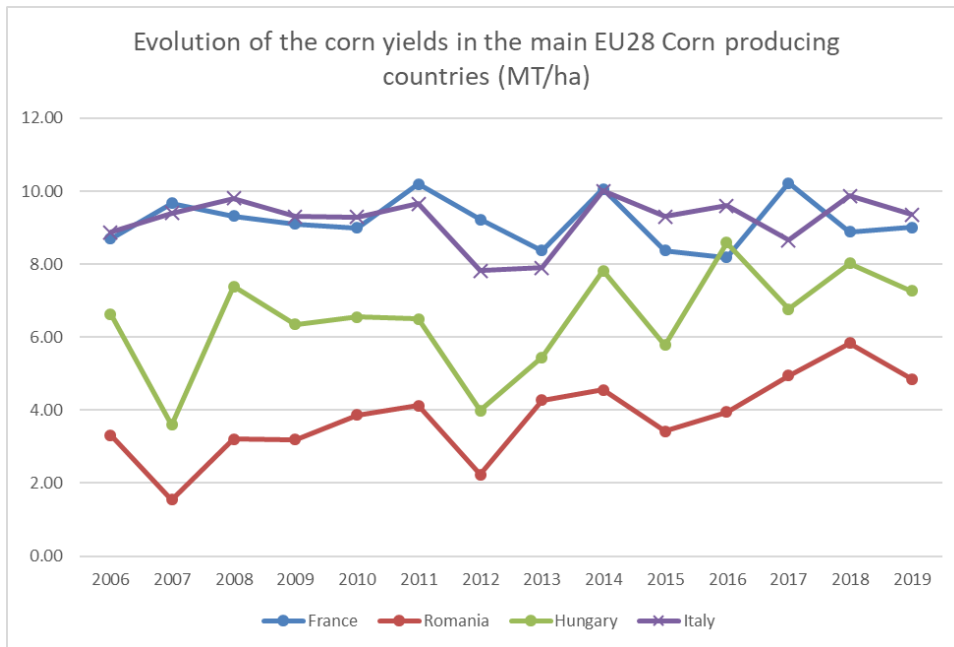
German corn production in MY2019/20 is forecast to be over 1 MMT higher than the previous year, assuming a rebound of area and yield to be at the five-year average. MY2018/19 area and yields were at

the lowest level in ten years, as the drought prompted a number of farmers to convert the corn from grain to silage.

The Polish grain corn area is forecast to increase in comparison with MY2018/19. Farmers expect that in MY2019/20 corn will show high competitiveness as compared with other grains. These forecasts strengthen farmers' interest in increasing the area planted to corn. Production is also forecast to be higher than in MY2018/19, due to higher corn yields.

Bulgarian Farmers plan to expand the area planted to corn in MY2019/20 due to very good profitability of the current crop, favorable domestic and export demand, reseeded wheat and rapeseed in several regions, and lower area under other spring crops. However, the highest risk is with the very low ground water reserves. The yields are projected to be average, below the record achieved in MY2018/19.

MY2018/19 corn production has also been revised up from earlier estimates. In France, expectations of a lower area, with a switch to silage corn, proved unfounded. The final yield was also better than expected despite the summer drought. In Germany, there was a larger area planted than previously expected, and better yields albeit still significantly below the 2012-17 average. Indeed, the German area and yield were the lowest in ten years, as the drought prompted a number of farmers to convert the corn from grain to silage. In Poland, also contrary to earlier expectations, the corn area increased by 15 percent in comparison to MY2017/18 after a difficult previous year for corn growers. Good corn prices and very low stocks carried in from MY2017/18 increased interest in corn plantings. Additionally the larger corn area resulted from the smaller area planted to winter wheat in fall 2017. Despite the jump in the area planted to corn, production fell due to the drought reducing yields, albeit less than previously expected. In Hungary, although the corn area was down as expected and growers faced heat waves and drought in the summer, the weather until mid-July was favorable to crop development in 2018. Average yield was 18 percent higher than the previous year and resulted in higher production. In Romania, the area was as expected but after a very dry spring that made planting challenging, ample rain fell during the second half of June and July across the country. This alleviated heat and drought stress, creating an opportunity for the corn crop to not only recover, but also develop beyond any expectation. This led to a very high yield and a record Romanian corn crop for the second successive year.



Source: FAS Posts

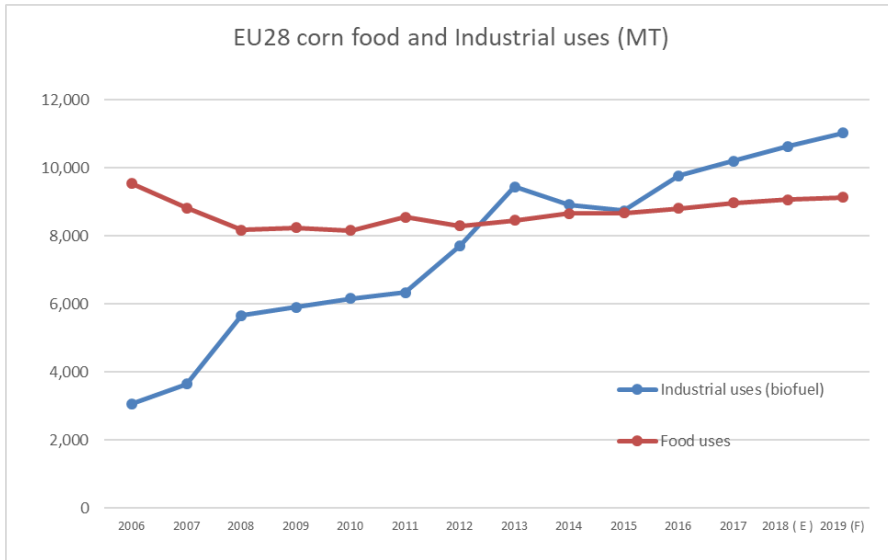
While corn yield in western Europe has plateaued over the past 5 years, yields in eastern Europe (Romania, Hungary, Poland and Bulgaria namely) are clearly benefiting from the improved cultivation techniques and varieties brought when joining the European Union. In France, the largest corn producer in Europe, corn farmers have fewer ways to fight weeds and pests with an increasing number of crop protection tools being banned. The French government announced that within 3 years, glyphosate will be banned (except for specific uses that would exclude corn cropping). Farmers also face growing public resistance to irrigation and an increasing backlash and long litigations on projects to build water reservoirs and dams. On the other hand, while neonicotinoids remain prohibited EU-wide, Romanian farmers were again granted a derogation by the Romanian Ministry of Agriculture in December, 2018 to fight pests infecting corn crops.

