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Report Highlights:

In 2000 the EU is expected to produce a bumper harvest of more than 208 MMT.

Internal demand will absorb part of the additional supply. Exports, however, remain restricted due to commitments set in the GATT Uruguay Round Agreement.

Effective July 1, 2000 Agenda 2000 reforms will be gradually phased in.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Brussels USEU [BE2], E2

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Executive Summary

The year 2000 is expected to generate a bumper grain harvest of over 208 MMT, consisting of 103.5 MMT of wheat and 105 MMT of coarse grains. Compared to 1999, the production growth is primarily due to an area increase in soft wheat and a general improvement in grain yields.

Marketing year 2000/01 will see the impact of two policy issues, i.e. the implementation of Agenda 2000 and the rounding off of the implementation period of the GATT Uruguay Round Agreement. Starting July 1, the Agenda 2000 reforms will result in a 7.5-percent cut in grain intervention prices and an increase in grain compensatory payments. This will have a negative effect on profitability per hectare. However, the decrease in grain profitability will be less than in other arable crop sectors, resulting in a shift out of oilseeds into wheat wheat cultivation. Internal grain prices are expected to fall, which may encourage domestic consumption of cereals for both feed and non-feed use. Export subsidies may fall as a result of lower intervention prices, making EU grain more competitive on international markets. At the same time, however, the lowering in intervention prices will lead to lower import duties, which may attract more imports of high-quality grain from third countries.

The absorption of additional EU grain supplies in 2000/01 is forecast to be only partial. On the international market, EU exports of subsidized grain remain restricted under the GATT Uruguay Round limitations. Given that 2000/01 is the last implementation year of the GATT round, the use of "roll-over" is prohibited. For coarse grains, this means that total subsidized exports will need to be carefully monitored in order not to exceed the annual limit set for 2000/01. Also, on the domestic market, the rise in feed grain consumption will be subdued because of anticipated lowerings in compound feed production.

Additional supplies in 2000, not completely absorbed by the market, will inevitably result in rising ending stocks in marketing year 2000/01. Offering grain into intervention will remain an option between November and May of each marketing year. Effective July 1, 2000, the European Commission will apply stricter criteria for accepting grain into intervention. These changes are expected to lower EU expenditures for managing public stocks, and in the mid term improve grain quality.

Total grains: Supply-Demand table

Figures in 1,000 MT, except area: 1,000 HA

Beg. month of MY:	7/98		7/99		7/00	
	Revised 1998		Preliminary 1999		Forecast 2000	
	old	new	old	new	old	new
Area harvested	37100	37200	36560	36110	0	36960
Beginning stocks	38887	36389	50857	44044	0	40479
Production	206800	207900	200630	199000	0	208680
Total MY imports	39600	41118	41470	39990	0	40850
Intl. Yr. imports	40720	41325	41470	39990	0	40850
Intl. Yr. imports U.S.	1805	1732	1665	1570	0	1650
Intl. Yr third cntrs.	5700	6738	5710	5462	0	6312
TOTAL SUPPLY	285287	285407	292957	283034	0	290009
Total MY exports	55830	57122	56870	59545	0	58945
Intl. Yr. Exports	57230	58462	56870	60745	0	60145
Intl. Yr. Exp. Third cntrs.	22175	23876	21100	26255	0	25655
Feed domestic cons.	110200	113920	110500	111940	0	113070
non-feed domestic cons.	68400	70321	68200	71070	0	71540
Total domestic cons.	178600	184241	178700	183010	0	184610
Ending stocks	50857	44044	57387	40479	0	46454
TOTAL DISTRIBUTION	285287	285407	292957	283034	0	290009

Production

In 1999/2000, the basic set aside percentage for the 1999 arable crop in the EU was doubled from 5 to 10 percent. A large 1998 grain harvest and the size of EU intervention stocks by the end of 1997/98 had been important factors attributing to this decision. The lower grain area, combined with slightly lower yields have

resulted in a 1999 grain crop below the 200 MMT level. In 2000/01, the first year of implementation of Agenda 2000 reforms, the basic compulsory set aside rate is again set at 10 percent.

In the fall of 1999, arable crop farmers in the EU calculated that profitability in 2000 from cereal cultivation, especially wheat, would be higher than that from growing other crops such as oilseeds. Consequently, grain plantings for the 2000 harvest went up by an estimated 2.4% or 850,000 hectares, soft wheat taking up the largest part of the area increase (+ 6 percent, or 800,000 hectares). The barley area decreased by nearly 2 percent, while corn plantings remained constant. An area rise is also expected for rye, oats and triticale.

Grain production is expected to rise both because of an area increase and an improvement in yields. Based on today's preliminary projections, the EU grain output for marketing year 2000/01 is forecast to amount to over 208 MMT, a level slightly above the bumper grain crop recorded in 1998/1999. The wheat crop (the sum of common wheat and durum wheat) is forecast at about 103.5 MMT, while coarse grains production is expected to amount to over 105 MMT.

Winter grain planted in North-West Europe is currently in good condition, benefiting from higher than average temperatures and sufficient levels of rainfall. Without any frost damage whatsoever, yield levels for all grains should increase from 1999/2000. In the south of Europe, Spain in particular, the story is different, with expected yield levels continuing to drop. Unless beneficiary rain arrives, allowing water reservoirs to be replenished, the Spanish grain crop will suffer the effects of a drought for a second year in a row.

See Tables 1 and 2 for a split-up by EU member state of the forecast production and harvested area for MY 2000/01.

