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Report Highlights:

In MY2021/22, total EU grain production is anticipated to rebound nearly 7 MMT to 286 MMT. After persistent drought last season, yields in the main producing European Union (EU) Member States are expected to return to average levels. Favorable planting and overwintering conditions signal prospects for a sizeable crop in MY2021/22. Final yields will depend on the incidence of late frosts and the pattern of spring precipitations. For the rest of MY2020/21 and for MY2021/22, the crop outlook of European corn suppliers and competition from other large wheat exporting countries will determine EU's grain trade flows. The status of COVID-19 restrictions, and the state of animal health in the EU and in key export markets will drive EU's grain demand.

Prepared by: Xavier Audran, Ornella Bettini, Monica Dobrescu, Gellert Golya, Marta Guerrero, Mira Kobuszynska, Györgi Mudri and the group of FAS grain specialists in the EU.

Disclaimer: This report presents the first outlook for grain and feed, and Production, Supply and Distribution (PSD) forecasts for the Marketing Year (MY) 2021/22. Unless stated otherwise, data in this report is based on the views of Foreign Agricultural Service analysts in the EU and is not official USDA data.

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Note: Effective January 1, 2021, the separation of the United Kingdom (UK) from the European Union (EU) is complete, including trade between both entities. In this report if not indicated otherwise, EU means the current EU27 without the UK. However, Production, Supply, and Distribution Tables (PSD) tables still include numbers for EU27+UK only in the columns "USDA official". The column "New Post" in the PSD tables only include EU27 (without UK). Please note that therefore "USDA official" and "New Post" cannot be compared due to different data sets.

Abbreviations used in this report

Belux	Belgium and Luxemburg
e	Estimate (of a value/number for the current, not yet completed, marketing year)
f	Forecast (of a value/number for the next, not yet started, marketing year)
FAS	Foreign Agricultural Service
Ha	Hectares
IPAD	International Production Assessment Division
MMT	Million Metric Tons
MS	EU Member State(s)
MT	Metric Ton (1000 kg)
MY	Marketing Year. July to June fall all grains, except for corn which follows an October to September, and rice which follows a September to August calendar
TMT	Thousand Metric Tons
TY	Trade Year. July to June for wheat, October to September for coarse grains, and January to December for rice
U.S.	United States

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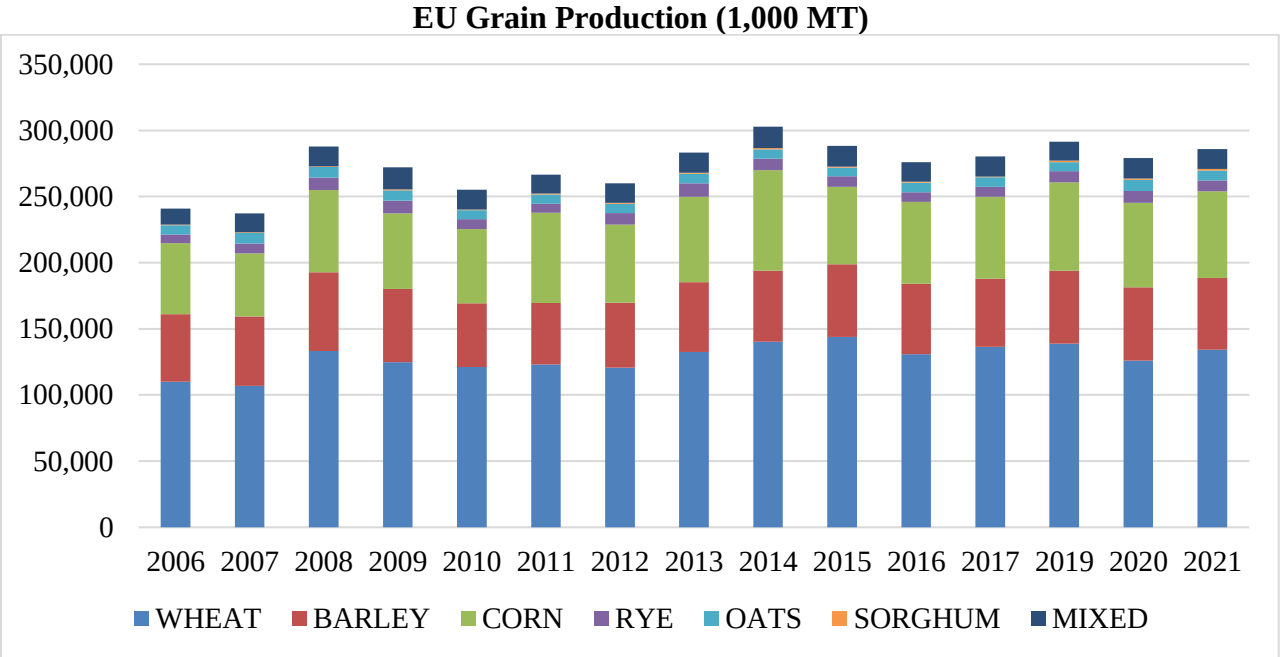
Executive Summary