With the exception of Spain and Portugal, no biotech corn is grown in Europe as most EU28 countries have opted out of the cultivation. This largely explains why, contrary to the United States, corn crop yields have stopped increasing in the most productive EU countries for the past five years.

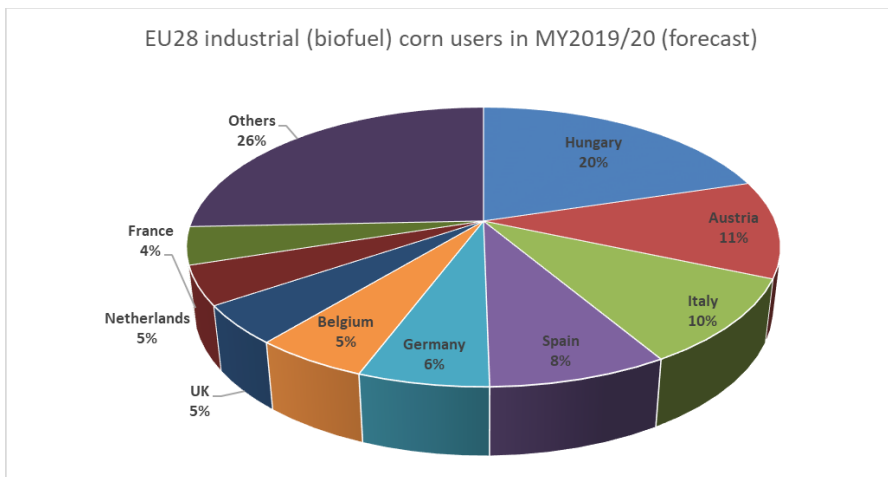
## Consumption

EU28 corn consumption is expected to decline in MY2019/20, as the competition from wheat will intensify for feed uses. Food and industrial uses which account for about 25 percent of the total EU28 corn consumption are forecast to marginally increase in MY2018/19, driven by slightly higher corn uses for biofuel in Hungary. Hungary has two of the EU's largest corn processing factories (Pannonia Ethanol and Hungrana). The construction of a new processing plant (KALL-Ingredients) was completed at the end of 2017. Since then, the country's annual corn processing capacity has progressively increased to 2.7 MMT. Beside the ethanol production, Hungarian processors are important players in the starch, isosugar, dextrose, gluten, distiller's dry grain and corn gluten feed markets as well. In Austria, the second largest corn processing country for industrial uses in Europe, due to the high demand from the

industry (starch, citric acid) and energy (biogas, bioethanol), the company AGRANA has opened a new corn processing plant capacity in October 2017 (of over 180,000 MT). In Spain, after the 2016 demise of Abengoa, biofuel plants have progressively returned to operating full capacity since August 2017. In MY2019/20, corn is anticipated to remain the preferred, and most likely, sole feedstock for the Spanish grain bioethanol industry. In the UK, the reopening of the Ensus biofuels facility will see an upturn in corn use in the industrial sector in MY2019/20.



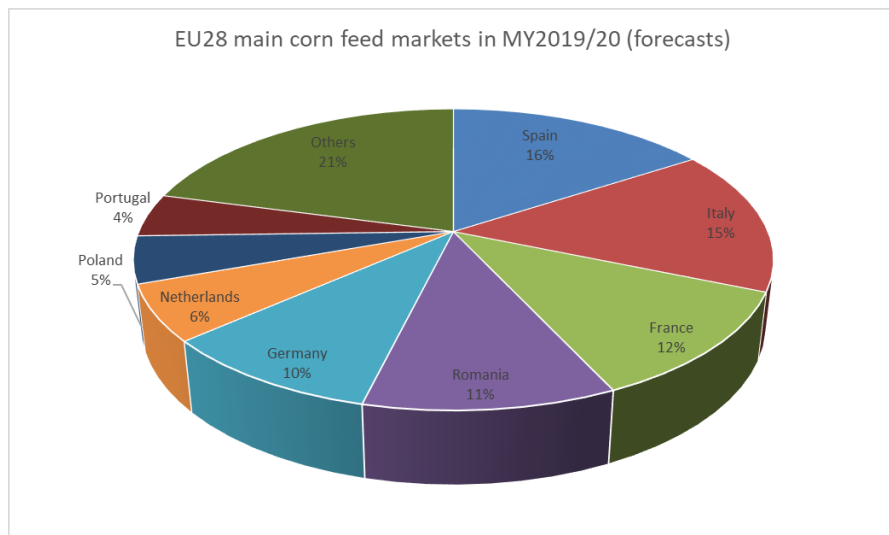
Source: FAS Posts



Source: FAS Posts

Spain and Italy are the main corn feed users in the EU28, followed by France. Corn feed use in MY2019/20 is expected to decline following the significant feed grain availability driven spike in MY2018/19. MY2019/20 is forecast to have an ample wheat supply and there is an anticipation of more competitive wheat prices. The decline is expected to be significant in Germany and Spain.

