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Report Highlights:

The EU's grain harvest in MY2020/21 is forecast to decline over 11MMT to 304 MMT, in large part due to extremely challenging planting conditions in the UK and France. Those two countries experienced a very wet fall and a long, mild and wet winter. Together, this has disrupted plantings and raised disease concerns. Elsewhere, much of the EU also experienced some disruption to planting, albeit on a much lesser scale, and a mild winter. While production in those countries is currently broadly forecast unchanged year-on-year, they share the aforementioned concerns regarding disease. There are also concerns that the crop is susceptible to a late frost. As always, much will depend on the planting and growing conditions over the coming weeks and months. Necessarily, the big unknown for both the remaining months of MY2019/20 and for MY2020/21 is the impact of COVID-19 on the grain balances. The forecasts do not currently reflect substantial changes but this situation will need to be monitored closely.

Introduction

This report presents the first outlook for grain and feed, and Production, Supply and Demand (PS&D) forecasts for the Marketing Year (MY) 2020/21. Unless stated otherwise, data in this report is based on the views of Foreign Agricultural Service analysts in the EU27 and the UK and is not official USDA data.

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

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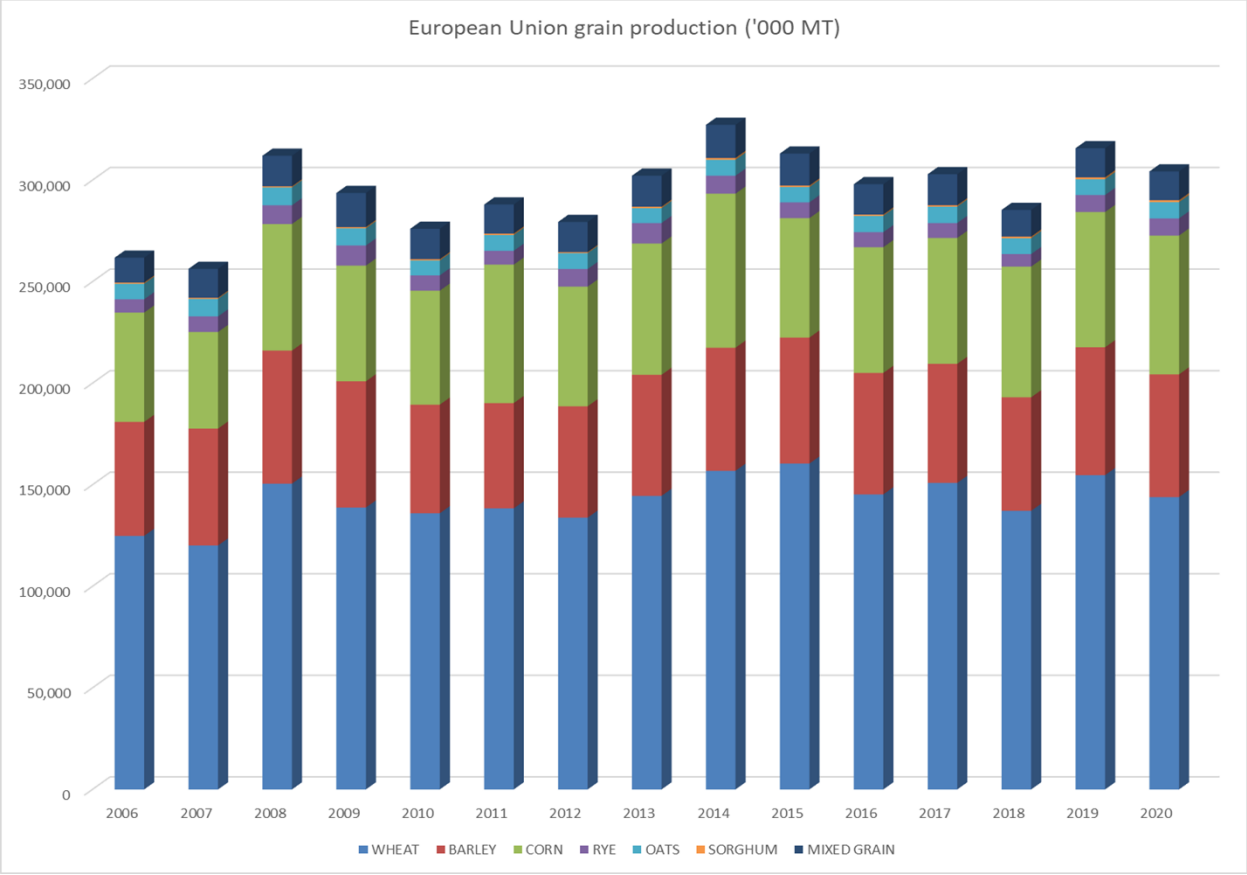
HA = Hectares
MT = Metric Ton
MY = Marketing Year. Post and USDA official data both follow the EU local marketing year of July to June except for corn which follows an October to September calendar
TY = July to June for wheat and October to September for coarse grains

Unless otherwise noted, 'EU' in this report refers to EU27+UK, the current EU Customs Union

Executive Summary

The MY2020/21 EU grain crop is currently forecast to reach 304.4 MMT. If realized, this will be very close to both the five and ten year production averages but belies a reduction in area of around 500,000 HA and 1 MHA, respectively, and corresponding increases in average grain yields. Indeed, at 55.5 MHA, the total area planted to grain is forecast to decline over 700,000 HA on MY2019/20, with all of this reduction in wheat and equating to a 11 MMT reduction in wheat production alone. Comparatively small fluctuations in the forecast planted areas of the other crops balance each other out and total production of other grains is forecast little changed, albeit reduced production of barley due to a switch to spring varieties in some countries being offset elsewhere, most notably by corn.

The significant unknown for the remainder of MY2019/20 and for MY2020/21 is the impact of COVID-19. The forecasts do not currently reflect substantial changes, but most analysts agree that it could have an impact, not just on planting decisions over the coming months but also with possible disruptions to traditional trade flows as well as changes in domestic consumption. Two immediate examples include a Romanian government implementation on April 10 of a temporary suspension of grain exports to third countries; and the expectation that COVID-19 will negatively impact meat production as well as dairy production in the EU. The widespread closure of restaurants, hotels and cafeterias and the suspension of all tourist activities in most of the EU will lower consumer demand, enhanced by the almost certain economic downturn that will follow. While this will be felt across the supply chain, such a situation is likely to particularly lower the internal feed demand to an extent which is yet to be estimated.



(Source FAS Posts)

Looking at the main winter grain producers, in the northwest, in France and the United Kingdom (UK), very wet conditions have delayed and disrupted planting in MY2020/21. This has been the case in the UK where producers, particularly across the center of the country, struggled to plant winter grains in the fall. Hopes to catch up in February were dashed by continuing wet weather, and a significant switch to spring crops is forecast, especially to barley but also other crops. Both France and the UK also experienced very mild and wet winters reducing access to the fields for treatments and increasing disease concerns as well as reducing the yield and quality of these winter crops. Conditions are now much improved, albeit access on heavier soils remains difficult

in some areas. Drier conditions bode well for spring plantings which are underway in earnest, albeit with the uncertainty of COVID-19 weighing on some producers' planting decisions, a factor being felt across the EU.

In Germany, preliminary data on crop planting for MY2020/21 shows a slight decrease in the total winter grain area, partly due to a rebound in rapeseed area and to problems with field accessibility due to wet weather in the north of the country. These rains resulted in difficulties in harvesting the late corn and the subsequent planting of fields with winter grains for 2020. Some of those fields went unplanted until the spring and will be planted with summer grains. Currently, it is expected that the corn area might benefit the most as some of those fields are still too wet to plant summer wheat and summer barley. In contrast, in the south it was rather dry during planting and emergence. This was good for field access but posed some challenges for the young plants. In the rest of the country, planting was only occasionally interrupted by rains but was generally reported as being uneventful. So far, the crop condition is reported to be good with no winterkill. Overall, total forecast grain production in Germany is just over 43 MMT, only marginally lower than in MY2019/20.

In neighboring Austria, sowing conditions for winter grains have been rather dry but germination and crop development have been satisfactory so far. The southern regions of Austria are reported to have received sufficient precipitation during the winter and soil moisture is good. In contrast, northern regions of Austria lack water and rain is needed. Yields will very much depend on this precipitation. No winterkill has been reported so far. The organic grains acreage is still on a rising trend but at a slower pace - farmers are looking for niche markets and price premiums. Pest problems in sugar beet production will likely lead to alternate spring crops, particularly corn. There remains high demand from the Austrian starch industry so corn and winter wheat acreages are expected to increase. A series of spring droughts have seen farmers shift from spring varieties of wheat, durum, and barley to winter varieties.

In the Czech Republic, planting conditions were good, with moderate precipitation arriving in good time after planting. The winter was very mild, which has resulted in an earlier start to spring field operations by two to three weeks. So far, moisture levels in the surface and upper layers of the soil are reported to be good so the winter crop is reported to have developed well. However, there are some groundwater concerns, so further rains are needed. Overall, the outlook for MY2020/21 is positive and yields are forecast higher year-on-year. The largest challenge in many regions is rodent control.

Further east, in Poland, the condition of the plants before entering their winter dormancy was rated better than in the previous year, especially for winter wheat, barley, and triticale. The condition of winter mixed grains and rye was also reported to be good, albeit these varieties of grains were rated lower than other winter grains due to excessive growth before winter. In the fall of 2019, very warm and sunny weather created good conditions for fast growth. Subsequent rains increased soil moisture and facilitated the propagation of plants, but this did vary greatly by region. The winter was mild creating good conditions for winter grain development with no reports of winterkill. If there is a concern it is that soil moisture is low. In the last two years, the summer drought was the main factor reducing crop potential, despite good spring forecasts. This concern remains for MY2020/21 but for now the forecast for the harvest 2020 is very good with yields forecast to exceed the average yield of the last six years.

Romania's prolonged dry period in the late summer and fall of 2019 forced farmers to adjust cropping patterns accordingly. It was a similar story in Hungary and Bulgaria. As some regions saw little rain over the summer, many farmers in all three countries struggled with winter crop planting and tillage. The situation improved somewhat in October, with rains providing some relief and allowing farmers to complete winter crop planting and tillage. Winter crops are reported to be in good condition, if a little early in their development. The mild

weather could lead to significant disease and pest pressure in the spring. In addition, winter crops with weak frost tolerance are now exposed to the risk from any potential cold spells. Productivity in the region now hinges on the weather and growing conditions through the spring and beyond.

In Italy, conditions are now much drier than in the early part of winter. The fall was exceptionally wet in northern and central Italy, which caused severe delays to winter grain plantings, with many farmers forced to continue sowing until early January. At the present time, it is difficult to evaluate what impact the very late planting dates – not to mention the overly wet conditions – will have on yield potentials, particularly in the case of soft wheat. In any case, the mild temperatures so far this season and the lull in rainfall since late December augur well for the 2020 harvests, with crops already expected to have made up for much of the development shortfall caused by late drilling dates.

In Spain, the EU's largest importer of third country grain, the mix depends on both its domestic crop and intra-EU grain availability, a lack of precipitation in October delayed plantings. The fall was dry with above average temperatures. Timely rains in November allowed for full planting operations. January temperatures were colder than average. February temperatures were well above average speeding up crop development and reducing dormancy. Given the accelerated development there is now an increased risk from late frosts. Cumulative precipitation is below average but above past season levels. Reservoirs are at around 60 percent capacity overall, lower in the south but higher in the north, which exceeds MY2019/20 but is below the ten-year average. No limitations are currently expected on irrigation. Overall, total grain production in Spain is forecast to rise 1.1 MMT to just over 20 MMT.

In Portugal, the area planted to winter grains is forecast to be slightly down year-on-year as the switch to alternate crops, such as olives, tree nuts and avocados, continues. Only the corn area is forecast unchanged. While grain crops were initially slow in developing due to late plantings, cold winter temperatures and low precipitation levels, warmer temperatures in February accelerated crop development. A somewhat larger than average crop is now forecast as compared to MY2019/20 and quality looks good for the moment. Spring precipitation and the absence of late frosts will be particularly critical in determining the size of the 2020 harvest.

Finally, to the north, in the Baltic States - Latvia, Lithuania and Estonia - weather conditions for winter plantings have been favorable for grain plantings. The winter was very mild, and warm even in northern parts of Estonia, and Latvia. No winterkill has been reported. If anything, the lack of cold weather and snow cover has weakened plants against any sudden cold snap. The warm winter has also diminished plants' resistance against insects, but increased plant growth potential. Assuming ongoing favorable weather conditions, farmers in the Baltic States can expect another very good harvest for MY2020/21.

Total grain consumption in MY2020/21, at 294.7 MMT, is currently forecast just 1.2 MMT down on MY2019/20, all of this reduction being forecast in feed use. However, the impact of COVID-19 has yet to be determined, is not included in these forecasts, and much could change in the coming weeks and months both through the remainder of MY2019/20 and into MY2020/21.