Total Grains[1]	2019/2020		2020/2021		2021/2022	
European Union	USDA Official EU+UK	Post Estimate New EU	USDA Official EU+UK	Post Estimate New EU	USDA Official	Post Estimate New EU
Area Harvested	56,307	53,145	55,450	52,385		52,876
Beginning Stocks	31,411	29,202	30,196	25,258		21,462
Production	316,419	291,475	298,090	279,288		286,118
MY Imports	24,091	24,901	21,760	22,730		24,146
TY Imports	23,657	24,140	21,760	22,730		24,146
TY Imp. from U.S.	1,159	1,042	0	909		909
Total Supply	371,921	345,578	350,046	327,276		331,726
MY Exports	51,807	53,413	37,052	40,851		43,134
TY Exports	51,637	53,255	37,052	40,851		43,134
Feed and Residual	176,900	165,632	173,750	164,010		164,270
FSI Consumption	113,018	101,275	112,742	100,953		101,811
Total Consumption	289,918	266,907	286,492	264,963		266,081
Ending Stocks	30,196	25,258	26,501	21,462		22,511
Total Distribution	371,921	345,578	350,046	327,276		331,726
(1000 HA), (1000 MT)						

Source: FAS EU Posts.



Source: FAS EU Posts.

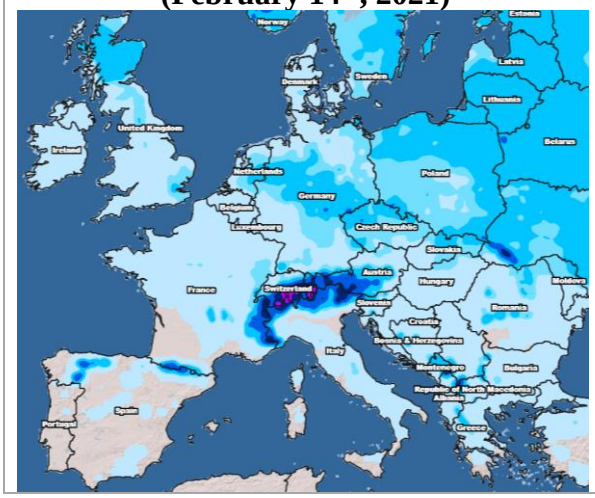
[1] "*Total grains" is the sum of wheat, barley, corn, rye, sorghum, oats and mixed grains.*

The MY2021/22 EU grain crop is forecast at 286 MMT, up from the 279 MMT achieved last season. In MY2020/21, extremely challenging planting and crop development conditions drove yields down. If current estimates are confirmed, the MY2021/22 crop could be slightly above the 10-year average. Total grain area in MY2021/22 is expected to increase 1 percent driven by the recovery of French wheat planting levels, with area shifted from rapeseed, and offsetting lower barley plantings. Italy, Hungary, and Germany also contributed to the total increased grain area, as farmers responded to favorable grain margins, and benefited from prevailing good winter planting conditions.