In most corn producing countries such as France, Germany, Poland and Romania, a significant share of the corn crop is used for feeding livestock on farm, while in countries that rely more on imports such as the Netherlands, UK and Belgium, corn is almost exclusively used by industrial compounders. Overall, it is estimated that about 20 to 30 percent of the EU28 corn crop is used for feeding livestock on-farm.



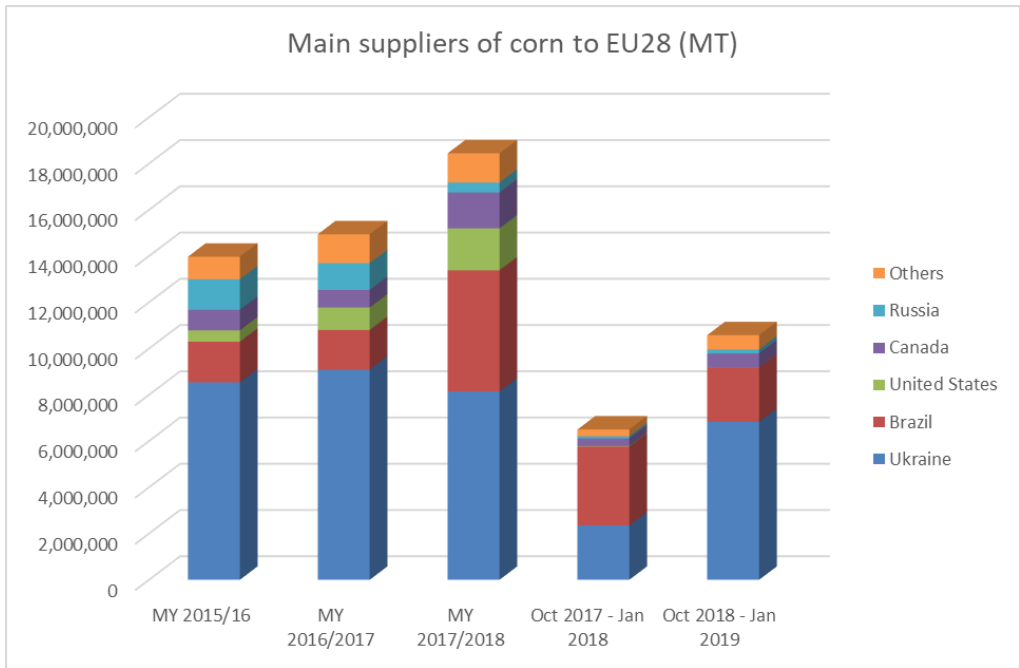
Source: FAS Posts

## Trade

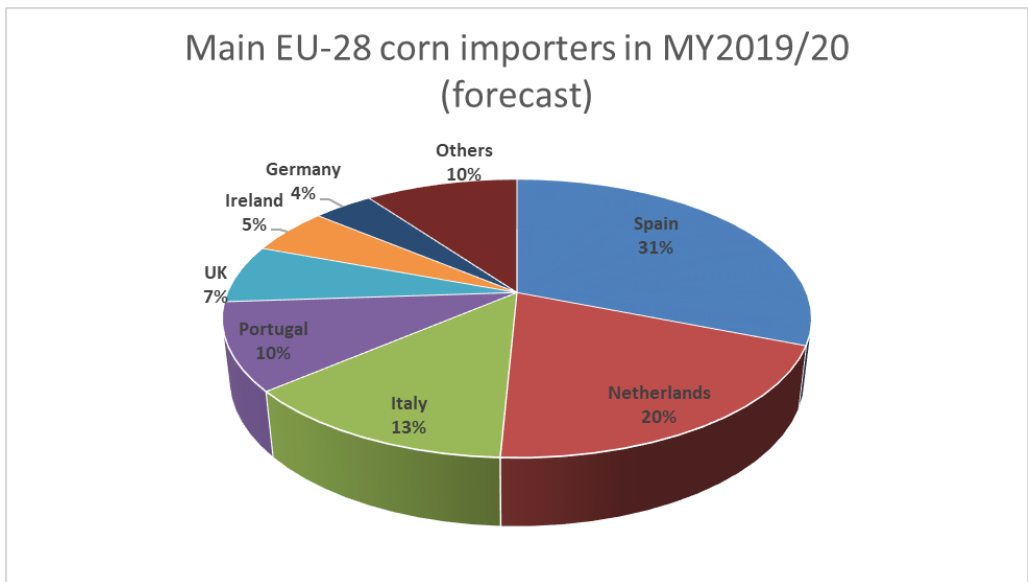
The EU28 is a net importer of corn grain. However, after a record level of imports in MY2018/19, the EU28 is forecast to import less corn in MY2019/20, close to the MY2017/18 level due to the increased availability of domestically produced grains, namely wheat.

Ukraine and Brazil are the main suppliers of corn to the EU28. Imports of Ukrainian corn surged in MY2017/18 and are expected to reach a record level in MY2018/2019 as shown by preliminary trade data for the first 4 months of the MY. Ukrainian corn is competitively priced for the EU feed market.

Imports of corn from the United States, which were at a sizable levels in previous years, are expected to remain at very low level in MY2018/19 and MY2019/20 due to the additional duties imposed by the EU28 in June 2018 on U.S. sourced corn in retaliation to the United States' Section 232 tariffs on steel and aluminum products.



Source: FAS Post calculation from GTIS data



Source: FAS Post calculation from GTIS data

EU28 corn exports in MY2019/20 are anticipated to remain at their MY2018/19 level, around 2.5 MMT. With close to 80 percent of EU28 corn exports, Romania is the largest exporter of corn in the EU28. It exports mostly to the Middle East including Turkey, Lebanon and Iraq but also to destinations as far away as South Korea.