Within Food, Seed & Industrial (FSI) use, the focus is mainly on the latter sector, and principally in the UK, Hungary and Austria. In March of 2019, Ensus, one of the two closed bioethanol plants in the UK announced it would reopen and has since processed a combination of domestic wheat and imported corn. While the emphasis has been on domestic wheat in MY2019/20 this is currently forecast to switch towards corn in MY2020/21 due to the significant forecast decline in domestic supply of wheat. In Hungary, the phased opening of a new processing plant in Visonta has meant increased grain usage. In February 2019, it started producing

gluten and industrial alcohol and with the completion of its final phase last summer its portfolio now includes starch, ethanol and feed products. In Austria, processing of grains for starch, citric acid and bioethanol demand continues to increase, epitomized by AGRANA's construction of a new wheat starch facility. One additional dynamic in the bioethanol sector is that companies are using part of their capacity to assist production of disinfectant in response to increased demand due to COVID-19.

On the feed side, the reduced EU acreage and forecast harvest in MY2020/21 is necessarily expected to result in a decline in feed use of domestic grain. While this is currently forecast to decline 1.4 MMT, the impact of COVID-19 on the livestock sector remains very uncertain. Any substantial decline in demand from this sector would necessarily see this figure revised downwards.

Feed grain uses in the EU	**2018/19**	**2019/20**	**2020/21**
wheat	51,500	56,000	53,000
barley	36,000	41,000	40,500
corn	66,000	61,000	62,500
rye	3,250	4,600	4,900
oats	6,100	5,800	6,000
sorghum	1,550	1,000	1,100
mixed grain	11,500	12,500	12,500
grains total	**175,900**	**181,900**	**180,500**
(1000 MT)			

(Source FAS Posts)

MY2019/20 is expected to see the EU return to being a net exporter of grains, with both increased exports and reduced imports. This return to trend follows MY2018/19 where imports were characterized by a significant influx of corn, mainly from Ukraine and Brazil. MY2020/21 is currently forecast to see the EU remain a net exporter of grains but with a decline in total exports due to the expected reduction in the size of the French wheat crop. However, COVID-19 is the unknown factor. For example, on April 10, 2020, just prior to the publication of this report, the Romanian government suspended all third country exports of grains, effective through at least May 16, 2020. The reason cited was food security. Additionally, the measure states that other EU Member States can continue to purchase Romanian grains only if they are being consumed within the EU and not re-exported, albeit without providing details of how this will be enforced. If this temporary suspension stretches beyond a few weeks, and with Romania being a significant EU grain exporter, especially of corn and wheat but also of barley, this will mean the export numbers for both MY2019/20 and MY2020/21 will likely need to be revised. Imports are currently forecast unchanged year-on-year but, again, COVID-19 could see this change.

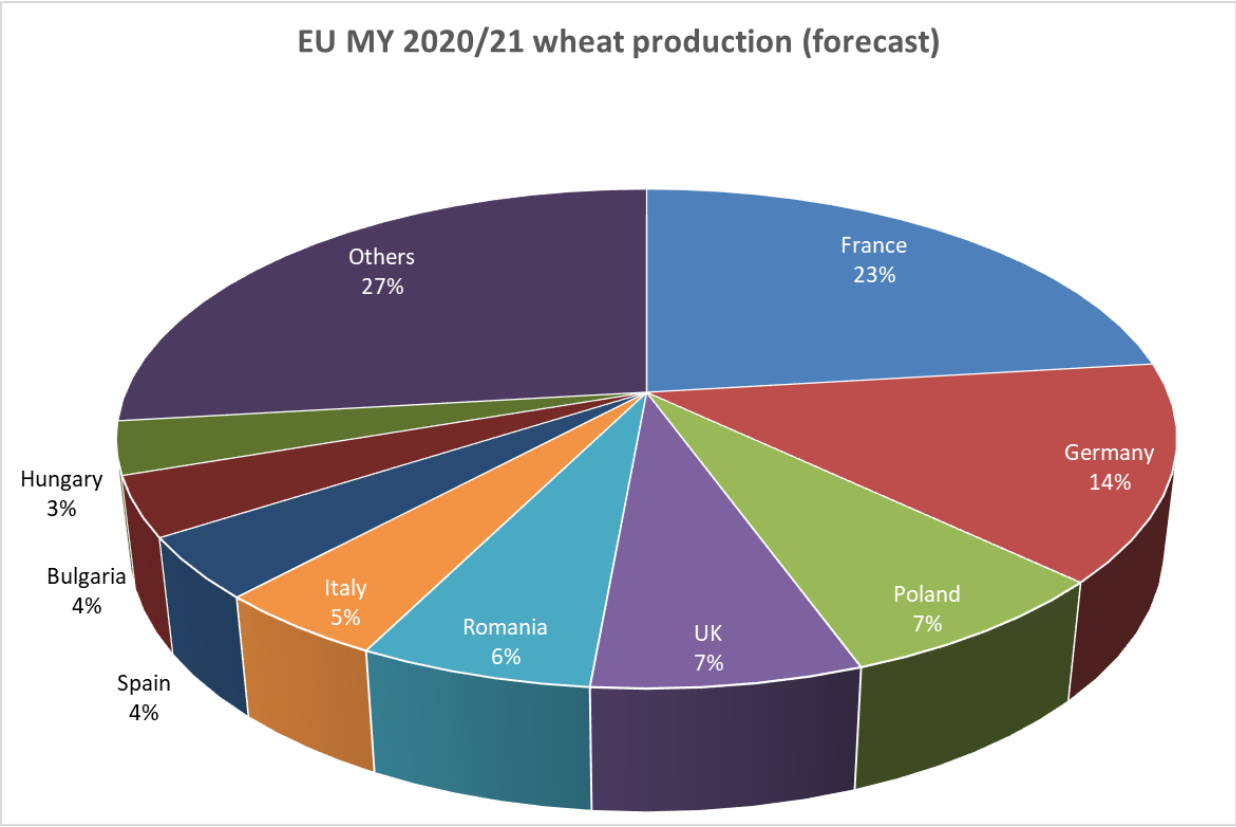
Ending stocks are currently forecast to decline just over 3.5 MMT in MY2020/21. As above, while the size and quality of the EU crop will be one factor in determining the final carry out, the much larger unknown is the impact of COVID-19 on the overall global grain situation.

Commodity:	Total grains						
	2017/2018		2019/2020		2020/2021		UOM
	USDA Official	**Post Estimate New**	**USDA Official**	**Post Estimate New**	**USDA Official**	**Post Estimate New**	
Market Year Begin	**Jul 2018**		**Jul 2019**		**Jul 2020**		MM/YYYY
Area Harvested	54,738	54,810	55,940	56,195	0	55,474	(1000 HA)
Beginning Stocks	30,217	30,217	23,531	26,892	26,404	28,823	(1000 MT)
Production	285,048	285,355	303,040	315,740	0	304,400	(1000 MT)
MY Imports	32,169	32,214	26,630	25,865	0	25,815	(1000 MT)
TY Imports	32,426	32,471	26,530	25,930	0	25,640	(1000 MT)
TY Imp. From U.S.	828	631	0	750	0	0	(1000 MT)
TOTAL SUPPLY	**347,434**	**347,786**	**353,201**	**368,497**	**26,404**	**359,038**	(1000 MT)
MY Exports	32,133	32,150	41,827	43,782	0	39,342	(1000 MT)
TY Exports	33,116	33,143	41,827	44,027	0	33,492	(1000 MT)
Feed	178,600	175,900	180,800	181,900	0	180,500	(1000 MT)
FSI Consumption	113,170	112,844	114,170	113,992	0	114,152	(1000 MT)
TOTAL consumption	291,770	288,744	294,970	295,892	0	294,652	(1000 MT)
Ending Stocks	23,531	26,892	26,404	28,823	0	25,044	(1000 MT)
Total Distribution	**347,434**	**347,786**	**363,201**	**368,497**	**0**	**359,038**	(1000 MT)
(1000 MT)							

(Source FAS Posts)

Wheat

Production



(Source FAS Posts)

At 144 MMT, MY2020/21 wheat production is forecast to fall nearly 11 MMT year-on-year on a planted area down 700,000 HA. Both the UK and France are forecast to see over 5 MMT reductions in their wheat crops and over 500,000 HA and 250,000 HA reductions in their planted areas, respectively. Elsewhere in the EU, no dramatic year-on-year changes are forecast, albeit with local differences in each country in terms of both production and area. It is a similar story for yields, with the UK and France forecast to have lower yields while the forecasts are generally more stable elsewhere.

France is the largest producer of wheat in the EU by a significant margin. The MY2020/21 area planted to wheat is forecast to be down by 5 percent (with stable durum planting) due to crop rotation constraints and adverse weather conditions at planting. Since planting, rainfall was abundant in the fall and the winter has been mild. The wet conditions continued into the second half of the winter preventing farmers in many regions from accessing their crop, and delaying nitrogen fertilization and pesticide spraying. The abundance of water has also prevented plants from deepening their roots, making them more vulnerable to a drought later in the growing season. The positive temperatures through most of the winter does not bode well for the disappearance of

pests. The return of dry weather since mid-March 2020 could alleviate some of those concerns. The yield forecast has been adjusted to include these concerns. Together this means total production of wheat in France is forecast to fall below 36 MMT.

The EU's second largest wheat producer is Germany which produces mostly winter wheat. Preliminary data on crop planting has winter wheat planting marginally below the final area for the 2019 harvest. Assuming five-year average yields, production is forecast to decrease as compared to 2019 and reach nearly 22 MMT. The drop in area occurred because of problems with planting in the fall due to excess moisture in the fields, which made some fields inaccessible, combined with a rebound in rapeseed area.

Of the countries covered in this report, the UK is traditionally the third largest producer of wheat. However, that is not currently forecast to be the case in MY2020/21 following very challenging planting conditions. Very wet conditions, intense rainfall and localized flooding in the fall delayed, and in some cases prevented, planting. Hopes to plant in February were largely dashed by continued severe wet weather and some ongoing waterlogging of fields. Only in the last few weeks have conditions dried sufficiently to mean most fields are now once again accessible. Combined with a mild winter, not only is the winter wheat area much reduced but there are increased disease concerns. As well as the lowest area in over 40 years, the delayed planting means yield is also expected to be negatively affected so production is currently forecast below 11 MMT for the first time since 1983. Quality is also in question. Current expectations are that, very unusually, but exacerbated by COVID-19 concerns, some land will be left fallow this year although the majority will likely switch to spring crops, especially barley.

For MY2020/21, wheat production in Poland is forecast marginally up year-on-year. The crop is currently reported to be in good health but remains susceptible to dry soils or a sharp frost. The area of wheat plantings for the harvest in 2020 is expected to remain similar to the previous year. Winter wheat plantings were reported to be in very good health before entering the winter in 2019. Over 80 percent of the wheat was planted in optimal time. In some regions, the soil was so dry that field works were postponed for about two weeks. The winter was mild meaning that vegetation growth slowed but it did not stop. Winterkill was limited but plants did not fully enter winter dormancy state. In some regions plants are over-spreading and require thinning treatments.

Wheat area, yield and production are all forecast to increase slightly in the Czech Republic in MY2020/21, as compared to the previous year. The winter wheat area is, however, lower when compared to the previous year. In Austria, the wheat acreage is forecast to increase marginally as compared to last year. The increase is mainly in winter durum, partially at the expense of spring durum. Yield potential is currently good. Planting and growing conditions have been favorable so far, albeit northern regions are reported to need rain in the coming weeks. No winterkill has been reported so far.

Romanian planting conditions for the MY2020/21 wheat crop were difficult because of the 2019 drought. Rains in October helped wheat germinate and emerge, as opposed to last year when wheat did not emerge until February. Wheat crops are reported to be looking good for the time being. At this stage their water needs are not high but the yield level will depend on water availability in the coming months. Area is expected to increase

in MY2020/21 over the previous year as some farmers switched away from rapeseed. The mild winter is posing concerns about the pest pressure.

The Bulgarian area planted under wheat increased marginally for MY2020/21 due to fall dryness and depressed wheat prices which caused most planting to be done later than the optimum time. The winter was mild with above normal temperatures and below average rainfall. No winterkill has been reported but both the surface and subsurface moisture reserves are reported to be significantly below the previous season. The mild winter led to premature crop development, some increased disease incidence (especially rust) and a need for the early use of fertilizers. Due to the less than promising start, average yields are currently forecast and total production is forecast to decrease slightly.