Table 1: EU-15 Cereals Estimated Harvested Area for 2000/2001
Million Hectares

Crop	Austria	Belg./Lux	Denmark	Finland	France
Wheat total	0.29	0.21	0.62	0.14	5.22
Soft wheat	0.28	0.21	0.62	0.14	4.90
Durum wheat	0.01	0.00	0.00	0.00	0.32
Barley	0.23	0.06	0.77	0.58	1.53
Corn	0.18	0.03	0.00	0.00	1.76
Rye	0.06	0.00	0.08	0.04	0.05
Oats	0.05	0.01	0.03	0.38	0.12
Sorghum	0.00	0.00	0.00	0.00	0.06
Millet	0.00	0.00	0.00	0.00	0.01
Mixed gr.	0.02	0.01	0.02	0.01	0.26
Grand total	0.83	0.32	1.52	1.15	9.00

Crop	Germany	Greece	Ireland	Italy	Netherl.
Wheat total	2.81	0.70	0.08	2.41	0.13
Soft wheat	2.80	0.20	0.08	0.62	0.13
Durum wheat	0.01	0.50	0.00	1.79	0.00
Barley	2.05	0.15	0.19	0.30	0.04
Corn	0.36	0.15	0.00	1.02	0.02
Rye	0.82	0.02	0.00	0.01	0.01
Oats	0.28	0.05	0.02	0.13	0.00
Sorghum	0.00	0.00	0.00	0.03	0.00
Millet	0.00	0.00	0.00	0.00	0.00
Mixed gr.	0.58	0.00	0.00	0.00	0.01
Grand total	6.90	1.07	0.29	3.90	0.21
Crop	Portugal	Spain	Sweden	U.K.	Tot. EU-15
Wheat total	0.26	2.23	0.40	2.00	17.50
Soft wheat	0.22	1.40	0.40	2.00	14.00
Durum wheat	0.04	0.83	0.00	0.00	3.50
Barley	0.03	3.25	0.42	1.20	10.80
Corn	0.18	0.40	0.00	0.00	4.10
Rye	0.06	0.11	0.03	0.01	1.30
Oats	0.10	0.45	0.33	0.10	2.05
Sorghum	0.00	0.01	0.00	0.00	0.10
Millet	0.00	0.00	0.00	0.00	0.01
Mixed gr.	0.05	0.03	0.10	0.01	1.10
Grand total	0.68	6.48	1.28	3.32	36.96

Source: FAS Reports, Press Reports, various other sources.

Note: Not official USDA data. Totals may not match PS&D tables due to rounding.

Table 2: EU-15 Cereals Estimated Production 2000/2001
 Million Metric Tons

Crop	Austria	Belg./Lux	Denmark	Finland	France
Wheat total	1.51	1.65	4.75	0.50	39.12
Soft wheat	1.45	1.65	4.75	0.50	37.45
Durum wheat	0.06	0.00	0.00	0.00	1.67
Barley	1.10	0.60	4.25	1.67	10.10
Corn	1.75	0.26	0.00	0.00	15.60
Rye	0.25	0.01	0.50	0.07	0.20
Oats	0.19	0.05	0.20	1.26	0.58
Sorghum	0.00	0.00	0.00	0.00	0.34
Millet	0.00	0.00	0.00	0.00	0.02
Mixed gr.	0.10	0.07	0.07	0.03	1.10
Grand total	4.90	2.64	9.77	3.53	67.06
Crop	Germany	Greece	Ireland	Italy	Netherl.
Wheat total	20.75	1.70	0.75	7.63	1.15
Soft wheat	20.70	0.60	0.75	3.23	1.15
Durum wheat	0.05	1.10	0.00	4.40	0.00
Barley	13.20	0.40	1.40	1.28	0.35
Corn	2.90	1.50	0.00	10.00	0.19
Rye	4.49	0.03	0.00	0.02	0.03
Oats	1.52	0.07	0.11	0.39	0.01
Sorghum	0.00	0.00	0.00	0.23	0.00
Millet	0.00	0.00	0.00	0.00	0.00
Mixed gr.	3.10	0.02	0.02	0.06	0.04
Grand total	45.96	3.72	2.28	19.61	1.77
Crop	Portugal	Spain	Sweden	U.K.	Tot. EU-15

Wheat total	0.40	4.65	2.40	16.50	103.46
Soft wheat	0.38	3.55	2.40	16.50	95.06
Durum wheat	0.02	1.10	0.00	0.00	8.40
Barley	0.05	6.90	1.90	7.00	50.2
Corn	1.00	3.20	0.00	0.00	36.40
Rye	0.05	0.11	0.29	0.05	6.10
Oats	0.06	0.40	1.34	0.52	6.70
Sorghum	0.00	0.03	0.00	0.00	0.60
Millet	0.00	0.00	0.00	0.00	0.02
Mixed gr.	0.04	0.09	0.41	0.05	5.20
Grand total	1.60	15.38	6.34	24.12	208.68

Source: FAS Reports, Press Reports, European Commission.

Note: Not official USDA data. Totals may not match PS&D tables due to rounding.

Consumption

Consumption - animal feed

Following increased cereal incorporation rates in compound feed in 1998/99, it is expected that incorporation rates in 1999/2000 will have gone down slightly to levels between 50 and 51 percent. The two products making up for the drop in cereal use during 1999/2000 were manioc and citrus pulp. Manioc was priced attractively because of plentiful supplies, while citrus pulp purchases resumed as soon as the problems regarding dioxin contamination of Brazilian citrus pellets were resolved. In terms of volume, it is forecast that about 2 MMT less cereals will have been used in 1999/2000. The decrease was largely suffered in wheat, and to a lesser extent in barley, while corn use increased slightly. Although soybeanmeal became more expensive in 1999/2000, it could hold its position as a major animal feed ingredient.