**Stocks**



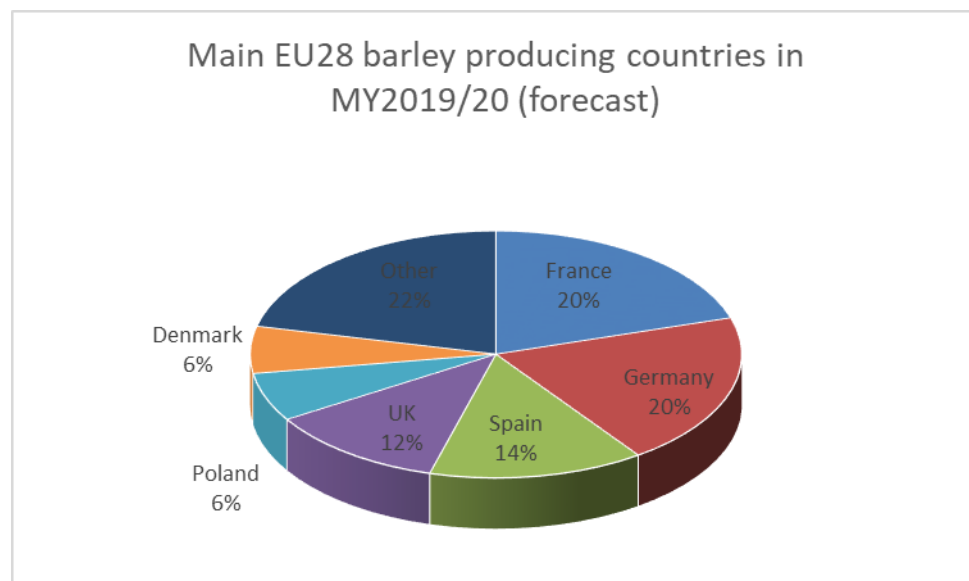
EU28 corn ending stocks are expected to increase by 18 percent in MY2019/20, reflecting the lower feed uses not being fully matched by lower imports. This is likely to put a downward pressure on EU28 corn prices in the second half of MY2019/20.

Corn Market Begin Year	2017/2018		2018/2019		2019/2020	
	Oct 2017		Oct 2018		Oct 2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
European Union						
Area Harvested	8379	8250	8263	8260	0	8700
Beginning Stocks	7597	7597	9863	8613	0	8313
Production	62104	62000	63000	63400	0	64250
MY Imports	18411	18465	22500	24000	0	18500
TY Imports	18411	18465	22500	24000	0	18500
TY Imp. from U.S.	0	1818	0	0	0	0
Total Supply	88112	88062	95363	96013	0	91063
MY Exports	1749	1749	2000	2500	0	2500
TY Exports	1749	1749	2000	2500	0	2500
Feed and Residual	57000	58000	67000	65000	0	58000
FSI Consumption	19500	19700	19500	20200	0	20700
Total Consumption	76500	77700	86500	85200	0	78700
Ending Stocks	9863	8613	6863	8313	0	9863
Total Distribution	88112	88062	95363	96013	0	91063
Yield	7.4119	7.5152	7.6243	7.6755	0	7.3851

(1000 HA) ,(1000 MT) ,(MT/HA)

## Barley

### Production



Source: FAS Posts

Like wheat, EU28 barley production is forecast to increase significantly in MY2019/20 following the drought affected harvest in MY2018/19. Indeed, at 62 MMT, if realized this will be the largest EU28

barley crop since MY2015/16. This is in part due to an increased total planted area but also a recovery in average yield. The two largest producers of barley are France and Germany. Both are expected to plant an increased area year-on-year. In France, low rainfall at sowing meant for excellent planting conditions. The crop then overwintered well in relatively dry and mild conditions. Expectations are currently for a 1 MMT increase in production, as compared to MY2018/19, the near 110,000 hectare increase in area further supported by better year-on-year yields. It is a remarkably similar picture in Germany in terms of area and yield, the former benefitting from lower rapeseed plantings. The total winter and spring planted area is also forecast to rise about 110,000 hectares while yields are forecast to be much improved on MY2018/19, leading to a 1.4 MMT rise in production to the highest level since MY2009/10.

The EU28's third and fourth largest barley producers are Spain and the UK. The Spanish crop in MY2018/19 went against the EU28 trend with a near record yield. While this yield is not currently forecast to be repeated in MY2019/20, a delay in plantings on non-irrigated land has seen a switch from wheat to barley, further supported by more favorable margins for barley. The area is subsequently forecast to be up 70,000 hectares year-on-year. Final production is very dependent on the weather in Spain but is currently forecast to fall just 500,000 MT. In the UK, a marginal increase in planted area is expected. The winter crop was planted in good conditions, with many producers getting their crops into the ground ahead of schedule. This was followed by a mild winter meaning the crop has developed well thus far and spring plantings started well ahead of the norm. While it has been a little dry, rains have been timely and the 2019 harvest is currently forecast to return to the level seen in MY2017/18, 500,000 MT up on the interim year.

In Poland, the MY2019/20 barley planted area is forecast up 30,000 hectares, a trend increase that has continued since the low of MY2014/15. Yields are forecast higher than in the MY2018/19, the crop assessed to be doing very well going into winter time and with no subsequent reports of any winter kill of note. Spring planting conditions, and further weather developments will be decisive for the final barley harvest results, the majority of Polish barley coming from spring plantings.