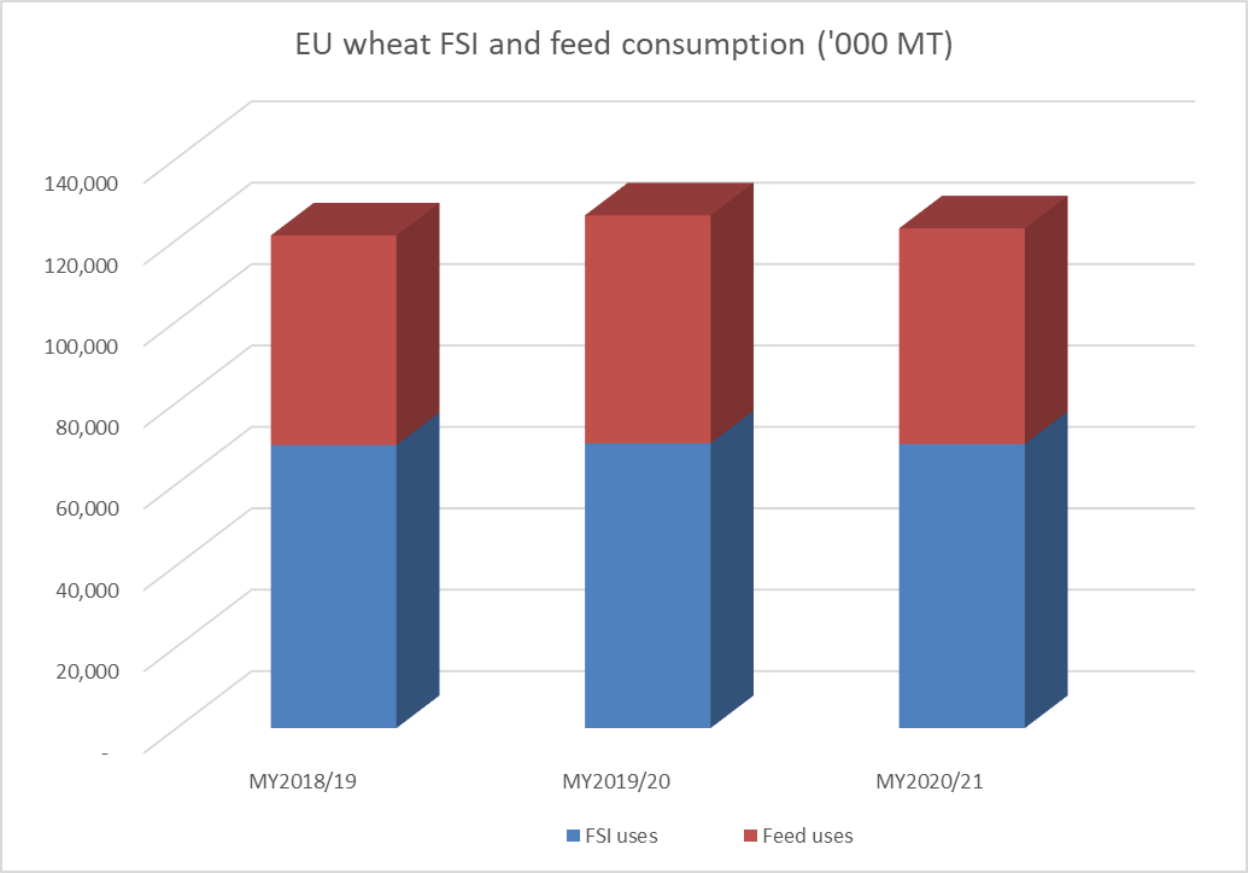
In MY 2020/21, the Hungarian wheat area is forecast to remain around 1MHA, as in previous years. A lack of precipitation saw dry sowing conditions in September and October and it was reported to be difficult to prepare a good seedbed for winter crops. Although soil moisture was hardly sufficient for seed germination, abundant rainfall helped plant development from the end of October. Soil layers became saturated, and the winter was mild, leading to good crop development. Thus far there are no reports of frost damage and the winter crop is reported in good condition. As elsewhere, the mild weather could lead to significant disease and pest pressure in the spring. In addition, winter crops with weak frost tolerance will remain exposed to the risk from any potential cold spells.

In Italy, a wet winter has given way to a drier spring. The fall was exceptionally wet in northern and central Italy, which caused severe delays to winter cereal plantings, with many farmers forced to continue sowing until early January. That said, the mild temperatures so far this season, and the lull in rainfall since late December, bode well for the wheat crop which is currently expected to have made up for much of the development shortfall caused by the late drilling.

Finally, in Spain, and in contrast to many other EU countries, it was a lack of precipitation in October that delayed plantings. The fall was dry with above average temperatures. Timely rains in November then allowed planting to commence properly. Like elsewhere, a mild winter has aided crop development and early spring rains are contributing to good crop development. It has also seen reservoirs refilled and they are currently reported to be at around 60 percent capacity overall, such that no limits are currently expected on irrigation. Consequently, Spanish wheat production is currently forecast to rise marginally year-on-year.

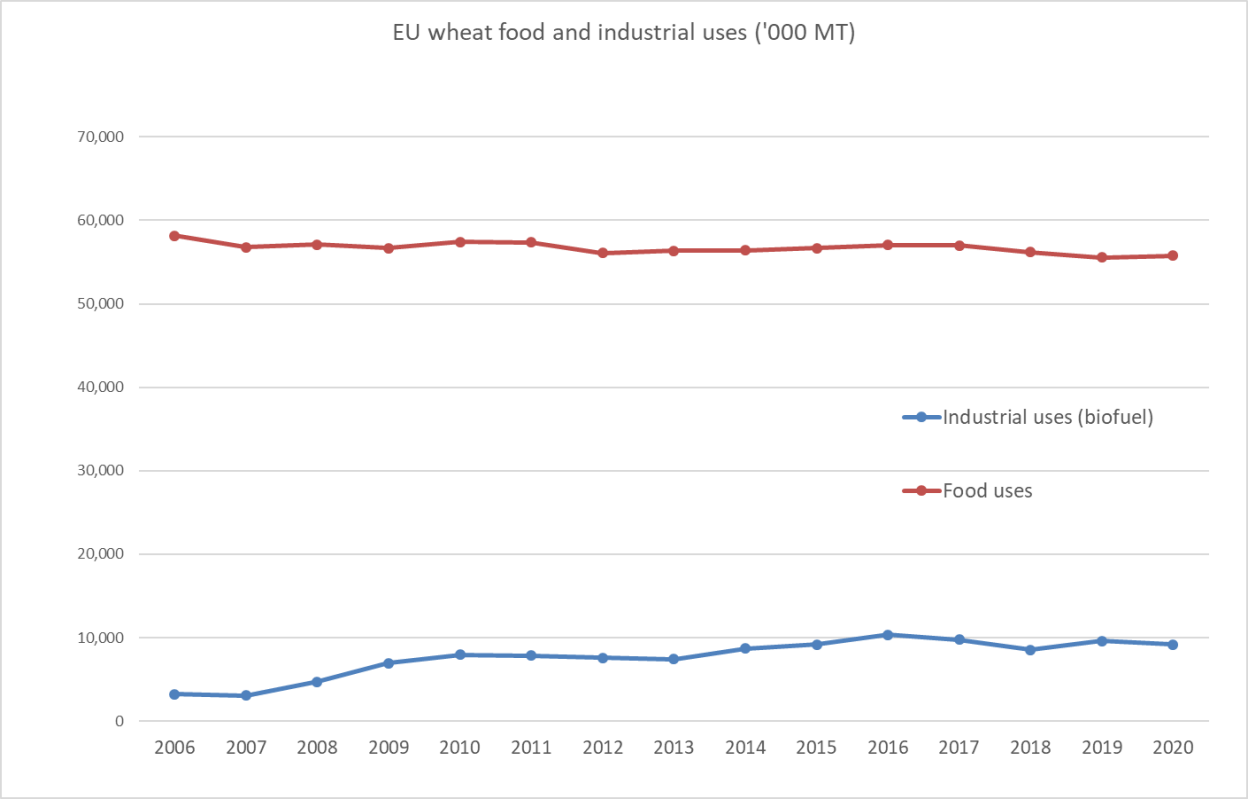
Consumption

The forecast reduction in production and no expectation of a significant increase in imports means MY2020/21 wheat availability in the EU is forecast to fall. Consequently, total wheat consumption is currently forecast to decline following an expected substantial recovery in MY2019/20. However, all forecasts remain subject to revision pending the impact of COVID-19 which currently remains very unclear. One immediate consequence, with many consumers confined to their homes, has been an increase in home baking and in domestic purchases of flour.



(Source FAS Posts)

At this time, the main reason for the lower usage number in MY2020/21 is reduced feed consumption. While the wheat crop increased in MY2019/20, this was largely a recovery from the lower crop in MY2018/19. As a result, feed wheat use has increased in MY2019/2020. With the crop forecast lower once again in MY2020/21, a lower feed use is also forecast, most notably in France, Germany and the UK. Overall, feed grain usage is forecast to decline 3 MMT, partially offset in the feed mix by increased consumption of corn.



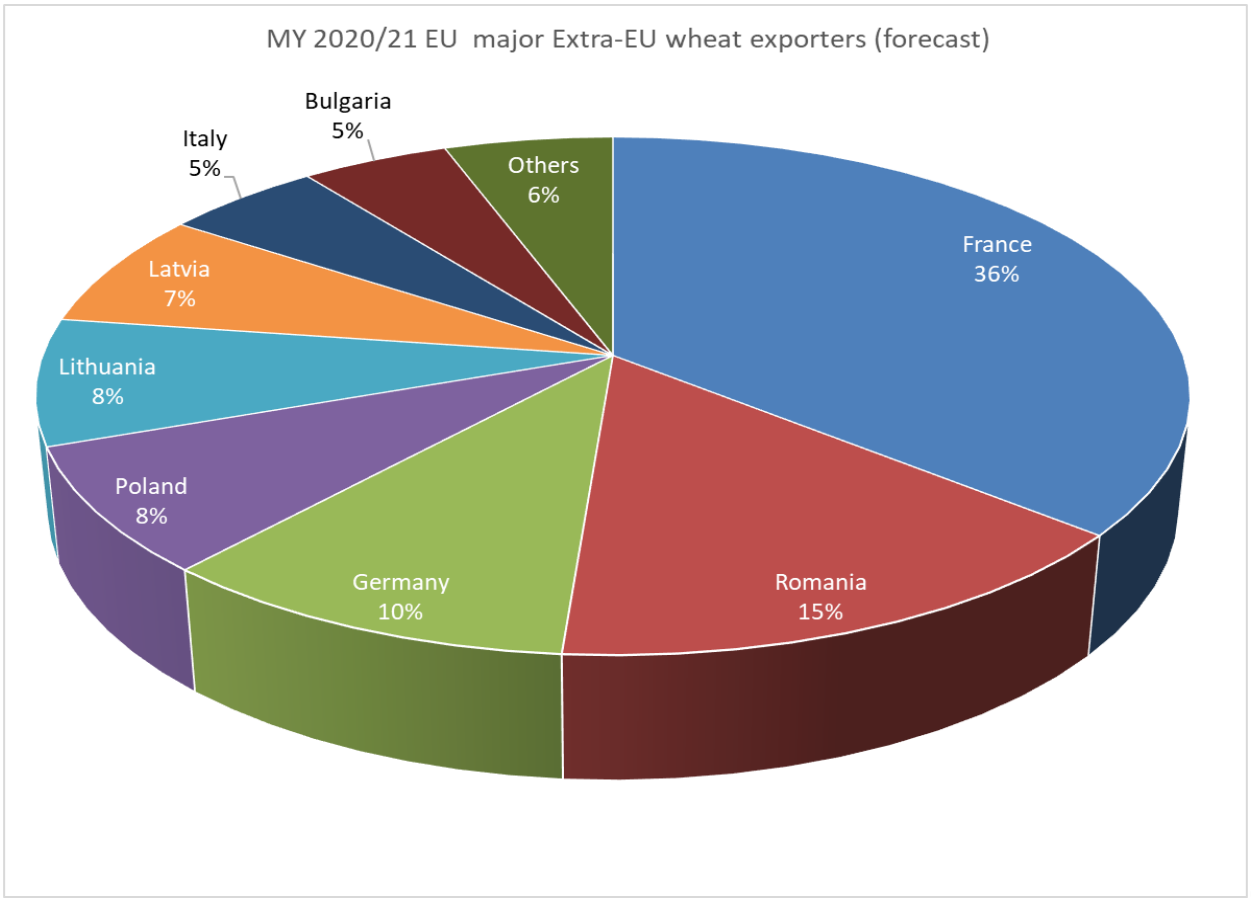
(Source FAS Posts)

Food, seed and industrial (FSI) usage is forecast to continue its upward rise in MY2020/21, albeit to a lesser extent than in MY2019/20. Breaking this figure out, by far the largest proportion is food use which, like seed use, remains relatively flat. Generally, fluctuations in FSI use are accounted for in the industrial sector. MY2019/20 is expected to see a 1 MMT increase in industrial use, mainly due to increases in Germany and in the UK. For the latter, ENSUS, a previously closed bioethanol facility reopened in March 2019. With the ability to process a combination of domestic wheat and imported corn, it has focused on the former this season but with UK wheat forecast to be in much shorter supply in MY2020/21, a switch towards imported corn is currently forecast.