However, the main driver for the production recovery anticipated for MY2021/22 are the expectations for improved yields compared to last season's poor results in key grain producing Member States such as France, Romania, Bulgaria, Austria, and to a lesser extent, the Czech Republic. Conversely, a return to average output levels is anticipated for countries such as Spain, Poland, and the Baltic Countries (Latvia, Lithuania, and Estonia), which enjoyed extremely good yields in MY2020/21.

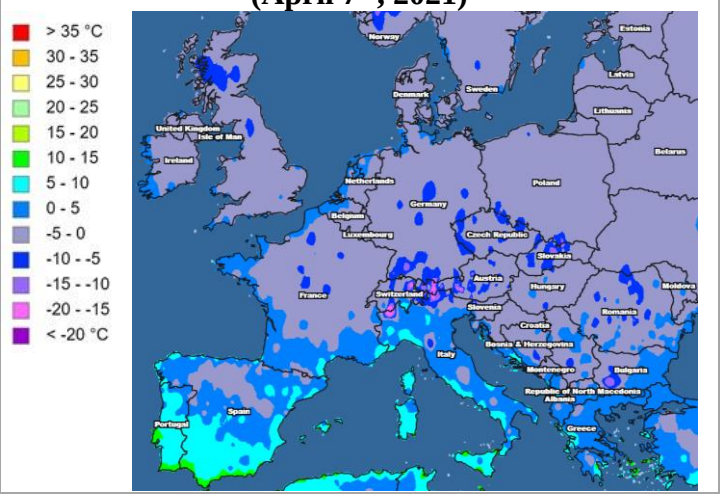
Thus far, observers expect the impact of winterkill to be mild and limited to small areas (in Bulgaria, Romania, and in western Germany). These areas lacked snow cover when the minimum temperatures fell in mid-January, and more prominently in mid-February. On a positive note, the cold temperatures registered in early 2021 may have a positive impact by lowering the pest threat in early spring. The EU's final grain output now hinges on the impact of spring frosts in Member States such as Poland, Germany, and the eastern plains of France. The amount of spring precipitation, and the materialization of spring planting expectations throughout the entire bloc will also be contributing factors.

Snow cover Situation in the EU (February 14th, 2021)

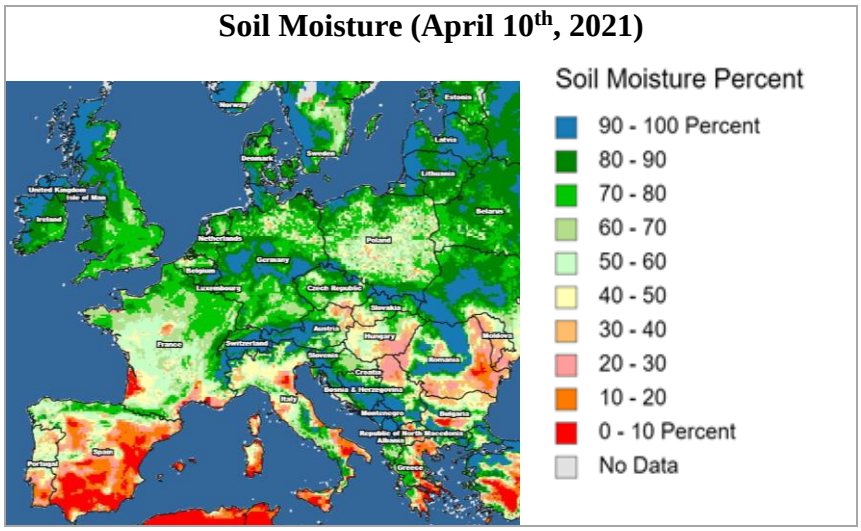


Source: IPAD/FAS/USDA

Extreme Minimum Temperature (April 7th, 2021)