Following very low yields in MY2018/19, the prospects for the MY2019/20 Danish barley crop is much improved despite a much lower planted area. Production is forecast to rise 430,000 MT. Elsewhere in the EU28, it is also a story of higher production, based largely on an improved outlook for yield following the mild winter. As with wheat, there are some concerns regarding ground moisture, such as in Hungary. In Romania, planting conditions for winter barley were described as difficult because of the drought, meaning more spring (two-row) barley is expected to be planted to offset the drop in winter barley area. Farmers are reported to remain concerned about potential overall yield losses as a consequence, albeit barley production is currently forecast 3 percent higher year-on-year due to a 30,000 hectare increase in area.

## **Consumption**

Total consumption of barley in MY2019/20 is forecast to rise over 5 percent, mainly due to a recovery in feed use. Food, Seed & Industrial (FSI) use of barley is fairly static in the EU28, with the exception of a small year-on-year increase in industrial use in Germany, and to a lesser extent in Poland. The story is feed use. The two main consumers of barley for feed are Germany and Spain. Germany is forecast to see a near 1 MMT increase in feed use of barley. This is largely due to increased domestic availability

following the forecast rise in production. The rise would be more were it not for barley consumption in MY2018/19 initially being supported by the problematic wheat quality. This advantage diminished as prices rose, favoring corn as a substitute. In Spain, feed consumption of barley is forecast to rise 700,000 MT. It remained unchanged year-on-year in MY2018/19, despite the turmoil elsewhere in the EU28 feed market, the significant increase in domestic production more than offsetting a decline in intra-EU imports. Indeed, such was the increase in production in Spain that MY2018/19 ending stocks are expected to almost double, helping support the increase feed consumption in MY2019/20. Adding a production driven increase in feed use of barley in France together with these two countries accounts for three quarters of the forecast rise in feed use of barley in MY2019/20,

## Trade

MY2019/20 barley exports are forecast to rise, returning to the level seen in MY2017/18 after a decline this season – EU28 supplies have faced increased competition from Australian barley which is facing the threat of Chinese sanctions. Export licenses through end-March are 3.4 MMT, over 700,000 MT lower than a year earlier. Of the near 3MMT exported through end-December, some of which was exported using licenses obtained in MY2017/18, demand remains strong in the Middle East, notably from Saudi Arabia, but significant tonnages have also been reported to Tunisia, Libya and China, albeit demand from the latter is reported to be down. Full season exports are currently forecast to reach 5 MMT. The main exporters remain France, Germany and Romania. With the sizeable crops forecast, and positive outlook for quality, all three forecast increased exports in MY2019/20, especially to non-EU destinations such as Saudi Arabia and North Africa. The unknown in the mix is China and its approach to Australian supplies.

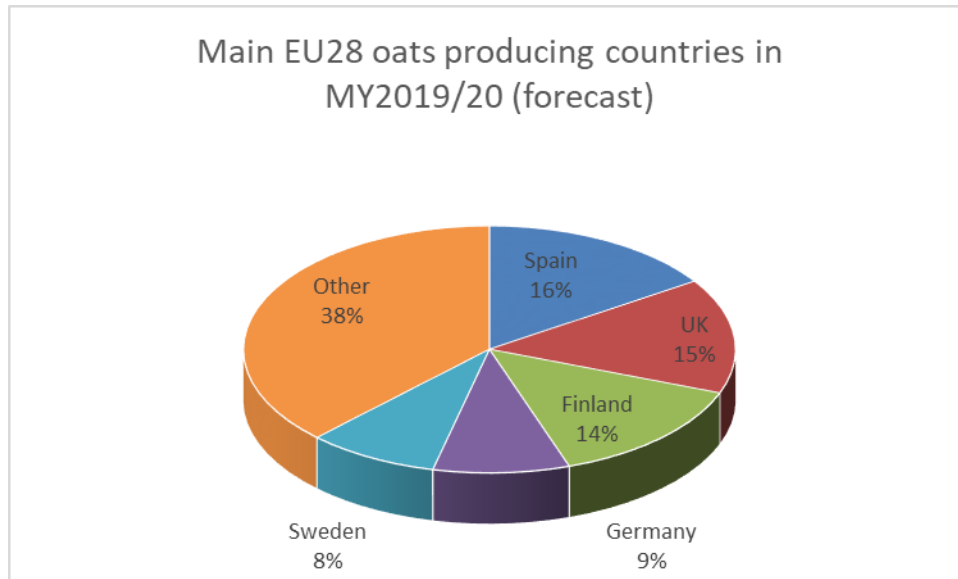
## Stocks

MY2019/20 barley stocks are forecast to recover somewhat from their expected decline this season, in large part due to the large production forecast.

Barley Market Begin Year	2017/2018		2018/2019		2019/2020	
	Jul 2017		Jul 2018		Jul 2019	
European Union	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	12092	12070	12410	12350	0	12500
Beginning Stocks	5509	5509	4698	5160	0	4260
Production	58837	58800	56240	56000	0	62000
MY Imports	451	450	400	200	0	200
TY Imports	231	231	400	300	0	200
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	64797	64759	61338	61360	0	66460
MY Exports	5899	5899	5200	5000	0	5800
TY Exports	5857	5857	5300	5300	0	5800
Feed and Residual	39200	38500	36900	36900	0	39500
FSI Consumption	15000	15200	15100	15200	0	15300
Total Consumption	54200	53700	52000	52100	0	54800
Ending Stocks	4698	5160	4138	4260	0	5860
Total Distribution	64797	64759	61338	61360	0	66460
Yield	4.8658	4.8716	4.5318	4.5344	0	4.96

(1000 HA) ,(1000 MT) ,(MT/HA)

## Oats



Source: FAS Posts

### Production

The six main producers of oats in the EU28 are Poland, the UK, Finland, Spain, Germany and Sweden, 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, this especially being the case in the largest EU28 oats producer, Poland, where the price of rye and triticale is a major driving factor. The total oats planted area is currently forecast little changed in MY2019/20, an increase in the UK and France more than offset by declines elsewhere, especially Denmark, Finland and the Baltics. The German area is expected to remain relatively high due to regional marketing programs that have increased demand. With the exception of Spain which had an excellent yield in MY2018/19, most countries are forecasting improved yields in MY2019/20, meaning production is forecast to rise over 9 percent. Poland alone is forecasting an increase of nearly 250,000 MT. 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.