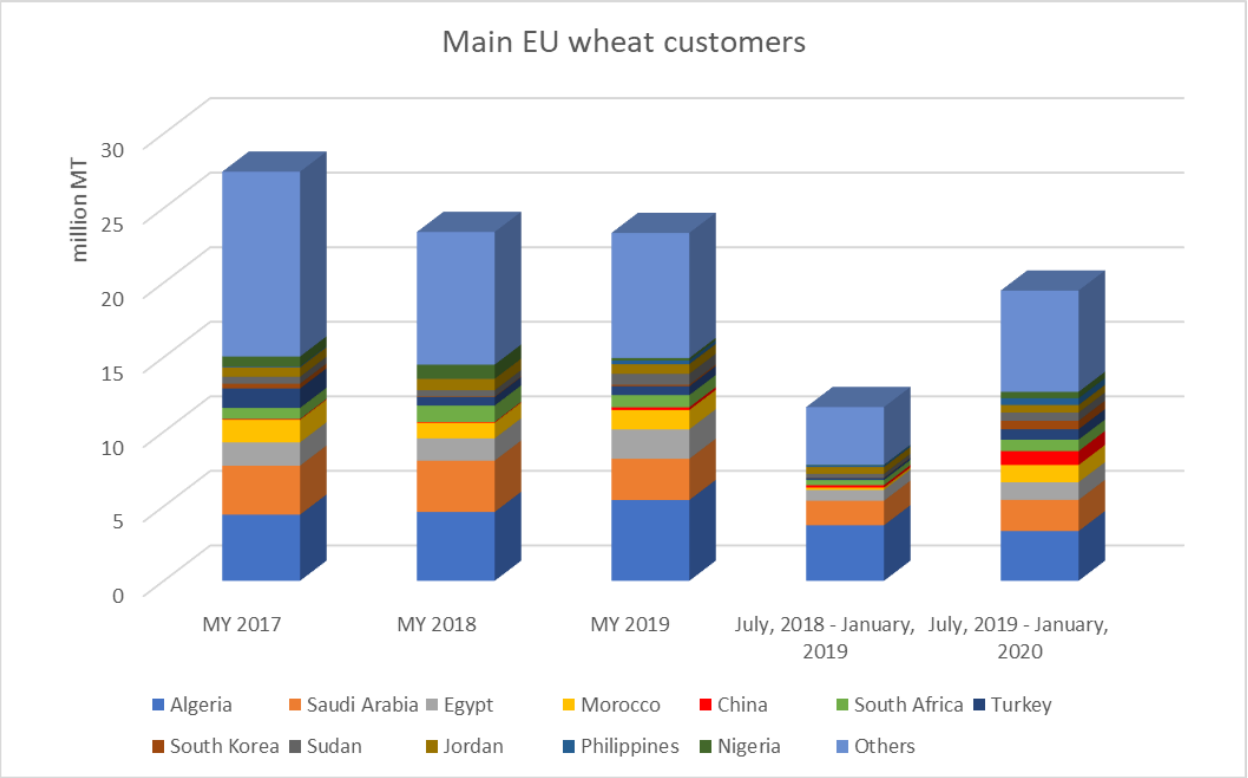
Trade

COVID-19 introduces a great deal of uncertainty into the wheat export market but, putting this aside for now, EU wheat exports are currently forecast to fall in MY2020/21 following their large gains in MY2019/20. By a very large margin, France is the largest exporter of EU wheat. Despite earlier fears, the MY2019/20 French wheat crop coped well with the excess rain in spring 2019 followed by a lengthy drought period. It seems the hot temperatures came after the filling of the grain and thus did not have a negative impact. Indeed, protein content and specific weight was good. The overall crop was the third largest in history and 15 percent higher than in MY2018/19, albeit with a much lower durum crop due to a reduced area planted to this variety. With such a large crop, and competitive prices, French wheat exports in MY2019/20 have run high, both within the EU and to third countries, notably Algeria, Morocco, Turkey and Egypt. Total EU export licenses were 24.7 MMT to

end-March, nearly 10 MMT up on the previous year. MY2019/20 wheat exports are currently expected to exceed 32 MMT. However, the COVID-19 outbreak is likely to impact EU wheat exports in the March to June period but the extent of this impact is yet to be fully estimated. One factor is the aforementioned temporary (initially for one month) but immediate suspension of Romanian grain exports from April 10, 2020, which could see EU wheat exports fall, but could also see any Romanian shortfall being picked up elsewhere as food demand in importing countries is expected to remain. As far as the uncertainties for export, these are forecast to continue into MY2020/21 but, with the much-reduced French crop, are already forecast to decline around 3 MMT. Most all of the other significant exporters of wheat including Romania, Germany, and Latvia are also forecast to see slight declines in their export numbers in MY2020/21. While Italian exports are currently forecast unchanged year-on-year, the exceptions are Poland and Lithuania which are both forecasting increased exports on the back of improved crops.



(Source FAS Posts)



(Source FAS Posts calculation from Trade Data Monitor (TDM) data)

Wheat imports are forecast to rise over 800,000 MT in MY2020/21 due to the reduction in domestic supplies. The two principal EU wheat importers will remain Italy and Spain, with the latter currently forecasting a near doubling of their wheat imports to 1.3 MMT with Ukraine remaining a prominent source.

Stocks

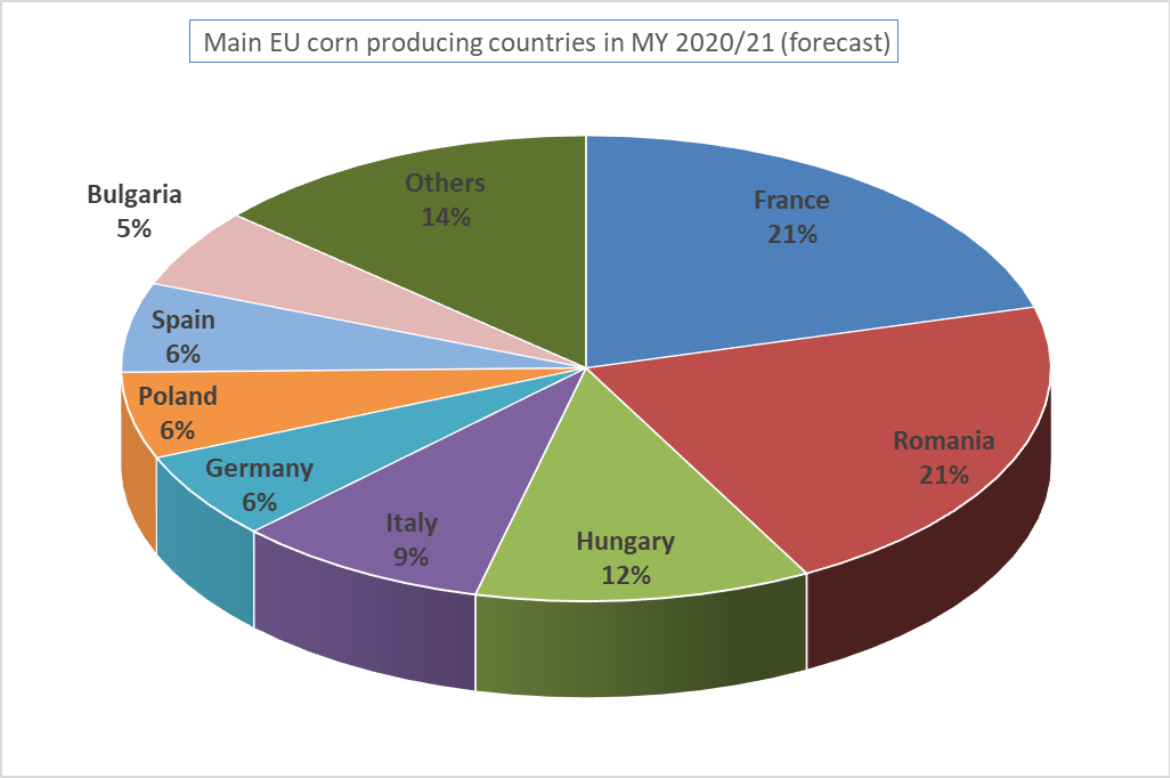
EU wheat ending stocks are currently forecast to decline over 2 MMT in MY2020/21. This reflects the forecast decline in production and is despite the aforementioned expected fall in both domestic consumption and exports. However, as mentioned, COVID-19 remains the big unknown and could see all numbers, including stocks, substantially revised in the months ahead.

Wheat	2018/2019		2019/2020		2020/2021	
Market Begin Year	Jul 2018		Jul 2019		Jul 2020	
European Union	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	25581	25600	26065	26070	0	25300
Beginning Stocks	13885	13885	10000	12413	0	13263
Production	136863	137150	154000	154750	0	144000
MY Imports	5762	5762	4800	4700	0	5500
TY Imports	5762	5762	4800	4700	0	5500
TY Imp. from U.S.	773	750	0	0	0	0
Total Supply	156510	156797	168800	171863	0	162763
MY Exports	23310	23334	32000	32600	0	29000
TY Exports	23310	23334	32000	32600	0	29000
Feed and Residual	52000	51500	55000	56000	0	53000
FSI Consumption	71200	69550	71500	70000	0	69800
Total Consumption	123200	121050	126500	126000	0	122800
Ending Stocks	10000	12413	10300	13263	0	10963
Total Distribution	156510	156797	168800	171863	0	162763
Yield	5.3502	5.3574	5.9083	5.9359	0	5.6917
(1000 HA) ,(1000 MT) ,(MT/HA)						

Corn

Production

EU corn production is forecast to reach 68.35 MMT in MY2020/21, up 2.5 percent from MY2019/20, driven by higher production in France, Germany, Poland and Romania, and despite lower crop expectations in Hungary and Bulgaria. Note that at drafting time, most of the corn in the EU has not been planted yet, and thus those forecasts are based on farmer's planting intentions and market intelligence.



(Source FAS Posts)

French farmers are expected to plant more corn in MY2020/21 as they reduce their rapeseed area due to the neonicotinoid ban and the wheat area due to unfavorable weather conditions at planting. French corn area is therefore anticipated to grow by almost 5 percent. Yields are also anticipated to be higher as the MY2019/20 corn yields were negatively impacted by the summer 2019 drought. Thus, the French corn crop is expected to be 5 percent larger than in MY2018/19. Water supplies in France are currently at above average levels.

The Romanian corn acreage in MY2020/21 is again anticipated to benefit from the lower rapeseed area compared to the previous year. A dry fall and mild winter have only aggravated the water deficit, especially in

the southern and eastern regions, which are the main agricultural regions. Under the assumption of at least a comparable rain regime to last year, corn yields are anticipated to marginally increase. Neonicotinoids remain prohibited EU–wide, but Romanian farmers appealed again to the Ministry of Agriculture for another derogation for neonicotinoid utilization for corn and sunflowers; following the notification to the European Commission, the Romanian Ministry of Agriculture granted the derogation.

Hungary's corn area in MY2020/21 is anticipated to be marginally lower than in MY2019/20. The 2019/20 crop was slightly hampered by dryness but yields were nevertheless above earlier expectations.

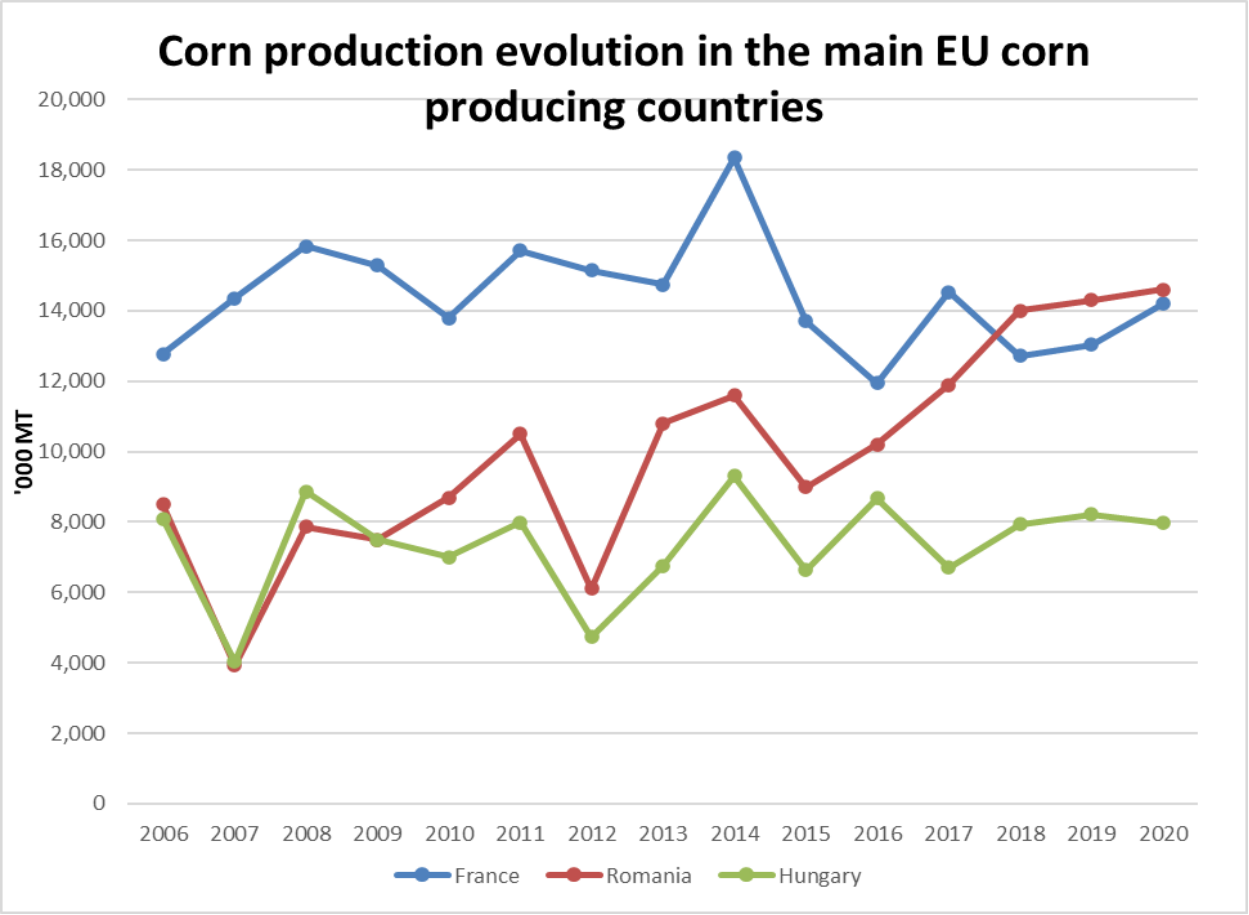
The MY 2020/21 Italian corn crop is foreseen to slightly decrease due to a smaller planted area. It follows an already small crop (the second lowest in a decade after MY 2017/18) in MY 2019/20 despite a larger (+2.4 percent) area.