Source: IPAD/FAS/USDA



Source IPAD/FAS/USDA

Weather and Planting Decisions Across the EU

France accounts for nearly one fourth of EU's total grain production. The uptick in the French winter wheat area has compensated for the reductions in barley, and lower intentions for corn planting. France's southwest farmers, frustrated with last season's drought and heat wave, do not plan to expand their corn plantings. This is despite favorable international prices and excellent soil moisture conditions. MY2021/22 planting and growing conditions for winter grains in France have been good to excellent. Good rainfall levels in early winter followed non-excessively wet weather in early fall. In addition, the cold spells registered in early 2021 did not cause winterkill. Provided that favorable weather conditions prevail throughout the reminder of crop cycle, France could achieve a more-than-sizeable grain crop in MY2021/22. The Arctic cold spell during the first week of April 2021 had little impact on soft wheat; however, the impact on durum remains to be seen. Industry sources report a progressive structural shift from barley to oats production in the Nordics - Sweden, Finland, and Denmark- as demand for domestically grown food products consolidates. In this region, fall sowing conditions were favorable for all grains. At the time of this report, crop conditions are favorable as winter grains enjoyed moderate temperatures and average rainfall. Yields for the MY2021/22 are anticipated to return to average after the previous poor season. Similar conditions prevailed in the Netherlands, and Belgium where the volume of grain traded outweighs production.

Poland is the EU's minor grains powerhouse, accounting for about half of the EU's mixed grains production, one-third of the total rye output and nearly 20 percent of the bloc's oats production. Moreover, the country is the EU's third largest wheat producer, after France and Germany. In Poland, the winter grains area is anticipated to remain stable compared to the previous season. Grain crops are reported to be in good condition albeit a little behind in their development. Yields are projected to return to average levels after last season's exceptional levels. Thus far, winter grains enjoyed mild fall temperatures, substantial soil moisture during planting operations, and entered winter dormancy in better conditions than the previous season. Snow cover minimized potential winterkill damage during the most severe frosts (minus 26 Fahrenheit degrees in the north-eastern regions of the country) in January 2021.

In the Baltic Countries - Latvia, Lithuania, and Estonia- fall rains boosted grain planting conditions, and sufficient snow cover countered the threat of frost-related winterkill. The increased use of local frost-resistant grain varieties continues to mitigate the impact of frost on yields. Similar to Poland, yields are forecasted to stay at average levels.

Planting conditions in Germany were favorable and resulted in a rebound of winter grain plantings (wheat, rye, triticale), offsetting the slightly lower area planted to barley. Conditions during germination and early plant development were favorable. During the very cold period in mid-February most of Germany was covered with snow, hence, the impact of winterkill is anticipated to be minimal, except for the region around Cologne (west of Germany), where fields were not protected by snow cover.

In neighboring Austria and Slovenia, winter grains plantings were carried out during a period of excessive soil moisture. This caused germination problems and, in some cases, prompted the need to replant winter crops with spring crops, such as corn and soybeans. Southern and western regions in Austria received beneficial moisture while northern and eastern regions experienced dry conditions. Similar to most of the EU, the impact of winterkill is anticipated to be minor as snow cover protected the crops against severe cold. Austria's grain production is currently expected to be near average. The final output will depend on pest pressure and the development of soil moisture.

In Hungary, the Czech Republic, and Slovakia, rains in October delayed winter grains plantings. The above average temperatures registered in December helped plants strengthen in the early growth stages and at the start of tillering. Snow cover since the second half of January protected the crops from frosts in late January and February. Hence, winterkill is anticipated to be minimal. Grains crops overwintered well and are in good condition. To date, yield expectations are average. Barley area is anticipated to remain stable in Hungary and Slovakia. However, in the Czech Republic, persistent rains during the wheat-planting window prompted farmers to replace some wheat with barley. In Hungary, area planted to corn is expected to expand in response to the steady growth in industrial demand.

In Bulgaria and Romania, dry sowing conditions in the fall prevented farmers from planting during the optimal timeframe. In Bulgaria, this favored the planting of wheat at the expense of lower demand malting barley. Winter grains in this region are reportedly in very good condition. To date, mild and snowy winter conditions helped plants strengthen and develop well. The cold spell in mid-February led to only minor damage on wheat, whose impact will be evaluated later in the season. Nevertheless, fields planted later may not be able to produce maximum results. In Romania, a slight decline in corn plantings is anticipated as corn competes with other crops that perform better under dry conditions, such as sunflower. Conversely, in Bulgaria, corn plantings are anticipated to stabilize as farmers respond to favorable market prices. Assuming normal spring weather conditions prevail, overall grain production in both countries is forecast to recover in MY2021/22 compared to the previous season when lack of rainfall impacted yields.