On the farm use of total cereals dropped slightly in 1999/2000, the decrease in wheat exceeding the rise in both barley and corn use.

In 2000/01, the cereal incorporation rate in compound feed may again rise as a result of lower prices of grains versus oilmeals. Wheat, plentifully available and therefore attractive in price, stands to gain considerably more than barley and corn, whose total output is not expected to rise to the same extent. The increase in cereal use for animal feed will, however, remain limited given the forecast drop in compound feed production in 2000/01. For the year 2000, market sources forecast a 1-percent rise in poultry meat production and a fall in pig numbers, leading to a 2-percent decrease in pork production. In the cattle sector, the trend of decreasing numbers of dairy cows and constant numbers of beef cattle is expected to continue. For the compound feed sector, these

developments will probably lead to a reduction in sales of cattle and pig feed. Despite these bearish factors overall cereal use in feed is anticipated to rise slightly.

Consumption - other uses than feed

Non-feed consumption of cereals in 1999/2000 and 2000/01 is expected to increase from 1998/99 levels, both for wheat and for coarse grains. Soft wheat used for domestic flour consumption will remain stagnant. Wheat use for the production of starch will grow in concurrence with the increasing share of wheat-based starch capacity in the EU. A slowdown may be recorded in the use of durum wheat for the production of pasta. Pasta mills have been running at a lower rate, and the relocation of an Italian pasta mill to the U.S. may result in the lowering of pasta production in Italy, partially displacing current exports of pasta from Italy to the U.S.

Non-feed uses of coarse grains are expected to grow primarily for barley, while non-feed applications for corn, oats, rye, and sorghum are forecast to remain unchanged. In 1999/2000, demand for EU malting barley, by both domestic maltsters and maltsters in third countries, has grown considerably in comparison with the previous year. Given the good export prospects for EU malt in Eastern Europe, but also in South America and the Far East, it is forecast that malting barley use will continue to grow in 2000/01.

Trade

Trade - Imports

EU grain imports normally exceed the quantities of grains which can be imported under market access agreements or tariff rate quotas (see under Import Policy). For wheat, additional imports are necessary to complement the primarily soft wheat varieties grown in the EU. For example, EU common wheat imports from the U.S. consist exclusively of Hard Red Spring wheat (1.1 MMT in 1998/99). In the case of durum wheat and corn, additional imports from third countries remain necessary to meet the requirements of industrial customers in EU member states where these grains are not or insufficiently grown. Generally, the level of the "normal" import duty (i.e., the duty applicable on imports outside TRQs or special trade agreements) has been high enough to prevent third countries from supplying more than the minimum necessities (2.5 MMT-3.5 MMT) required by EU importing member states. Starting July 1, 2000, grain intervention prices will decrease by 7.5 percent in the framework of the implementation of Agenda 2000 reforms. Consequently, grain import duties will decrease accordingly, a development which may result in an increased market share of third country high-quality grain suppliers of the EU market. See also Import Policy.

The number of import licenses issued by the European Commission through March 14, 2000 are listed in Table 3. For comparison, until March 9, 2000, U.S. export sales to the EU in MY 1999/00 amount to 0.77 MMT of common wheat, 0.27 MMT of durum wheat, 28 kMT of barley, 4 kMT of corn and 178 kMT of sorghum.

The corn Tariff Rate Quotas established for Spain and Portugal (see Import Policy) were, prior to 1997, supplied almost entirely by the U.S. EU corn imports from the U.S. fell to very low levels in 1998, and no imports took place in 1999. Given that GMO approvals are currently suspended in the EU, it is very unlikely that EU corn imports from the U.S. will resume in 2000 other than negligible quantities of specialty corn. Total EU corn

imports during marketing year 1999/2000 will be substantially lower than in 1998/99 due to another issue of contention delaying the opening of TRQ import tenders. Northern European corn grits millers contend Spanish millers' access to reduced-duty flint corn is creating distortions in the market. As a result, they have been pressuring the European Commission to amend the Spanish and Portuguese TRQ system. The opening of new import tenders in 2000 is linked to the Commission developing a proposal to amend the current operation of the TRQ which is acceptable to the member states.

Table 3: EU import licenses for grain issued during 1999/00, through March 14, 2000

Product	Licenses issued during 1999/00, in MT (through March 7)	1998/99 (same period)
Durum wheat	394,147	280,173
Common wheat	1,869,330	1,867,908
Corn	880,456	1,575,479
Sorghum	205,527	241,779
Millet	73,993	73,114

Source: European Commission

Trade - Exports

In 1998/99, the five largest destination markets for soft wheat grain exported from the EU were as follows: Algeria (1.547 MMT), Morocco (1.208 MMT), Egypt (1.117 MMT), Cuba (715,000 MT), and Iran (599,000 MT). Combined, these 5 countries represented 57 percent of total EU wheat exports in 1998/99. For wheat flour, the 5 largest export markets were as follows: Yemen (729,000 MT of flour), Libya (500,000 MT), Angola (188,000 MT), Sudan (141,000 MT), and Albania (129,000 MT).

Based on export licenses exceeding last year's quantities by about 0.4 MMT grain equivalent (as of March 16, 2000), exports of wheat and wheat flour are forecast to increase by 650,000 MT in 1999/2000. To date, France, representing about three quarters of EU soft wheat exports, has sold nearly 2 MMT to Iran. These Iranian sales have compensated for the loss of EU market share in Egypt, which purchased the bulk of its wheat in the U.S. In 2000/01, Iran may again decrease as a sales destination for EU wheat if U.S. exports to Iran resume as a result of the lifting of the U.S. embargo on Iranian food products. The bumper wheat crop predicted for 2000 will leave EU exporters with large exportable supplies. Given the reduction in the internal grain support price, EU wheat is expected to be marketed at price levels close to world market prices. Export subsidies for wheat are forecast to go down in value but not quantity. In 2000/01, the last year of the GATT Uruguay Round implementation period, annual limits on export subsidies (volumes and budgetary outlays) will represent absolute maximum levels of subsidization. For wheat and wheat flour, subsidized exports will be capped at 14.438 MMT. See also Export Policy.