German corn production in MY2020/21 is forecast to be over 500,000 MT higher than in MY2019/20, assuming a rebound of area and yield to the five-year average. The corn area is expected to benefit from heavy rains in the north west of the country in the fall of 2019 and early spring 2020 that made fields inaccessible to be planted with other grains.

The Polish corn area is forecast to increase in MY2020/21, driven by expectations by Polish farmers for strong corn prices. The soil moisture level is reported to be higher than last year and, with more favorable weather, corn yields are anticipated to increase. Overall, it could lead to an 11 percent increase in the Polish corn crop. Some limited shortages of corn seeds in Poland have been reported in March 2020, mainly linked to the logistical disruptions due to the COVID-19 outbreak (with many of the seeds imported from western Europe, especially France).

The Bulgarian MY2020/21 corn area is forecast to decline marginally due to the good profitability of the current corn crop, higher prices, favorable domestic and export demand, and the reseeding of wheat and rapeseed in several regions. However, very low ground water reserves may hamper yields, hence a slight decline of the corn crop but nevertheless remaining at a high level as compared to MY2019/20.

MY2019/20 corn production has also been revised significantly up from the November 2019 estimates. In France, expectations of a lower crop, with a switch from grain corn to silage corn, proved unfounded. The final yield was also better than expected despite the summer drought. In Bulgaria, the area planted expanded considerably by 26 percent to a new historic level. This resulted in a record high production, 13 percent above the previous year, albeit the average yields were lower due to the hot and dry July/August weather.



(source FAS Posts)

While corn yield in western Europe has plateaued over the past 5 years, yields in eastern Europe (namely Romania, Hungary, Poland and Bulgaria) are clearly benefiting from the improved cultivation techniques and varieties introduced when these countries joined the EU. In France, the second 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 2 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 2019 to fight pests infecting corn crops.

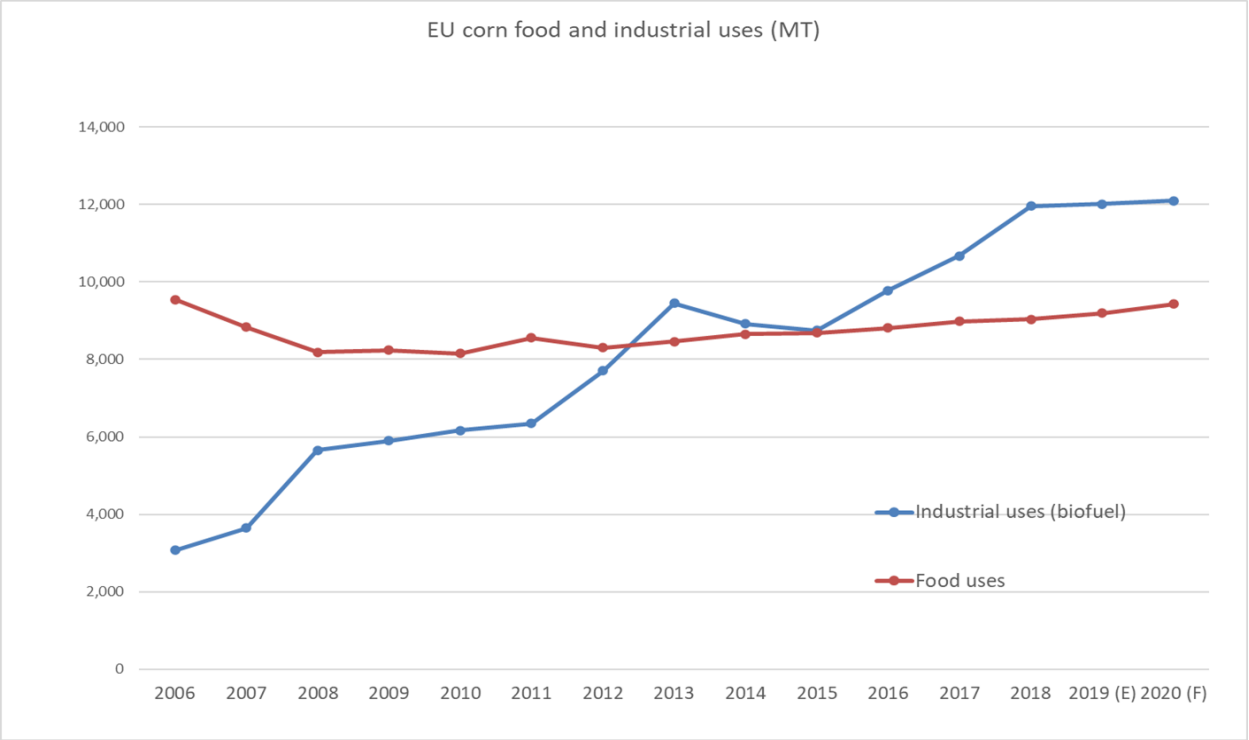
With the exception of Spain and Portugal, no biotech corn is grown in Europe as most EU countries have opted out of the cultivation. This largely explains why, contrary to the United States, corn crop yields have stopped increasing in the most productive EU countries for the past five years.

Consumption

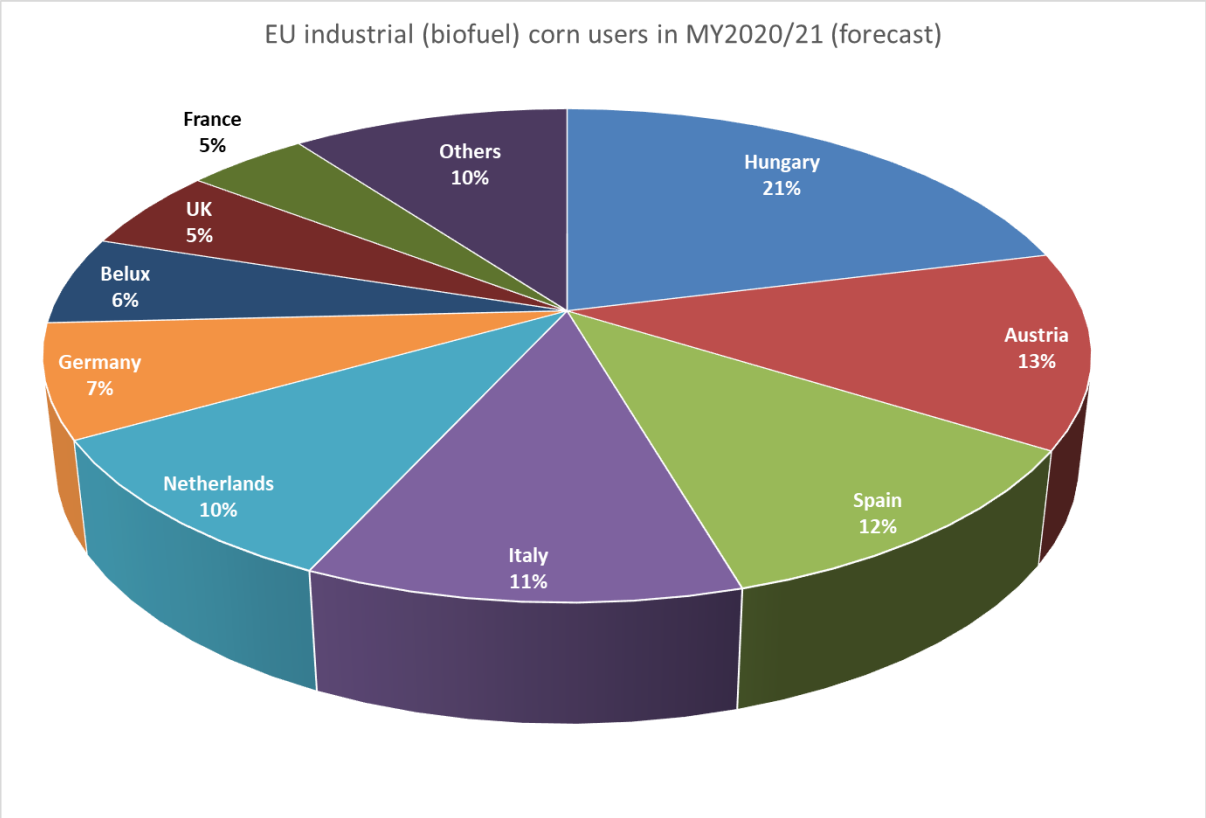
EU corn consumption is expected to increase in MY2020/21, as the competition from wheat will be weaker for feed uses than it was in MY2019/20.

Food and industrial uses, which account for about 25 percent of the total EU corn consumption, are forecast to marginally increase in MY2020/21, 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). Besides 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 now fully returned to operating full capacity. In MY2020/21, corn is anticipated to remain the preferred, and most likely, sole feedstock for the Spanish grain bioethanol industry.

The impact of the COVID-19 outbreak and the lockdown of most of the EU population is certainly going to reduce the consumer's demand for gasoline as opposed to diesel (trucks and delivery vehicles are still authorized to circulate in most EU countries). This could ultimately lower the demand for bioethanol, a trend enhanced by the large decline of crude oil prices making blending uncompetitive outside compulsory mandates. One positive is that EU-based bioethanol companies are using part of their capacity to assist production of disinfectant in response to increased demand due to COVID-19.



(Source FAS Post)

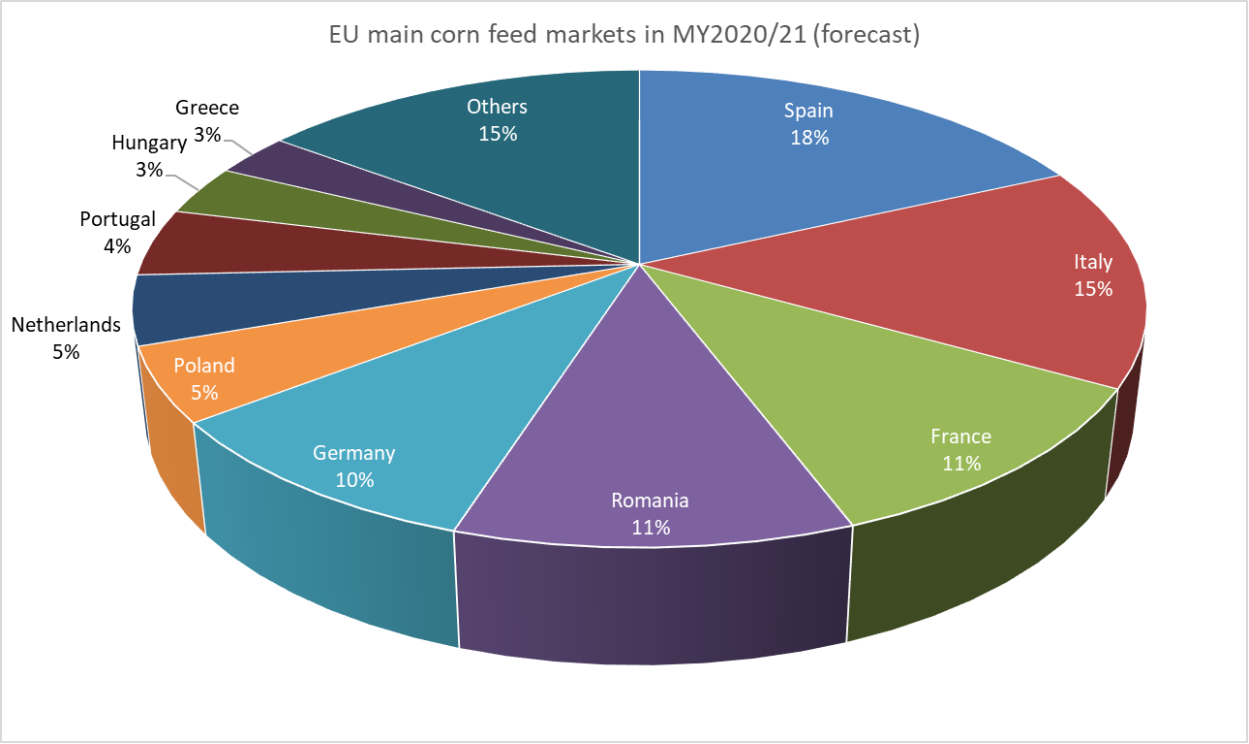


(Source FAS Post)

Corn feed use in MY2020/21 is expected to increase as the competition from wheat is anticipated to be lower. As anticipated, corn feed uses in MY 2019/20 decreased due to the ample wheat supply this year. The decrease was especially important in Germany, France and the Netherlands. Spain and Italy are the main corn feed users in the EU, followed by France. Corn is the preferred grain for Spanish feed compounders.