### Consumption

Total consumption is forecast to rise by 600,000 MT in MY2019/20. While FSI use is static, within which usage for the production of bioethanol and biogas is forecast to remain steady at around 75,000 MT, feed use is forecast to rise in line with the increased availability. Over 75 percent of production is fed to animals.

### Trade

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, more recently, Norway.

## Stocks

No change is forecast for MY2019/20 ending stocks, albeit this will ultimately be largely dependent on feed use.

Oats Market Begin Year	2017/2018		2018/2019		2019/2020	
	Jul 2017		Jul 2018		Jul 2019	
European Union	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2681	2665	2666	2700	0	2670
Beginning Stocks	637	637	629	735	0	620
Production	8072	8090	8050	7650	0	8370
MY Imports	4	4	5	5	0	5
TY Imports	4	4	5	5	0	5
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	8713	8731	8684	8390	0	8995
MY Exports	184	186	150	150	0	160
TY Exports	128	128	150	150	0	160
Feed and Residual	6100	6000	6000	5800	0	6400
FSI Consumption	1800	1810	1850	1820	0	1820
Total Consumption	7900	7810	7850	7620	0	8220
Ending Stocks	629	735	684	620	0	615
Total Distribution	8713	8731	8684	8390	0	8995
Yield	3.0108	3.0356	3.0195	2.8333	0	3.1348

(1000 HA) ,(1000 MT) ,(MT/HA)

## Rye

### Production

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. Official German estimates show an extremely large increase in the rye area for MY2019/20 but industry sources expect that a large amount of that increase will be harvested green and used as feed to compensate for lack of hay and silage stocks. As such, the German planted area is actually forecast to rise only very slightly in MY2019/20 after five consecutive years of decline. The Polish planted area, which has been rising year-on-year since hitting a low in MY2015/16, is forecast unchanged in MY2019/20. In combination with improved yields due to excellent growing conditions thus far - high levels of soil moisture, a mild winter and a short period of frost at the end of February combined to create good weather conditions for rye vegetation - Polish production is expected to increase by 25 percent year-on-year. Similarly, German production is forecast up over 28 percent. If achieved, this will put total MY2019/20 rye production nearly 200,000 MT up on MY2017/18 and 1 MMT up on the interim year.

### Consumption

Around half of the rye production is used in animal feeds and MY2019/20 is expected to be no exception, feed use up in proportion to production. While food use is relatively steady, MY2019/20 is expected to see increased demand for alcohol production in Poland and industrial use of rye is therefore estimated higher than in MY2018/19

## Trade

Trade in rye is limited to intra-EU movements.

## Stocks

The heavier forecast balance in MY2019/20 due to increased production is forecast to see increased ending stocks.

Rye Market Begin Year	2017/2018		2018/2019		2019/2020	
	Jul 2017		Jul 2018		Jul 2019	
European Union	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1942	1930	2000	1920	0	1950
Beginning Stocks	989	989	680	1194	0	844
Production	7411	7400	6600	6250	0	7600
MY Imports	61	60	300	250	0	100
TY Imports	137	137	300	300	0	100
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	8461	8449	7580	7694	0	8544
MY Exports	81	80	200	150	0	100
TY Exports	92	92	200	200	0	100
Feed and Residual	4000	3600	3200	3250	0	3850
FSI Consumption	3700	3575	3500	3450	0	3550
Total Consumption	7700	7175	6700	6700	0	7400
Ending Stocks	680	1194	680	844	0	1044
Total Distribution	8461	8449	7580	7694	0	8544
Yield	3.8162	3.8342	3.3	3.2552	0	3.8974

(1000 HA) ,(1000 MT) ,(MT/HA)

## Mixed Grain

### Production

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. Poland is by far the main producing country followed by Germany and France. Together these three account for around 80 percent of the production.

Reduced interest in hog production in Poland has weakened farmers' interest in growing triticale and mixed grains in the last few years and the planted area has stagnated. That said, the switch towards triticale production over other mixed grains is expected to continue. Triticale replaces mixed grains for feed use. Indeed, the Polish MY2019/20 area is forecast unchanged on MY2018/19. As with other Polish winter grains, planting conditions were good and they are reported to have overwintered well.

Yields are currently forecast up nearly 14 percent on MY2018/19, closer to the five year average, following the poor production recorded for this year.

An increased planted area and the prospect of better yields in both France and Germany means production is also forecast to bounce back in MY2019/20.

## Consumption

Total EU28 feed use of mixed grain is forecast to rise significantly in MY2019/20, accounting for the vast majority of increased total consumption.

In Poland, nearly all mixed grain is fed-on-farm and this is necessarily forecast to rise substantially in MY2019/20 in line with the expected larger crop. Only a very small percentage of production is used in the bioethanol sector. This is also forecast up in MY2019/20, albeit marginally and to return to the level seen two years previously. It should be noted that demand in this sector is unstable.

All of the increase in French and German production is expected to be used as feed in MY2019/20.

## Trade

There is no third country trade in mixed grains. A small volume is exported from Poland within the EU, mainly to Germany, for feed.

## Stocks

Stocks are ultimately dependent on feed demand. They are currently forecast unchanged in MY2019/20 but if feed grain supplies are plentiful then some increase in carryover is envisaged.