In Italy, cumulative precipitation during the fall were between 50 and 100 percent above normal levels in most parts of the country, except for eastern Emilia-Romagna, where rainfall was close to average. The combination of mild temperatures and dry conditions in February contributed to lowering the excessive soil moisture. Currently, yield expectations for Italian grain production are good.

For the second consecutive year, Croatia benefited from favorable weather and beneficial moisture conditions for winter grain production. Snow was almost absent, and a few bursts of cold weather accompanied very wet pre-spring conditions. While average yields are anticipated, the country's total grains production will depend on the impact of a mild winter on winter grains and spring plantings.

In Spain and Portugal, winter grains yields are highly variable. On average years, domestic grain production, including corn, only satisfies a small portion of these two countries' domestic needs. Fall precipitation improved soil moisture and allowed for proper planting operations in both countries. It also contributed to replenish water storage levels in dams, which allows for the anticipated price-driven marginal increase in corn plantings. Crop establishment and early development conditions were optimal with lower-than-average winter temperatures and abundant precipitations, including snowfall, especially in the Spain's central plain. Warm and dry conditions in early spring are triggering concerns over moisture stress, particularly in the southernmost grain growing regions. Nevertheless, if timely spring precipitation arrives, Spain could reach a second sizeable grain crop following the previous banner season. Lastly, in Ireland, where production was down dramatically in MY2020/21, a more average crop is projected for MY2021/22 despite the cold spell in early 2021.

Internal Demand Set to Recover Pending the Status of COVID-19 Restrictions

EU's Total grain consumption in MY2021/22, is currently projected at 266 MMT, up from the 265 MMT in MY2020/21. However, the outlook for grain consumption in MY2021/22 hinges upon the continuation of restrictions in response to the COVID-19 pandemic. These continue to affect mobility and social interactions impacting domestic food, feed, and industrial usage of grains. Other determining factors include the status of outbreaks of animal diseases in the EU and in key export markets for livestock-products like China.

In MY2021/22, EU's feed use is forecast to recover 200 thousand MT to 164 MMT compared to the estimated use in MY2020/21. Feed production, EU's primary grain use, is anticipated to recover marginally in MY2021/22. EU's domestic demand for feed grains is anticipated to be slightly higher in MY2021/22. This is supported by the progressive increased reliance on compound feed, along with the gradual recovery of the animal sectors hit with Animal Swine Fever (ASF) and Highly Pathogenic Avian Influenza (HPAI), and the steady demand for livestock-products by third countries (like China). In MY2020/21, EU's export-oriented pork sector coped better with COVID-19 restrictions than the poultry or beef sectors. These sectors had less room to offset weak domestic demand resulting from the pause in the tourism and the hotels, restaurants, and institutions (HRI) sectors. Additional information regarding feed demand trends is available in the latest EU Livestock and Poultry GAIN reports.

Regarding the type of grain, a more average feeding pattern is anticipated in the EU for MY2021/22. If current crop projections in the EU and in main trading partners, such as Ukraine and Brazil are confirmed, coarse grains like barley, rye, mixed grains, and oats would likely lose share in the feed formula in favor of wheat and corn. In 2020/21, competitively priced domestic barley and minor grains increased their presence and altered the EU's traditional feed mix. To a certain extent, these grains replaced the drought-stricken wheat and highly priced-corn in feed rations. The ample use of barley and minor grains (rye and oats), that alleviated the bloc's grain import needs was possible thanks to the

record yields registered in Spain, and the ample supply of minor grains in Poland, the Baltic Countries, Germany, Denmark, Sweden, and Finland.

Feed Grain Uses in the EU (1,000 MT)

Grain	2019/20	2020/21	2021/22
Wheat	45,500	41,900	44,000
Corn	59,000	57,200	58,400
Barley	37,000	37,500	36,300
Mixed Grain	12,610	13,820	13,360
Oats	5,600	6,600	5,950
Rye	4,790	5,800	5,000
Sorghum	1,132	1,190	1,260
Total Grains	**165,632**	**164,010**	**164,270**

Source: FAS EU Posts.