Following large EU barley exports in 1998/99 (7.336 MMT, July-June basis), export license issuance so far seems to indicate that 1999/2000 exports may be almost 1 MMT higher than in 1998/99. Throughout the entire

marketing year, the EU has been the dominant supplier of barley to the international market. Demand has been particularly strong from countries in the Middle East that suffered from a drought. For 2000/01, it is expected that barley exports will drop. Demand from Middle Eastern countries will fall in the light of improved domestic crops. Also, exportable supplies from Canada and Australia are forecast to increase, resulting in more competition for EU barley exporters. The GATT limitations on subsidized exports will, however, play the main role in the development of EU barley exports in 2000/01. Unlike for wheat and wheat flour, the EU has used rollover for coarse grains in both 1998/99 and 1999/2000. Since this will be prohibited in 2000/01, subsidized exports for coarse grains will need to be very carefully monitored for the various products included in this category. See Export Policy.

Stocks

Total grain stocks at the end of marketing year 1999/2000 are expected to fall by 3.6 MMT, a decrease primarily recorded in barley. Given the high burden on the EU budget of publicly held stocks, the European Commission has increased the proportion of export licenses for grain out of intervention. For example, out of the 8.44 MMT of soft wheat export licenses issued until March 23, 2000, 2.39 MMT or 28 percent were issued under intervention tenders rather than free market tenders. In 1998/99 around this time, intervention awards accounted for only 13 percent. The same development applies to barley, where intervention stocks have decreased by 45 percent compared to one year ago. A lower grain output than in 1998/99, combined with strong exports are expected to result in a general decrease in grain stocks by the end of 1999/2000.

As per March 22, 2000, EU intervention stocks stand at 11 MMT (net balance), a decrease of 4.7 MMT compared to the same time last year. See Table 4 for details.

For 2000/01, grain ending stocks are expected to rise again. While coarse grains stocks are forecast to rise by 1 MMT, wheat stocks are expected to increase by nearly 5 MMT. Additional wheat supplies resulting from the bumper harvest forecast for 2000, will be far from absorbed by the domestic and international wheat markets.

Starting July 1, 2000, the EU will apply stricter rules for purchasing grain into intervention. For wheat, a minimum protein level of 10 percent was set, level increasing to 10.3 percent by July 1, 2001, and to 10.5 percent by July 1, 2002. The minimum level for the Zeleny test, currently at 20 ml, was raised to 22 ml. Furthermore, the minimum specific weight level for wheat was increased from 72 to 73 kg per hl. A maximum moisture content of 14.5 percent was introduced for all grain. The new system also includes a doubling of the system of bonuses and penalties for variations in protein and quality.

Both quantity and average intervention value of qualifying grain will decrease as a result of the new intervention criteria. As a result, the EU Commission will see its budgetary outlays for grain intervention decrease. Apart from saving on expenditures, the European Commission also aims at improving the average quality of grain cultivated in the EU. Given the specific quality requirements set by grain customers on the international market, improvements in average quality of EU grain have become a necessity to maintain market share.

Table 4: EU intervention stock situation on March 22, 2000 (1,000 MT)

Product	Opening stocks, July 1, 1999	Balance 1/ (A)	Open for sale (B)	Under offer (C)	Net balance on March 15 (A-B+C)
Wheat	6,395	4,179	1,098	861	3,943
Barley	7,791	4,940	1,321	289	3,908
Rye	3,672	3,266	357	196	3,106
Corn	115	63	21	7	49
Sorghum	49	0	0	1	1
TOTAL	18,022	12,448	2,797	1,356	11,007

Source: European Commission

1/ equals opening stocks + volumes accepted into intervention minus sales on both the domestic market and the exports market.

Policy

Policy - Production Policy

Following fierce debates and several amendments to original proposals, the European Commission laid down its Agenda 2000 reform in various EU regulations. Council Regulation 1251/1999 of May 17, 1999 establishes the support system for producers of certain arable crops. The system is a continuation of the 1992 CAP reform (reducing price supports in favor of direct income compensation to the farmer), taking account of market developments of recent years.

Effective July 1, 2000, the cereal intervention price, currently at EUR 119.19/MT will be reduced by 7.5 percent to EUR 110.25/MT. Another 7.5 percent reduction (to EUR 101.31/MT) is scheduled for the following marketing year, i.e., effective July 1, 2001. Furthermore, EU Council regulation 1253/1999 provides that a final reduction of the intervention price in 2002/03 may be applied if warranted by the market situation. As before, the intervention price is subject to monthly price increases for part of the marketing year in order to take account of storage costs and financing charges for storing cereals. In the yearly Commission proposal on the prices for agricultural products, two main changes have been proposed with regard to intervention. First, the Commission proposes to cut the monthly increment to intervention prices from the current EUR 1/MT to EUR 0.93/MT in 2000/01 and to EUR 0.85/MT in 2001/02. Also, it is proposed to do away with the different intervention periods currently existing in northern European EU member states. Starting in marketing year 2000/01, the intervention period for grains is from August 1 to April 30 in the case of Italy, Spain, Greece, and Portugal. In the case of the other EU member states, the intervention period is from November 1 to May 31.