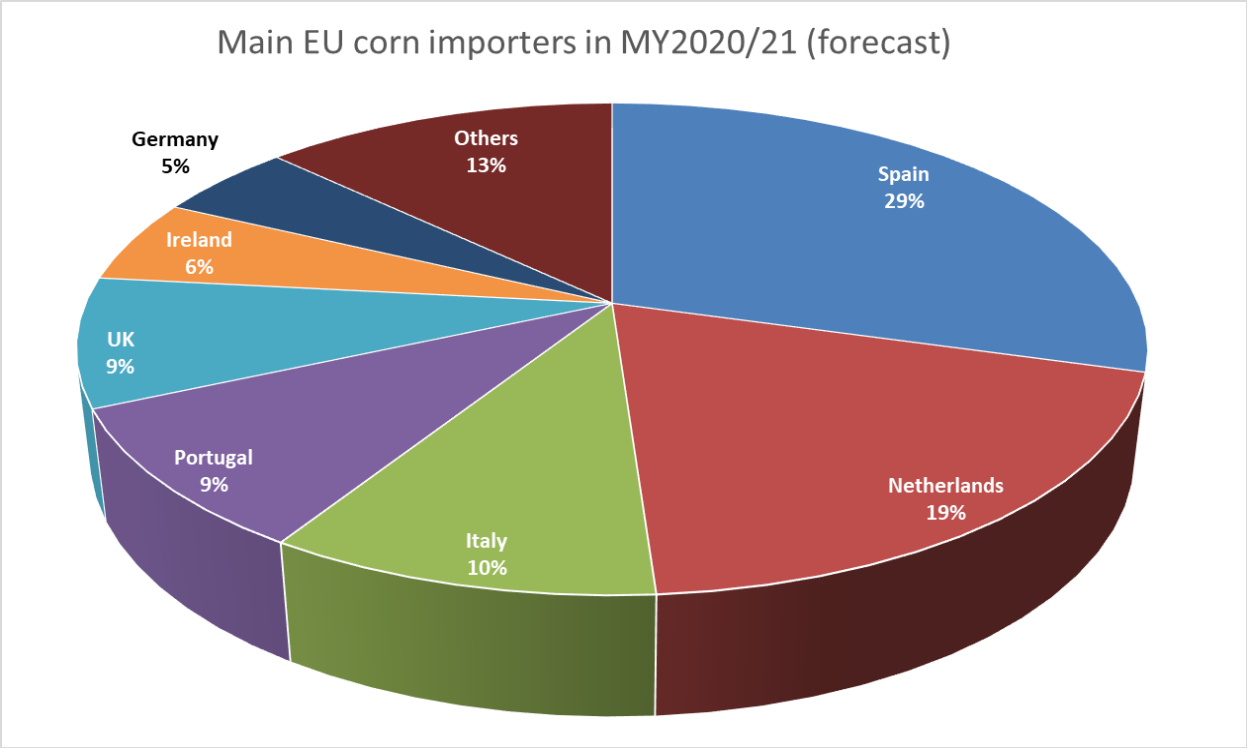
In most corn producing countries such as France, Germany, Poland and Romania, a significant share of the corn crop is used for feeding livestock on farms, while in countries that rely more on imports such as the Netherlands, UK and Belgium, corn is almost exclusively used by industrial compounders. Overall,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

Most analysts now believe that the COVID-19 outbreak which started in February 2020 will negatively impact meat production as well as dairy production in the EU. The closure of restaurants, hotels and cafeterias and the suspension of all tourist activities in most of the EU will lower consumer demand, enhanced by the almost-certain economic downturn that will follow. Such a situation is likely to lower the internal feed demand to an extent which is yet to be estimated.



(Source FAS Post)

Trade

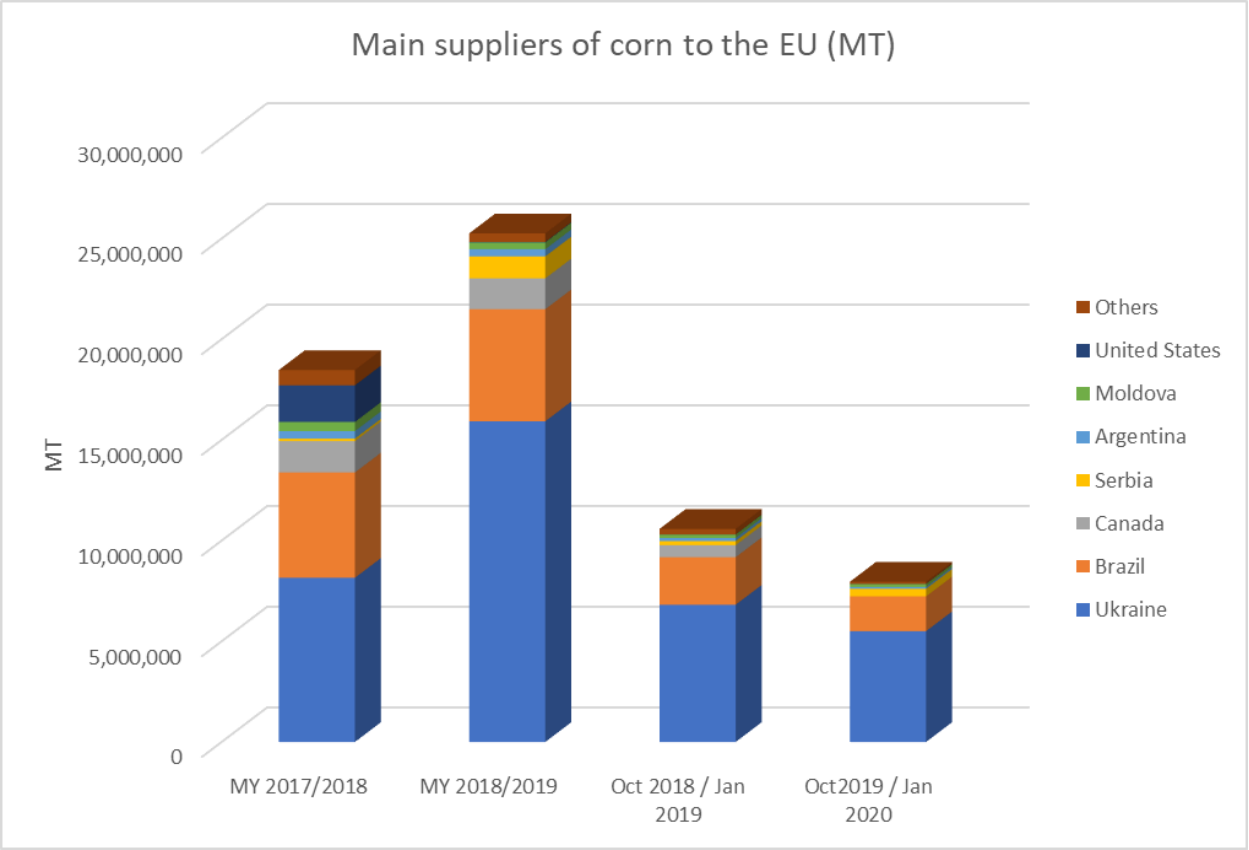


(Source FAS Posts)

The EU is a net importer of corn. However, after a record level of imports in MY2018/19, the EU imported less corn in MY2019/20 and is anticipated to further decrease its imports in MY 2020/21, due to the increased availability of domestically produced corn.

Ukraine and Brazil are the main suppliers of corn to the EU. Imports of corn from Ukraine surged in recent years and reached a record level in MY2018/2019 but Ukraine will export less in MY 2019/20 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 sizable levels in previous years, are expected to remain at very low levels in MY2019/20 and MY2020/21 due to the additional duties imposed by the EU in June 2018 on U.S. sourced corn in retaliation to the United States' Section 232 tariffs on EU steel and aluminum products.

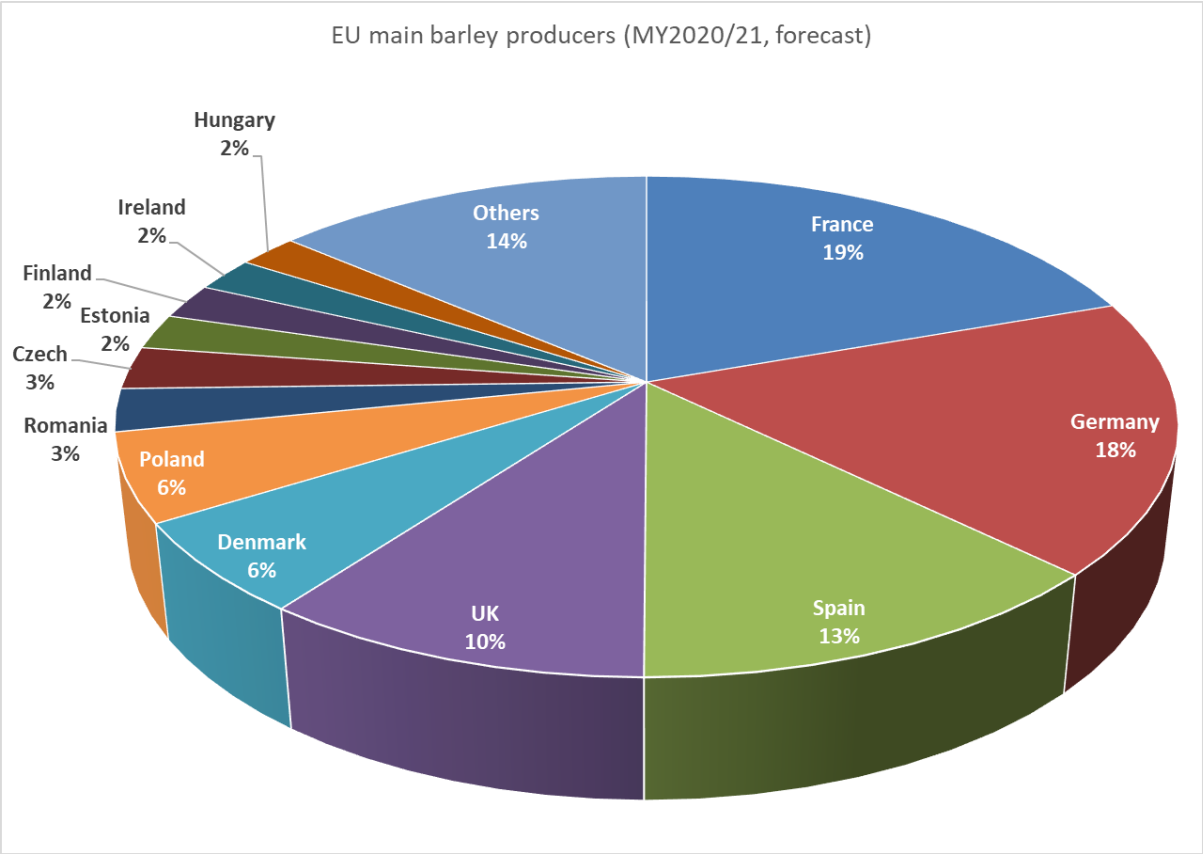


(Source FAS Post calculation from Trade Data Monitor (TDM) data)

Corn PS&D

Corn	2018/2019		2019/2020		2020/2021	
Market Begin Year	Oct 2018		Oct 2019		Oct 2020	
European Union	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	8241	8275	8700	8875	0	8980
Beginning Stocks	9820	9820	7840	8292	0	8192
Production	64440	64350	65000	66600	0	68350
MY Imports	25209	25254	21000	20500	0	20000
TY Imports	25209	25254	21000	20500	0	20000
TY Imp. from U.S.	55	22	0	0	0	0
Total Supply	99469	99424	93840	95392	0	96542
MY Exports	3629	3632	2900	4500	0	4300
TY Exports	3629	3632	2900	4500	0	4300
Feed and Residual	68000	66000	62000	61000	0	62500
FSI Consumption	20000	21500	20500	21700	0	22000
Total Consumption	88000	87500	82500	82700	0	84500
Ending Stocks	7840	8292	8440	8192	0	7742
Total Distribution	99469	99424	93840	95392	0	96542
Yield	7.8194	7.7764	7.4713	7.5042	0	7.6114
(1000 HA) ,(1000 MT) ,(MT/HA)						

Barley



(Source FAS Post)

Production

Like wheat, EU barley production is forecast to decline in MY2020/21 and, similarly, it is largely due to declines in forecast production in France and the UK. At 60.4 MMT, it is less of a reduction than in wheat, due to reduced average yield more so than area, and forecast increased production in Spain. The two largest producers of barley are France and Germany. In France, barley planting (although planted earlier), just like wheat planting, suffered from the excess rainfall in the fall but overall the area planted is stable. More rains in the second half of winter hampered spring barley planting as well as fertilization and pesticide treatments. Some waterlogging has also been reported. However, a dry and cold spell since mid-March 2020 could alleviate some of the earlier concerns for spring barley planting, albeit late plantings will negatively impact yield potential which could reduce the overall average. French production is currently forecast at 12.4 MMT, over 1.3MMT down on MY2019/20 on an unchanged planted area. In Germany, preliminary data on crop planting put the winter barley area marginally lower. While most of the German barley crop is winter planted, the spring barley area is forecast to decrease, and more significantly. The reduced plantings are due to the low quality and subsequent

low prices for the 2019 harvest. Assuming five year average yields, German barley production is currently forecast to decrease around 300,000 MT to 11.2 MMT.