Mixed Grain Market Begin Year	2017/2018		2018/2019		2019/2020	
	Jul 2017		Jul 2018		Jul 2019	
European Union	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	3910	3890	3950	3880	0	3950
Beginning Stocks	446	446	443	456	0	431
Production	15397	15300	13600	13150	0	15200
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	15843	15746	14043	13606	0	15631
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Feed and Residual	13900	13450	12100	11550	0	13450
FSI Consumption	1500	1840	1500	1625	0	1750
Total Consumption	15400	15290	13600	13175	0	15200
Ending Stocks	443	456	443	431	0	431
Total Distribution	15843	15746	14043	13606	0	15631
Yield	3.9379	3.9332	3.443	3.3892	0	3.8481

(1000 HA) ,(1000 MT) ,(MT/HA)

## Sorghum

MY2007/08 saw significant interest in the sorghum market when tight global supplies of feed grains prompted EU28 importers - mainly in Spain, the Benelux and France – to 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. The tight feed grain situation in MY2018/19 has seen a small such surge in sorghum imports from the United States which ships by the vessel rather than part vessel in the case of Ukraine. Should the EU28 experience a very tight feed grain supply in the future then increased sorghum imports should be expected. No such scenario is forecast for MY2019/20.

Sorghum Market Begin Year	2017/2018		2018/2019		2019/2020	
	Jul 2017		Jul 2018		Jul 2019	
European Union	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	124	125	127	130	0	128
Beginning Stocks	24	24	143	44	0	69
Production	671	675	692	750	0	725
MY Imports	420	420	800	550	0	150
TY Imports	486	486	800	550	0	150
TY Imp. from U.S.	144	144	0	0	0	0
Total Supply	1115	1119	1635	1344	0	944
MY Exports	2	2	2	5	0	2
TY Exports	2	2	2	5	0	2
Feed and Residual	950	1050	1500	1250	0	850
FSI Consumption	20	23	20	20	0	22
Total Consumption	970	1073	1520	1270	0	872
Ending Stocks	143	44	113	69	0	70
Total Distribution	1115	1119	1635	1344	0	944
Yield	5.4113	5.4	5.4488	5.7692	0	5.6641

(1000 HA) ,(1000 MT) ,(MT/HA)

## Rice

### Production

EU28 rice production is concentrated in the Southern Member States, namely Italy, Spain, 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 percent 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. Approximately 76 percent of rice varieties grown in Italy are Japonica while the remainder are Indica. Except for limited amounts of rough (unmilled) rice exports and domestic seed sales, virtually all Italian rice is marketed as a whole-kernel milled product.

Italy’s MY2019/20 paddy rice production is forecast to rise over 5 percent to 1.48 MMT reflecting higher prices (€350/tonne as compared to €270/tonne in recent years) following the EU’s restoration of import duties on rice from Myanmar and Cambodia (see below). This move has also seen a resurgence



in the planting of the long grain Indica variety. The area planted to round, medium and long grain japonica is lower in MY2018/19 and this switch is forecast to continue.

	2017/18 (estimate)	2018/19 (forecast)	% change
Round Grain Japonica	64384	55246	-14.2
Medium Grain Japonica	10508	10050	-4.4
Long Grain Japonica	108889	100635	-7.6
Long Grain Indica	45766	51264	12
<b>TOTAL</b>	229547	217195	-5.4
(Ha)			

Source: Enterisi (Italian Rice Association)

The second largest rice producer in the EU28, accounting for around 30 percent 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. A higher yield is forecasted for MY2019/20 as more Indica rice may be planted following the aforementioned reduction in competition from imports.

## Consumption

EU28 consumption is trending upwards but at a slower rate than previously forecast. 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. Small volumes of rice are also used elsewhere, such as in beer fermentation and in pet food.

## Trade

India is traditionally the key rice supplier to the EU28 but, in recent years, duty free access for Everything But Arms (EBA) countries has seen a surge in imports from the likes of Cambodia, Guyana and Myanmar. On January 16, 2019 the European Commission decided to restore import duties on rice from Myanmar and Cambodia over a period of three years at the end of an investigation triggered on March 16, 2018 at Italy's request. The investigation revealed that imports of Indica rice from both countries combined have increased by 89 percent in the last five rice-growing seasons. The investigation also showed that the corresponding import prices were substantially lower than the prices of European producers, causing serious difficulties to both growers and millers whose market share in the EU dropped from 61 percent in 2012 to 39 percent in 2017. The Commission's decision was published in the EU's Official Journal on January 17, 2019 and entered into force the following day. The reintroduction of import duties on Myanmar and Cambodia is expected to limit these imports going forward. While this will allow India to regain some of its market share, this move is also expected to increase intra-EU trade.

While the United States is not among the main suppliers of rice to the EU28, eleven 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 were on the rise, in the main to the United Kingdom. However, these have shown a decline in MY2018/19 following the imposition of additional duties by the EU28 in June 2018 in retaliation to the United States' Section 232 tariffs on steel and aluminum products. Further uncertainty faces these exports in MY2019/20 in the form of Brexit, the United Kingdom's departure from the EU, specifically any tariff arrangements and the timing and form of their implementation. Despite these unknowns, the United States holds good potential as a supplier in certain market niches such as specialty rice (Calrose, Jupiter, and Wild Rice).

On exports, Turkey is the largest recipient of EU28 rice, followed by Switzerland, both due to their proximity. This is not forecast to change any time soon.

## Stocks

While the EU28 market adjusts to the changes to the import regime, stocks are currently forecast to decline in MY2019/20.