In order to (partially) compensate for the cut in intervention prices, compensatory payments will increase from the current level of EUR 54.34/MT to EUR 58.67/MT in 2000/01 and to EUR 63/MT in 2001/02. These amounts will also apply to grass silage and set-aside areas. Oilseeds compensatory payments are scheduled to reduce gradually to the same amount, going down from about EUR 94/MT in 1999/2000 to EUR 63/MT by the

year 2002/03. Given the large decrease in oilseeds payments, it is expected that the profitability of grains will exceed that of oilseeds, resulting in a shift of oilseeds area into grains area. Preliminary data on winter crop plantings for the current crop year (marketing year 2000/2001) have already confirmed this. See Production.

The mandatory set aside rate, i.e., the proportion of the arable area to be left in set aside in order to be eligible for compensatory payments, is set at 10 percent from the 2000/01 marketing year up to the 2006/07 marketing year. Changes in market conditions may, however, result in a different set aside rate being fixed. Small producers continue to be exempt from obligatory set aside. Voluntary set aside is still allowed. See Table 5 for details about the agricultural price package proposal for 2000/01, compared to prices applicable during 1999/00.

Table 5: 2000/2001 EU Agricultural Price Package for cereals

	1999/00 EUR/MT	2000/2001 proposal EUR/MT	Percent change
Intervention Price	119.19	110.25	-7.5%
Compensatory payment	54.34	58.67	8%
Monthly storage increment	1.00	0.93	-7%
Set aside payment (obligatory set aside)	68.83 1/	58.67	-15%
Voluntary set aside payment	48.30 1/	58.67 2/	21.5%
Durum area payment 3/	358.63	344.50	-4%
Durum supplementary area payment 4/	138.86	138.90	-

1/ The area payment for set-aside, mandatory or voluntary, upto a limit of 50 percent of a farmer's arable land amounts to EUR 68.83/MT. For additional, voluntary set-aside beyond the 50-percent-limit, the lower area payment of EUR 48.30/MT applies.

2/ Producers may be granted the set aside payment on land voluntarily set aside in excess of their obligation. Member states will allow farmers to set aside up to at least 10 percent of the area down to arable crops and for which a payment application is made.

3/ EUR per hectare. This area payment is supplementary to the general compensatory payment for cereals, and is payable for durum wheat area in traditional production zones, i.e. certain economically disadvantaged regions of Italy, Spain, France, Greece, Austria and Portugal.

4/ EUR per hectare. This aid is supplementary to the general compensatory payment for cereals, and is payable to certain durum wheat areas, outside traditional production zones, in France (50,000 HA), Germany (10,000 HA), U.K.(5,000 HA), Spain (4,000 HA), and Italy (4,000 HA).

Policy - Import Policy

The EU operates several tariff rate quotas (TRQs) for cereals, rice and grain products. These were initiated as

settlements for past EU enlargements. The most recent TRQs were negotiated for the accession of Austria, Sweden and Finland on January 1, 1995. Products covered by TRQs include corn and sorghum to Spain and Portugal, and EU-wide TRQs on malting barley, high quality wheat, oats, worked oats, millet, brown rice, milled rice, broken rice, and cereal bran and sharps.

Like in marketing year 1998/99, 1999/2000 corn imports into Spain and Portugal under the Accession Agreements so far have originated from East Europe and Argentina, rather than from the U.S. The 1999 U.S. corn harvest contains several GMO corn varieties for which U.S. marketing companies have not yet received commercialization approval from the competent EU authorities. Consequently, U.S. corn shipments to the EU have come to a complete standstill in 1999/2000 and will probably remain zero in 2000/01.

To resolve a WTO dispute on the EU's margin of preference for grains, the EU agreed to cover the import needs of U.S. brewing companies in Europe through a TRQ for malting barley, established in April 1997. Barley is imported under the generalized MOP scheme at the standard rate less 8 ECU/MT. If the barley is malted within six months and made into beer that is aged in beechwood casks, an additional 50 percent duty rebate is paid to the importer. A 50,000 MT TRQ was available in 1998 and 1999, and currently the 2000 TRQ, totaling 50,000 MT of malting barley is operational.

As part of the association agreements with Central and East European countries, the EU has granted reduced tariff access to its markets for some countries. The products involved are durum wheat, common wheat, millet, rye, corn, malting barley, wheat flour, and malt. Limited quantities of imports from these countries benefit from up to an 80-percent reduction in import duties. For some products (for example, a quota of 1,100 MT of malting barley from Hungary) import duties were reduced to zero, while for others reduced duties apply (for example EUR 65/MT duty on imports of maximally 9,500 MT of millet from Hungary). The development of reduced tariff access quota over the period 1997/98-1999/2000 is repeated in Table 6.

Beginning July 1, 1995, the EU's system of variable import levies for grains was replaced with the "Margin of Preference (MOP)", whereby the CIF import price duty paid cannot exceed 155% of the applicable grain intervention price. In practice, grain import duties are calculated on a regular basis by the European Commission as the difference between 155% of the intervention price and representative world market prices for each of the grain varieties concerned. Effective July 1, 2000, grain intervention prices will decrease from EUR 119.19/MT to EUR 110.25/MT. All other factors equal, this reduction will bring about an immediate reduction in grain import duties of nearly EUR14/MT. This development may result in an increased market share of third country high-quality grain suppliers of the EU market.