The EU's third and fourth largest barley producers are Spain and the UK and their stories could not be more different. In Spain, a slow start to planting due to dry conditions gave way to rain in November. Overall, the planted area is forecast unchanged year-on-year and, with a slight increase in forecast yield, production is forecast to rise over 700,000 MT to 8.1 MMT. In contrast, the UK barley crop, like wheat, has felt the effects of the very wet fall which continued through until the early spring. Consequently, a switch towards spring planting is expected but even then, in a reduced area. With an increased proportion of spring varieties, yield is also forecast lower, meaning total UK barley production is currently forecast at just 6.4 MMT. If realized, this will be the smallest UK barley crop for eight years, not as significant a drop as for wheat, but notable all the same.

Following very low yields in MY2018/19, the MY2019/20 Danish barley crop was much improved despite a much lower planted area. The area planted to barley in Denmark is forecast to remain low in MY2020/21, and production is currently forecast little changed at 3.75 MMT. Elsewhere in the EU, it is also generally a story of steady year-on-year production. In Poland, yield is forecast higher than in MY2019/20 in a similar area. Winter barley plantings went well with no winterkill reported. Spring planting conditions, and further weather developments will be decisive for barley harvest results, as the majority of the Polish barley crops spring planted. At the time of writing, rain is needed as fields are reported to be very dry, making field work difficult. In Hungary, the weather has been favorable so far. There are no reports of frost damage. Winter crops are in good condition. In MY2020/21, a significant change in production is not expected. For Bulgaria, the long-term decline in barley area is not forecast to be continued in MY2020/21 due to a reduced area planted to rapeseed. The crop is reported to be developing well due to the mild winter but yield expectations are tempered by the fall dryness. Finally, in Romania, planting conditions for winter barley were described as difficult because of the drought but the crop development is good, so yield is forecast to rise slightly.

Consumption

Total consumption of barley in MY2020/21 is forecast 500,000 MT lower than in MY2019/20 following a feed driven rise in the latter. Indeed, the decline is forecast to entirely be in feed use in MY2020/21 and, unsurprisingly given the reduced production in these two countries, in France and the UK. The EU had a good barley crop in 2019 which increased the feed use, but barley is expected to remain competitive with wheat in MY2020/2021.

Food, Seed & Industrial (FSI) use of barley is forecast unchanged.

Trade

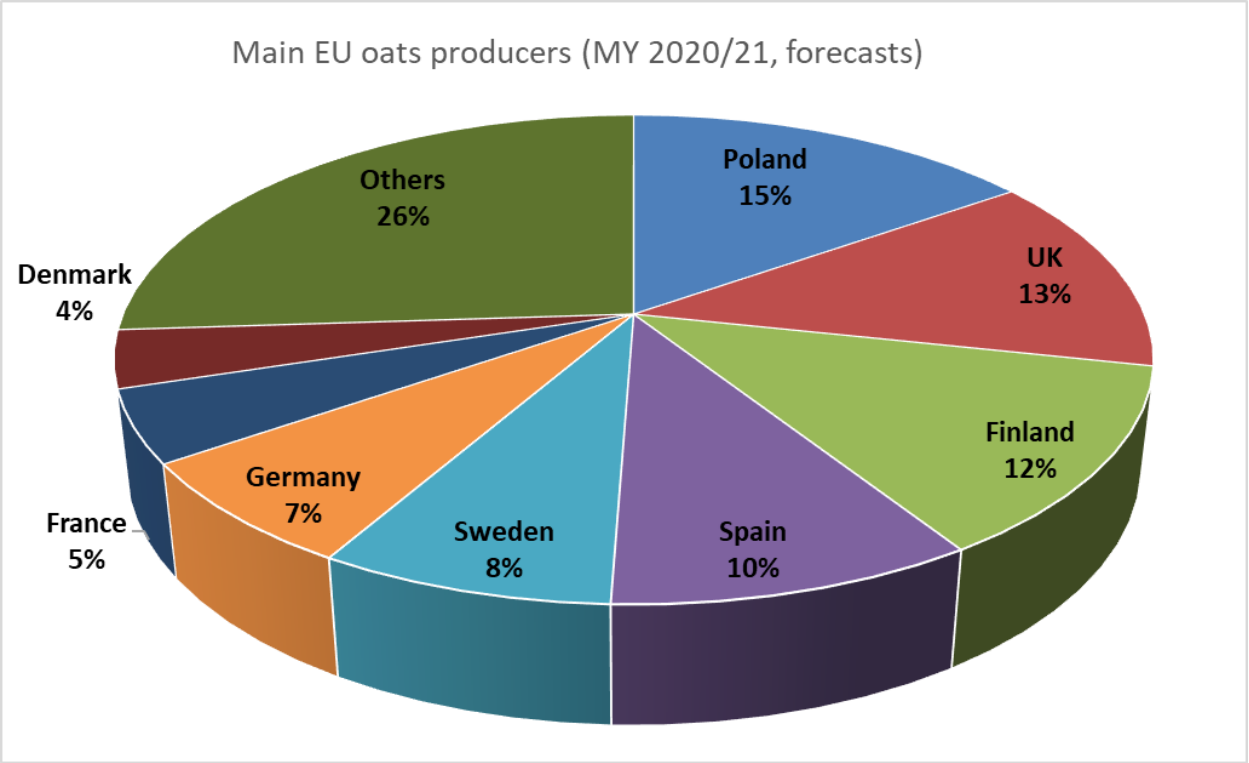
MY2020/21 barley exports are forecast to decline slightly, based on the reduced supply, returning to the level seen in MY2017/18 after a rise this season, but much will depend on the COVID-19 impacts. Export licenses through end-March are 5.3 MMT, nearly 2 MMT higher than a year earlier. Of the near 5 MMT exported through end-January, some of which was exported using licenses obtained in MY2018/19, demand remains strong in the Middle East, notably from Saudi Arabia, but also from China, albeit demand appears to be slowing. Full season exports are currently forecast to reach 6.3 MMT. The main exporters remain France, Germany and Romania.

Stocks

MY2020/21 barley stocks are currently forecast to decline but, as with other grains, COVID-19 remains the unknown.

Barley	2018/2019		2019/2020		2020/2021	
Market Begin Year	Jul 2018		Jul 2019		Jul 2020	
European Union	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	12278	12300	12380	12360	0	12260
Beginning Stocks	4627	4627	4215	4728	0	5478
Production	55947	55950	62750	62950	0	60400
MY Imports	127	127	600	500	0	150
TY Imports	553	553	500	500	0	150
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	60701	60704	67565	68178	0	66028
MY Exports	4886	4876	6600	6300	0	5700
TY Exports	5877	5880	6600	6300	0	5700
Feed and Residual	36500	36000	40000	41000	0	40500
FSI Consumption	15100	15100	15300	15400	0	15400
Total Consumption	51600	51100	55300	56400	0	55900
Ending Stocks	4215	4728	5665	5478	0	4428
Total Distribution	60701	60704	67565	68178	0	66028
Yield	4.5567	4.5488	5.0687	5.093	0	4.9266
(1000 HA) ,(1000 MT) ,(MT/HA)						

Oats



(Source FAS Posts)

Production

The six main producers of oats in the EU are Poland, the UK, Finland, Spain, Sweden, and Germany, traditionally accounting for around 70 percent of production. The total oats planted area is currently forecast to increase by 3.2 percent in MY2020/21, mainly a result of increases in Finland, the UK, and Germany, as well as a rebound in Denmark. Production is forecast to increase to a slightly smaller extent as increased yield forecasts in Poland are not large enough to compensate for reduced yield forecasts in other major oats producing countries such as the UK, Sweden, and Finland.

Consumption

Total consumption is forecast to rise 210,000 MT in MY2020/21. While FSI use is static, within which usage for the production of bioethanol and biogas is forecast to remain steady at around 70,000 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 mostly intra-EU with a minor export volume to non-EU countries originating from Latvia, Finland, and Sweden. Third country destinations are mainly Switzerland and, more recently, Norway. Exports to the United States and South Africa have shown substantial fluctuation in recent years. Both were among the top five destinations in the first half of MY2019/20 after negligible quantities in MY2018/19.

Stocks

A small decline is forecast for MY2020/21 ending stocks, mostly in Poland and Latvia.

Oats	2018/2019		2019/2020		2020/2021	
Market Begin Year	Jul 2018		Jul 2019		Jul 2020	
European Union	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2711	2726	2552	2500	0	2594
Beginning Stocks	613	613	386	393	0	398
Production	7715	7792	7920	7800	0	8000
MY Imports	14	14	5	5	0	5
TY Imports	15	15	5	5	0	5
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	8342	8419	8311	8198	0	8403
MY Exports	106	106	125	180	0	190
TY Exports	106	107	125	180	0	190
Feed and Residual	6000	6100	5900	5800	0	6000
FSI Consumption	1850	1820	1850	1820	0	1830
Total Consumption	7850	7920	7750	7620	0	7830
Ending Stocks	386	393	436	398	0	383
Total Distribution	8342	8419	8311	8198	0	8403
Yield	2.8458	2.8584	3.1034	3.12	0	3.084
(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 EU are Germany and Poland, which account for about 70 percent of the total EU rye market. Official German numbers saw a large increase in area and production in MY2019/20. However, according to industry sources a substantial amount of the added area was harvested before maturity and used for whole-plant-silage. As a result, the production number may be somewhat inflated. A similar development is expected in MY2020/21. In Poland, MY2020/21 production of rye is forecast 2 percent higher than in the last MY due to higher yields, while area remains stable. African Swine Fever (ASF) disease negatively affected farmer's interest in planting rye, which is mostly used for feed.

Consumption

In MY2020/21 feed use is projected to increase in line with increased production. In contrast, FSI use is forecast to remain relatively stable. The projected marginal 0.6 percent year-on-year increase can be attributed to an increase in food use in Poland due to changing consumption patterns in favor of rye bread.

Trade

Trade in rye is largely limited to intra-EU movements. While the EU has imported some rye from Russia and the Ukraine in the past, such imports were negligible in the first six months of MY2019/20 and are not expected to pick up in the coming months. The EU has exported between 75,000 and 200,000 MT of rye in recent years, with the United States and Japan being the main recipients. However, in the first six months of MY2019/20 EU exports to Russia and Canada soared.

Stocks

The higher production in MY2019/20 and forecast for MY2020/21 is expected to result in slightly higher ending stocks in both MY.

Rye	2018/2019		2019/2020		2020/2021	
Market Begin Year	Jul 2018		Jul 2019		Jul 2020	
European Union	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1920	1917	2070	2195	0	2220
Beginning Stocks	674	674	485	460	0	660
Production	6208	6183	7950	8375	0	8500
MY Imports	298	298	25	25	0	25
TY Imports	221	221	25	25	0	25
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	7180	7155	8460	8860	0	9185
MY Exports	195	195	200	200	0	150
TY Exports	187	187	200	200	0	150
Feed and Residual	3000	3250	3900	4600	0	4900
FSI Consumption	3500	3250	3500	3400	0	3450
Total Consumption	6500	6500	7400	8000	0	8350
Ending Stocks	485	460	860	660	0	685
Total Distribution	7180	7155	8460	8860	0	9185
Yield	3.2333	3.2254	3.8406	3.8155	0	3.8288
(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.