Rice, Milled Market Begin Year	2017/2018		2018/2019		2019/2020	
	Sep 2017		Sep 2018		Sep 2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
European Union						
Area Harvested	432	430	417	415	0	420
Beginning Stocks	1192	1192	1157	1187	0	1103
Milled Production	2010	2007	1945	1941	0	2013
Rough Production	2896	2935	2803	2839	0	2943
Milling Rate (.9999)	6940	6838	6940	6837	0	6840
MY Imports	2004	2008	2000	2000	0	1975
TY Imports	1919	1923	2000	2000	0	1975
TY Imp. from U.S.	53	43	0	0	0	0
Total Supply	5206	5207	5102	5128	0	5091
MY Exports	349	350	300	325	0	300
TY Exports	309	309	300	300	0	300
Consumption and Residual	3700	3670	3760	3700	0	3750
Ending Stocks	1157	1187	1042	1103	0	1041
Total Distribution	5206	5207	5102	5128	0	5091
Yield (Rough)	6.7037	6.8256	6.7218	6.841	0	7.0071

(1000 HA) ,(1000 MT) ,(MT/HA)

## Policy

### 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. The resulting duty has been set at Euro 0/Metric Ton (MT) for durum wheat and high quality wheat since the July 1, 2010 (beginning of the 2010/11 marketing year.) The duty for corn had been set at Euro 0/MT since August 17, 2010 and the duty for sorghum and rye at Euro 0/MT since October 19, 2010. Duties of Euro 5.16/MT were introduced for corn, sorghum and rye from August 8, 2017. A rally in U.S. corn prices driven by strong demand resulted in duties for corn, sorghum and rye being reduced to Euro 0/MT with effect from March 3, 2018.

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, are published on [the Europa website](#) on a weekly basis on Mondays at 16:00 Brussels time). Import licenses applying to grains subject to TRQs are valid for the current month plus two.

#### Reference grains for calculating import duties

	<i>Reference variety</i>	<i>Reference market</i>
<i>High quality wheat</i>	<i>U.S. hard red spring No. 2</i>	<i>Minneapolis</i>
<i>Durum wheat (high quality)</i>	<i>U.S. hard red spring No. 2</i>	<i>Minneapolis</i>
<i>Durum wheat (medium quality)</i>	<i>U.S. hard red spring No. 2</i>	<i>Minneapolis</i>
<i>Maize (corn)</i>	<i>U.S. yellow corn No. 3</i>	<i>Chicago Exchange Mercantile</i>
<i>Flint maize</i>	<i>U.S. yellow corn No. 3</i>	<i>Chicago Exchange Mercantile</i>
<i>Other feed grains (rye, sorghum)</i>	<i>U.S. yellow corn No. 3 (Commission Implementing Regulation (EU) No 643/2011, July 1, 2011)</i>	<i>Chicago Exchange Mercantile</i>

Source: European Commission

#### Theoretical example illustrating method of calculating EU import duties

<i>(Euro/MT)</i>	<i>Representative world standard</i>	<i>EU Reference price (a)</i>	<i>World price (b)</i>	<i>FOB premium (c)</i>	<i>Freight (d)</i>	<i>Representative world price (e) = (b)+(c)+(d)</i>	<i>EU duty (a)-(e)</i>
<i>Maize (corn)</i>	<i>Chicago yellow corn No. 3</i>	<i>157.03</i>	<i>68.46</i>	<i>16.20</i>	<i>15.56</i>	<i>100.22</i>	<i>56.81</i>
<i>Notes:</i>							
<i>Reference price = EU intervention price is 1.55 times Euro 101.31</i>							

Source: European Commission

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 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 an *ergo omnes* (open to all) quota consisting of one tranche of 122,790 MT for medium and low quality wheat. This was 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.

Further, 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, it provides 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, for wheat from 950,000 MT to 1 million MT from 2021 and for barley from 250,000 MT to 350,000 MT in 2021. In November 2017, [Commission Implementing Regulation \(EU\) 2017/2200](#) opened 0 duty TRQs for Ukraine, the details of which are as follows: common wheat, spelt and meslin, flour, groats, meal and pellets – 65,000 MT *per annum*; corn, other than seed, flour, groats, meal, pellets and grains – 625,000 MT *per annum*; barley, other than seed, flour and pellets – 325,000 MT *per annum*. The TRQs are open annually from January 1, 2018 to December 31, 2020.

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

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

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

Following the 2004 enlargement of the EU and a subsequent agreement between the EU and the United States, the EU opened an additional annual duty-free tariff quota of 277,988 MT of imports of corn from non-EU countries. The quota has been open since July 2006.

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). Spain and Portugal prefer the automatic fixation of “0” duty to be applied from an earlier date. At the time of writing, discussions on the Commission’s proposal are ongoing.

### Import Licenses for Rice

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. On March 8, 2019, the rate of duty was increased to €65/ MT for second half of 2019, up from Euro 30/MT, as the imports of husked rice had reached more than 264,000 MT since September 2018.
- 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.

### **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. The Commission’s CAP reform proposals include a legal basis for discontinuation of export subsidies.

Within these constraints, the European Commission may fix refunds which enable EU exporters to compete on the lower priced world market. These may also 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](#)).

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

### **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 MY2009/10, durum wheat from MY2009/10, barley from 2010/11 and rice from MY2009/10. 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 MY2010/11. 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 MY2010/11. 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](#).

### **Exceptional Measures**

Articles 219 – 221 of Regulation (EU) No 1308/2013 allow 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 allocated 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).

### **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 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, rice and seeds are the only grains receiving VCS based on MS' decisions.

On June 1, 2018, the European Commission published its legislative proposals for the CAP post 2020. Notably, these proposals cut direct payments paid to farmers in most MS but increase them in the Baltic countries and other Eastern MS. The proposals also increase the share of support targeting smaller farms and cut rural development program funds allowing the MS a higher rate of co-financing if they so choose. The Commission's legislative proposals need to be agreed by both the Council and the Parliament. It is questionable if agreement on the CAP package can be reached before the Parliamentary elections scheduled for May 2019.

For more information on CAP Reform, see [\*GAIN Report Number E18038 "CAP Reform proposals criticized by EU farmers and Member States"\*](#).