Table 6: Concessions in the form of Community tariff quotas for cereals and cereal products, 1997/98-1999/2000

Country	Product	Applicable duty (% of mfn)	1997/98 (MT)	1998/99 (MT)	1999/2000 (MT)
Hungary	Durum wheat/common wheat	20%	256,960	268,640	280,320
Hungary	Rye	EUR 123/MT	3,600	3,600	3,600
Hungary	Malting barley	free	1,100	1,150	1,200
Hungary	Millet	EUR 65/MT	9,500	9,500	9,500
Slovakia	Malting barley	20%	14,960	15,640	16,320
Slovakia	Wheat flour	20%	14,850	15,525	16,200
Slovakia	Malt (other than wheat malt)	20%	15,950	16,675	17,400
Czech Rep.	Malting barley	20%	30,140	31,510	32,880
Czech Rep.	Wheat flour	20%	14,850	15,525	16,200
Czech Rep.	Malt (other than wheat malt)	20%	39,820	41,630	43,440
Romania	Common wheat	20%	22,000	23,000	24,000
Bulgaria	Common wheat	20%	2,420	2,530	2,640
Bulgaria	Millet	20%	1,540	1,610	1,680

Source: EU Council Reg. (EC) 1595/97 of 24 July 1997, OJ L216, p.1

Policy - Export Policy

In the Uruguay Round Agreement the EU agreed to cap and then reduce over time the quantity and value of EU export refunds in the period 1995-2000. For the grains sector, two categories of products were set, i.e., wheat and coarse grains. The wheat category includes soft wheat grain, durum wheat grain, wheat flour, and semolina. The category of coarse grains comprises a number of products such as coarse grains, but also cereal groats and meal, malt, starch, wheat gluten, and cereal bran. See Table 7 for an overview of export subsidy commitments in the grains sector, together with the actual subsidized exports notified by the EU to the WTO. While the EU has not reached its permitted limits of subsidy expenditures, it has adopted a policy of "rolling over" from previous years any unused volumes for coarse grains in 1998/99 and 1999/2000. In 2000/01, the last year of the GATT Uruguay Round implementation period, such roll-over is prohibited. For both categories wheat and coarse grains, the European Commission will need to monitor very carefully the volumes and values of export licenses issued with a subsidy. Recent subsidy awards have consistently undercut U.S. soft red winter wheat

prices. Despite an improvement in the quality of French wheat harvested in 1999 the discount has averaged \$3-7/MT since mid-October 1999.

Table 7: Quantity reduction commitments and maximum levels of outlays versus actual subsidized exports

	Quantity (1,000 MT)		Budgetary outlays (Million EURO)	
	Reduction commitments	Actual subsidized exports	Reduction commitments	Actual subsidized exports
<u>Wheat/wheat flour</u>				
1995/96	20,408.1	2,768.8	2,309.0	118.7
1996/97	19,212.7	14,410.0	2,105.0	317.5
1997/98	18,020.7	13,038.1	1,901.4	177.7
1998/99	16,825.4	14,017.3	1,697.3	500.3
1999/00	15,630.0	n.a.	1,493.2	n.a.
2000/01	14,438.0	n.a.	1,289.7	n.a.
<u>Coarse grains</u>				
1995/96	13,690.2	6,596.4	1,605.7	303.4
1996/97	13,120.6	11,844.5	1,493.9	389.0
1997/98	12,551.5	8,770.1	1,382.2	273.2
1998/99	11,981.9	14,774.9	1,270.4	764.1
1999/00	11,412.3	n.a.	1,158.6	n.a.
2000/01	10,843.2	n.a.	1,046.9	n.a.

Source: Commitments: Schedule CXL, European Communities, Part IV Agricultural Products: Commitments limiting subsidization. Actual subsidized exports: WTO notifications

Supply & Demand tables for individual grain products

Total wheat

Production, supply, demand

Beg. Month of MY	7/98		7/99		7/00	
	Revised		Preliminary		Forecast	
	1998		1999		2000	
	old	new	old	new	old	new
Area harvested	17100	17100	16900	16700	0	17500
Beginning stocks	13863	14500	23363	19164	0	18434
Production	102800	102400	97850	95850	0	103460
Total MY imports	23100	23115	23150	23300	0	23300
July-June imports	23100	23115	23150	23300	0	23300
July-June imports U.S.	1350	1258	1250	1300	0	1350
Jul-Jun imp 3rd cntrs	3200	3111	3150	3300	0	3300
TOTAL SUPPLY	139763	140015	144363	138314	0	145194
Total MY exports	32500	33530	32500	34080	0	34950
July-June exports	32500	33530	32500	34080	0	34950
Jul-Jun exp 3rd cntrs	12575	13526	12500	14080	0	14950
Feed domestic cons.	38700	40500	37950	38300	0	39200
non-feed dom. cons.	45200	46821	45200	47500	0	47750
Total dom. consumption	83900	87321	83150	85800	0	86950
Ending stocks	23363	19164	28713	18434	0	23294
TOTAL DISTRIBUTION	139763	140015	144363	138314	0	145194

Note: Total wheat includes common wheat + durum wheat. Trade includes wheat flour.