For MY2020/21, the EU mixed grain area is estimated to have decreased by 2 percent as a result of area reductions in all three of the major producing countries due to a reduction in hog production, as well as production declines in Romania and the UK. Excellent condition of plants is expected to result in improved yields and production in Poland. This can partially compensate for the reduced area elsewhere. As a result, EU production is forecast to decline only slightly.

Consumption

The majority of mixed grains, about 90 percent of production, is used for feed. Industrial use for bioethanol and biomethane is the main component of FSI. For MY2020/21, FSI is expected to remain stable while feed use is forecast to marginally decline in line with lower availability.

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.

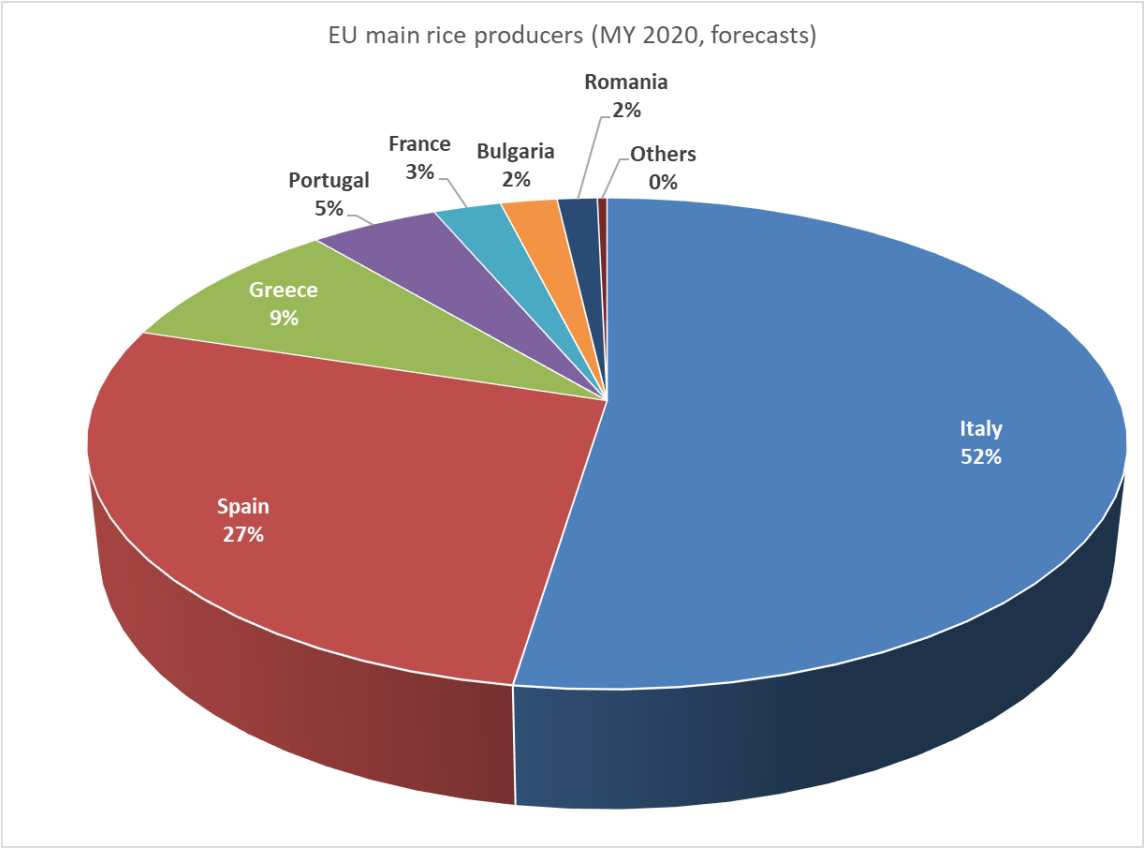
Mixed Grain	2018/2019		2019/2020		2020/2021	
Market Begin Year	Jul 2018		Jul 2019		Jul 2020	
European Union	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	3872	3855	4016	4025	0	3950
Beginning Stocks	466	466	504	511	0	711
Production	13138	13145	14600	14350	0	14200
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	13604	13611	15104	14861	0	14911
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Feed and Residual	11600	11500	13000	12500	0	12500
FSI Consumption	1500	1600	1500	1650	0	1650
Total Consumption	13100	13100	14500	14150	0	14150
Ending Stocks	504	511	604	711	0	761
Total Distribution	13604	13611	15104	14861	0	14911
Yield	3.3931	3.4099	3.6355	3.5652	0	3.5949
(1000 HA) ,(1000 MT) ,(MT/HA)						

Sorghum

Compared to other grains, sorghum production is negligible in the EU, typically between 500,000 MT and 1 million MT. France and Italy are the major producers, together accounting for over 80 percent of production. Imports are usually small and only increase in years with an extremely tight feed supply, such as in MY2007/08 and to a lesser extent in MY2018/19.

Sorghum	2018/2019		2019/2020		2020/2021	
Market Begin Year	Jul 2018		Jul 2019		Jul 2020	
European Union	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	135	137	157	170	0	173
Beginning Stocks	132	132	101	95	0	121
Production	737	785	820	915	0	950
MY Imports	759	759	200	135	0	135
TY Imports	666	759	200	135	0	135
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	1628	1676	1121	1145	0	1206
MY Exports	7	7	2	2	0	2
TY Exports	7	7	2	2	0	2
Feed and Residual	1500	1550	1000	1000	0	1100
FSI Consumption	20	24	20	22	0	22
Total Consumption	1520	1574	1020	1022	0	1122
Ending Stocks	101	95	99	121	0	82
Total Distribution	1628	1676	1121	1145	0	1206
Yield	5.4593	5.7299	5.2229	5.3824	0	5.4913
(1000 HA) ,(1000 MT) ,(MT/HA)						

Rice



(Source FAS Posts)

Production

EU 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 EU, 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 75 percent of rice varieties grown in Italy are Japonica while the remainder are Indica. Except for limited amounts of rough (un-milled) rice exports and domestic seed sales, virtually all Italian rice is marketed as a whole-kernel milled product.

The second largest rice producer in the EU, accounting for around 30 percent of the total, is Spain with the main producing regions being Andalucia, Extremadura, Comunidad Valencia, Cataluña, Aragon and Navarra.

The EU planted area is forecast to remain flat in MY2020/21 as slight decreases in Spain, resulting from floods in Cataluña along with tight crop margins, are compensated by increases in Italy. However, production is expected to marginally decrease as the flooding also impacted Spanish average yields and Spanish production losses are expected to exceed the increases in Italy.

Consumption

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

Trade

The restoration of EU import duties on Asian rice in January 2019 resulted in a change of the type of rice imported rather than in decreasing extra EU rice imports as a whole. Husk rice imports have increased as only white rice is affected by the increased duties.

Brexit: The UK is the EU's largest rice importer in the EU and imports on average 500,000 MT of rice from Portugal. The Portuguese rice sector will be affected by the re-definition of the EU trade agreements with third countries and the UK. Statistical information shows an increase in Portuguese exports to the UK prior to Brexit.

Rice, Milled	2018/2019		2019/2020		2020/2021	
Market Begin Year	Sep 2018		Sep 2019		Sep 2020	
European Union	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	414	416	420	418	0	419
Beginning Stocks	1176	1176	1182	1186	0	1191
Milled Production	1958	1963	1968	1975	0	1968
Rough Production	2821	2864	2836	2890	0	2876
Milling Rate (.9999)	6940	6854	6940	6834	0	6843
MY Imports	2150	2149	2200	2180	0	2200
TY Imports	2159	2159	2200	2200	0	2200
TY Imp. from U.S.	37	46	0	0	0	0
Total Supply	5284	5288	5350	5341	0	5359
MY Exports	302	302	300	300	0	300
TY Exports	292	0	300	300	0	300
Consumption and Residual	3800	3800	3900	3850	0	3900
Ending Stocks	1182	1186	1150	1191	0	1159
Total Distribution	5284	5288	5350	5341	0	5359
Yield (Rough)	6.814	6.8846	6.7524	6.9139	0	6.864
(1000 HA) ,(1000 MT) ,(MT/HA)						

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 and 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 2010/11marketing 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.

Reference grains for calculating import duties

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

Theoretical example illustrating method of calculating EU import duties

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

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.

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.

Retaliation to U.S. Safeguard Measures

On June 22, 2018, the EU put additional 25 percent tariffs on U.S. corn, semi-milled and milled rice and products in retaliation to U. S. safeguard measures for steel and aluminum (Commission Implementing Regulation (EU) 2018/886).

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 and Member States have agreed to amend the management of the scheme whereby the current bidding system would be replaced by the automatic fixation of "0" duty from April 1 each year (i.e. the normal import regime would apply from January 1 until March 31). At the time of writing, the amended piece of law is yet to be published.

Intervention Mechanism

EU legislation allows the EU to intervene in markets by purchasing grains from farmers and traders at an intervention price of Euro 101.31/MT, which reflects the delivered to store price at which EU purchases are made. Selling into intervention is aimed to be the market of last resort for farmers and traders. Intervention purchases may be made between November 1 and May 31 for common wheat, barley, corn and durum wheat. Grain held in intervention stores is disposed of mainly through sale by tender onto the domestic market or for export, although a proportion may be released for the most deprived people in the EU.

The intervention arrangement was abolished for rye starting from marketing year 2004/05 (MY – July 1 to June 30 for all grains and grains products). Guaranteed intervention quantities were reduced to zero MT for corn from MY 2009/10, durum wheat from MY 2009/10, barley from 2010/11 and rice from MY 2009/10. By reducing the guaranteed intervention quantity to zero, the EU maintains the right to reintroduce intervention if market conditions are considered to be appropriate. A guaranteed intervention quantity of three million MT at the intervention price has applied to soft wheat since MY 2010/11. When that quantity has been reached, intervention is made through tenders or bids. In the absence of guaranteed intervention quantities, tendering procedures were introduced for barley and corn starting from MY 2010/11. In practice, no grains have been held in intervention since 2010. In 2016, the rules applying to the intervention system were simplified by Commission Delegated Regulation (EU) 2016/1238 and Commission Implementing Regulation (EU) 2016/1240.

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.

Rice – import and export licenses

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

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

As mentioned above, the EU has put additional 25 percent tariffs on rice imports from the United States.

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

New Common Agricultural Policy (CAP) and Likely Extension of Current CAP

The last CAP Reform package was approved by the European Parliament in November 2013 and the Council in December 2013. All aspects of the reform were applicable as from January 2014 with the exception of the new direct payments structure (including "green" payments and additional support for young farmers) which applied from 2015. Under the current CAP, sectors in difficulty may can 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 proposal for the CAP post 2020. The co-legislators in the European Parliament and Council are currently considering the proposal and they will likely reach an agreement in 2021. The proposal requires Member States to develop individual Strategic Plans covering the 2021 – 2027 period, setting out how they intend to meet nine EU-wide economic, environmental and social objectives. The Commission wants to strengthen the environmental aspect of CAP transforming the current "green" payments, which are tied to 30 percent of the direct payments, in a series of environmental obligations for farmers decided by each Member State. Moreover, the Commission introduced the concept of eco-schemes, an incentive payment scheme for care of the environment and climate.

The new proposals intend to redistribute direct payments paid to farmers more evenly increase them in the Baltic countries and other Eastern MS, while decreasing them overall EU-wide by 5 percent. 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

Extension of Current CAP

With Brexit a reality since January 31, 2020, work on the new CAP has intensified. In December 2019, Commission President Ursula von der Leyen announced the European Green Deal, the Commission's ambitious €1 trillion plan to make the whole EU climate neutral by 2050. EU agriculture's share in this plan will be achieved through the Farm To Fork (F2F) strategy, which Commissioner for Health & Food Safety Stella Kyriakides is expected to unveil on March 25. The new CAP will be tailored to support the F2F implementation, with Pillar 2 funding the main funding source for local adaptation plans. EU farmers are on high alert as the F2F has been announced to include strict measures to reduce the use of pesticides, fertilizers or antibiotics, but also measures on issues like farm intensification and animal welfare.

However, the new CAP agreement is an uphill political battle as its budget is sure to decrease, because of the budget hole left by Brexit, but it remains undecided by how much. The EU first must agree on the Multi-annual Financial Framework (MFF), for which the discussion only started in earnest after Brexit became a fact. The net contributing member states (MS) want to keep the EU budget at 1 percent of the EU total GDP. The European Parliament (EP) wants the budget to increase to 1.3 percent of GDP, while the Commission's proposal was 1.11 percent. European Council President Charles Michel proposed 1.074 percent as a compromise target at the February 20 Council meeting, but failed. It is only after the MFF has been trashed out that the new CAP budget can be decided. As a result, MEP's are already calling for the extension period of the current CAP to be set at two years at the minimum.

Attachments:

No Attachments