Total coarse grains

Production, supply, demand

Beg. Month of MY	7/98		7/99		7/00	
	Revised		Preliminary		Forecast	
	1998		1999		2000	
	old	new	old	new	old	new
Area harvested	20000	20100	19660	19410	0	19460
Beginning stocks	25024	21889	27494	24880	0	22045
Production	104000	105500	102780	103150	0	105220
Total MY imports	16500	18003	18320	16690	0	17550
Oct-Sep imports	17620	18210	18320	16690	0	17550
Oct-Sep imports U.S.	455	474	415	270	0	300
Oct-Sep imp 3rd cntrs	2500	3627	2560	2162	0	3012
TOTAL SUPPLY	145524	145392	148594	144720	0	144815
Total MY exports	23330	23592	24370	25465	0	23995
Oct-Sep exports	24730	24932	24370	26665	0	25195
Oct-Sep exp 3rd cntrs	9600	10350	8600	12175	0	10705
Feed domestic cons.	71500	73420	72550	73640	0	73870
non-feed dom. cons.	23200	23500	23000	23570	0	23790
Total dom. consumption	94700	96920	95550	97210	0	97660
Ending stocks	27494	24880	28674	22045	0	23160
TOTAL DISTRIBUTION	145524	145392	148594	144720	0	144815

Common wheat

Production, supply, demand

Beg. Month of MY	7/98		7/99		7/00	
	Revised		Preliminary		Forecast	
	1998		1999		2000	
	old	new	old	new	old	new
Area harvested	14000	14000	13400	13200	0	14000
Beginning stocks	12748	13400	22248	17967	0	17617
Production	94900	94500	89000	88700	0	95060
Total MY imports	21100	20901	21000	21000	0	21200
July-June imports	21100	20901	21000	21000	0	21200
July-June imports U.S.	1000	992	1000	1000	0	1100
Jul-Jun imp 3rd cntrs	2600	2421	2700	2500	0	2700
TOTAL SUPPLY	128748	128801	132248	127667	0	133877
Total MY exports	31000	31913	30650	32500	0	33300
July-June exports	31000	31913	30650	32500	0	33300
Jul-Jun exp 3rd cntrs	12500	13433	12350	14000	0	14800
Feed domestic cons.	38000	39800	37250	37800	0	38500
non-feed dom. cons.	37500	39121	37400	39750	0	40000
Total dom. consumption	75500	78921	74650	77550	0	78500
Ending stocks	22248	17967	26948	17617	0	22077
TOTAL DISTRIBUTION	128748	128801	132248	127667	0	133877

Durum wheat

Production, supply, demand

Beg. Month of MY	7/98		7/99		7/00	
	Revised		Preliminary		Forecast	
	1998		1999		2000	
	old	new	old	new	old	new
Area harvested	3100	3100	3500	3500	0	3500
Beginning stocks	1115	1100	1115	1197	0	817
Production	7900	7900	8850	7150	0	8400
Total MY imports	2000	2214	2150	2300	0	2100
July-June imports	2000	2214	2150	2300	0	2100
July-June imports U.S.	350	266	250	300	0	250
Jul-Jun imp 3rd cntrs	600	690	450	800	0	600
TOTAL SUPPLY	11015	11214	12115	10647	0	11317
Total MY exports	1500	1617	1850	1580	0	1650
July-June exports	1500	1617	1850	1580	0	1650
Jul-Jun exp 3rd cntrs	75	93	150	80	0	150
Feed domestic cons.	700	700	700	500	0	700
non-feed dom. cons.	7700	7700	7800	7750	0	7750
Total dom. consumption	8400	8400	8500	8250	0	8450
Ending stocks	1115	1197	1765	817	0	1217
TOTAL DISTRIBUTION	11015	11214	12115	10647	0	11317

Barley

Production, supply, demand

Beg. Month of MY	7/98		7/99		7/00	
	Revised		Preliminary		Forecast	
	1998		1999		2000	
	old	new	old	new	old	new
Area harvested	11400	11400	11400	11000	0	10800
Beginning stocks	13853	12800	15453	14343	0	12253
Production	51400	51700	50200	49300	0	50200
Total MY imports	4850	4535	5350	4510	0	4510
Oct-Sep imports	5500	4513	5350	4510	0	4510
Oct-Sep imports U.S.	40	28	45	30	0	30
Oct-Sep imp 3rd cntrs	50	79	60	60	0	60
TOTAL SUPPLY	70103	69035	71003	68153	0	66963
Total MY exports	12000	11792	11790	12700	0	12200
Oct-Sep exports	12950	13009	11790	13900	0	13400
Oct-Sep exp 3rd cntrs	7500	8575	6500	9500	0	9000
Feed domestic cons.	31300	31200	31650	31400	0	31700
non-feed dom. cons.	11350	11700	11250	11800	0	12000
Total dom. consumption	42650	42900	42900	43200	0	43700
Ending stocks	15453	14343	16313	12253	0	11063
TOTAL DISTRIBUTION	70103	69035	71003	68153	0	66963

Corn

Production, supply, demand

Beg. Month of MY	7/98		7/99		7/00	
	Revised		Preliminary		Forecast	
	1998		1999		2000	
	old	new	old	new	old	new
Area harvested	4000	4200	4000	4100	0	4100
Beginning stocks	5953	4600	5403	4988	0	5213
Production	34300	34900	36200	36300	0	36400
Total MY imports	10000	12000	11500	10700	0	11500
Oct-Sep imports	10500	12163	11500	10700	0	11500
Oct-Sep imports U.S.	100	211	0	0	0	0
Oct-Sep imp 3rd cntrs	2000	3122	2000	1700	0	2500
TOTAL SUPPLY	50253	51500	53103	51988	0	53113
Total MY exports	8500	9112	9850	9075	0	9100
Oct-Sep exports	8700	9167	9850	9075	0	9100
Oct-Sep exp 3rd cntrs	200	126	350	75	0	100
Feed domestic cons.	28000	29100	28850	29400	0	29500
non-feed dom. cons.	8350	8300	8250	8300	0	8300
Total dom. consumption	36350	37400	37100	37700	0	37800
Ending stocks	5403	4988	6153	5213	0	6213
TOTAL DISTRIBUTION	50253	51500	53103	51988	0	53113

Oats

Production, supply, demand

Beg. Month of MY	7/98		7/99		7/00	
	Revised		Preliminary		Forecast	
	1998		1999		2000	
	old	new	old	new	old	new
Area harvested	1950	1950	1900	2000	0	2050
Beginning stocks	1214	1000	1014	632	0	132
Production	6500	6800	6130	6450	0	6700
Total MY imports	400	368	300	370	0	400
Oct-Sep imports	400	378	300	370	0	400
Oct-Sep imports U.S.	0	0	0	0	0	0
Oct-Sep imp 3rd cntrs	5	8	5	5	0	5
TOTAL SUPPLY	8114	8168	7444	7452	0	7232
Total MY exports	1000	1036	900	920	0	920
Oct-Sep exports	1200	914	900	920	0	920
Oct-Sep exp 3rd cntrs	800	544	600	550	0	550
Feed domestic cons.	4700	5100	4600	5000	0	4900
non-feed dom. cons.	1400	1400	1400	1400	0	1400
Total dom. consumption	6100	6500	6000	6400	0	6300
Ending stocks	1014	632	544	132	0	12
TOTAL DISTRIBUTION	8114	8168	7444	7452	0	7232

Rye

Production, supply, demand

Beg. Month of MY	7/98		7/99		7/00	
	Revised		Preliminary		Forecast	
	1998		1999		2000	
	old	new	old	new	old	new
Area harvested	1400	1390	1200	1200	0	1300
Beginning stocks	3615	3100	5265	4654	0	4304
Production	6400	6500	5400	5650	0	6100
Total MY imports	400	280	250	250	0	250
Oct-Sep imports	300	262	250	250	0	250
Oct-Sep imports U.S.	0	0	0	0	0	0
Oct-Sep imp 3rd cntrs	0	2	0	2	0	2
TOTAL SUPPLY	10415	9880	10915	10554	0	10654
Total MY exports	1300	1126	1350	2250	0	1250
Oct-Sep exports	1300	1281	1350	2250	0	1250
Oct-Sep exp 3rd cntrs	1000	1022	1100	2000	0	1000
Feed domestic cons.	2050	2300	2300	2200	0	2100
non-feed dom. cons.	1800	1800	1800	1800	0	1800
Total dom. consumption	3850	4100	4100	4000	0	3900
Ending stocks	5265	4654	5465	4304	0	5504
TOTAL DISTRIBUTION	10415	9880	10915	10554	0	10654

Sorghum

Production, supply, demand

Beg. Month of MY	7/98		7/99		7/00	
	Revised		Preliminary		Forecast	
	1998		1999		2000	
	old	new	old	new	old	new
Area harvested	160	150	150	100	0	100
Beginning stocks	90	90	50	76	0	56
Production	630	830	530	700	0	600
Total MY imports	530	488	600	500	0	550
Oct-Sep imports	600	543	600	500	0	550
Oct-Sep imports U.S.	300	214	350	220	0	250
Oct-Sep imp 3rd cntrs	350	326	400	300	0	350
TOTAL SUPPLY	1250	1408	1180	1276	0	1206
Total MY exports	300	282	250	270	0	275
Oct-Sep exports	350	298	250	270	0	275
Oct-Sep exp 3rd cntrs	100	81	50	50	0	55
Feed domestic cons.	750	900	750	800	0	700
non-feed dom. cons.	150	150	150	150	0	150
Total dom. consumption	900	1050	900	950	0	850
Ending stocks	50	76	30	56	0	81
TOTAL DISTRIBUTION	1250	1408	1180	1276	0	1206

Millet

Production, supply, demand

Beg. Month of MY	7/98		7/99		7/00	
	Revised		Preliminary		Forecast	
	1998		1999		2000	
	old	new	old	new	old	new
Area harvested	10	10	10	10	0	10
Beginning stocks	96	96	106	80	0	70
Production	20	20	20	20	0	20
Total MY imports	120	115	120	120	0	120
Oct-Sep imports	120	119	120	120	0	120
Oct-Sep imports U.S.	15	19	20	20	0	20
Oct-Sep imp 3rd cntrs	90	86	90	90	0	90
TOTAL SUPPLY	236	231	246	220	0	210
Total MY exports	30	31	30	30	0	30
Oct-Sep exports	30	34	30	30	0	30
Oct-Sep exp 3rd cntrs	0	1	0	0	0	0
Feed domestic cons.	100	120	100	120	0	120
non-feed dom. cons.	0	0	0	0	0	0
Total dom. consumption	100	120	100	120	0	120
Ending stocks	106	80	116	70	0	60
TOTAL DISTRIBUTION	236	231	246	220	0	210

Mixed grains

Production, supply, demand

Beg. Month of MY	7/98		7/99		7/00	
	Revised		Preliminary		Forecast	
	1998		1999		2000	
	old	new	old	new	old	new
Area harvested	1080	1000	1000	1000	0	1100
Beginning stocks	203	203	203	107	0	17
Production	4750	4750	4300	4730	0	5200
Total MY imports	200	217	200	240	0	220
Oct-Sep imports	200	232	200	240	0	220
Oct-Sep imports U.S.	0	2	0	0	0	0
Oct-Sep imp 3rd cntrs	5	4	5	5	0	5
TOTAL SUPPLY	5153	5170	4703	5077	0	5437
Total MY exports	200	213	200	220	0	220
Oct-Sep exports	200	229	200	220	0	220
Oct-Sep exp 3rd cntrs	0	1	0	0	0	0
Feed domestic cons.	4600	4700	4300	4720	0	4850
non-feed dom. cons.	150	150	150	120	0	140
Total dom. consumption	4750	4850	4450	4840	0	4990
Ending stocks	203	107	53	17	0	227
TOTAL DISTRIBUTION	5153	5170	4703	5077	0	5437