Food, Seed and Industrial (FSI) usage in MY2021/22 is expected to recover slightly to 102 MMT compared to 101 MMT estimated for MY2020/21. Within FSI use, industrial usage is the most susceptible to change due to incentives affecting consumption trends or new investments. By contrast, food and seed uses remain normally stable. However, COVID-19 related restrictions have modified food consumption patterns. In MY2020/21, for the second consecutive year, a decline is anticipated in the use of grains for food. In most of the EU Member States, grain-based food processors report increased sales through retail channels due to higher household purchases of flour, bakery products, and pasta. However, in most cases, retail sales have not compensated for the reduction in sales through HRI channels, where a larger share of grain for food use takes place. Differences do exist throughout the EU, food use lowered steeply in Member States that rely more on tourism and remain stable in those less dependent on tourism. As the COVID-19 vaccination campaign advances throughout the EU in 2021, economic activity is expected to pick up. Hence, food use is expected to trend upward in MY2021/22 contingent upon the pace that restrictions are lifted throughout the region and foreign tourism resumes.

In terms of grains for industrial use, the transport-oriented bioethanol industry reports lower production levels. However, other grain-based industrial processes remained buoyant through the pandemic. This is the case of the industrial use of grains for starch and technical alcohol intended for disinfectants, and pharmaceutical industries that are growing steadily in Bulgaria, utilizing corn as the preferred feedstock. Hungary also is progressively increasing it industrial grain usage (corn and wheat) as processing plants increase their capacities and widen portfolios assisted by government grants. The production of corn and wheat-based starch, isoglucose, and dextrose faces difficulties in the saturated sugar market. In contrast, the production of gluten, DDGS, CGF, disinfectant, and pharma-ethanol business remain prosperous. Increased processing capacity for wheat starch in Austria has also contributed to the upward revision in industrial use since MY2020/21.

In the case of the bioethanol industry, after hitting record production levels in 2018, import competition lowered production in 2019. In addition, COVID-19 movement restrictions imposed since spring 2020 tempered total fuel demand and reduced the size of the mandate-driven bioethanol market. Some EU-based plants devoted part of their capacity to produce ethanol-for-disinfectant purposes, but this switch

only offset a small portion of the decline in production. Hence, the bioethanol industry demand for grain declined 5 percent in MY2020/21 and is projected to remain stagnant in MY2021/22. Bulgaria and Hungary constitute exemptions to this trend, as their bioethanol production is expanding driven by Member State's growing bioethanol consumption mandates offsetting the reduction in overall demand for fossil fuels. Additional information regarding EU's Bioethanol Sector is available in the latest EU Biofuels Report and in the latest Biofuel Mandates in the EU by Member State.

Good Crop Prospects in Main Trading Partners Ease Tensions for Next Season

EU grain trade in MY2021/22 is expected to return to more average levels with exports exceeding 43 MMT and imports over 24 MMT. In MY2021/22, EU grain exports are expected to recover contingent upon whether the sizeable crop is confirmed. In MY2019/20, lower crop supplies and higher grain prices in EU's main exporting countries (Bulgaria, France, and Romania) eroded their competitiveness in export markets. On a positive note, Russia's introduction of a floating export tax in January 2021, improved the competitiveness of EU grains in third countries. Moreover, weaker currencies in non-Eurozone[2] Members (namely the Polish Zloty and Hungarian Forint) improved these countries' exports competitiveness in the Eurozone and in third countries' markets.

Large volumes of Chinese imports of U.S corn in MY2020/21 tensed the international grains market and boosted grain trade within the EU. Spain's MY2020/21 bumper crop helped diminish the bloc's import needs. Ukraine's current production prospects have also contributed to ease tensions in the grain markets. If Brazil's good crop is also confirmed, the EU should resume large import volumes from these origins in MY2021/22.

Overall, EU ending stocks in MY2020/21 are anticipated to lower by nearly 4 MMT to just over 21 MMT, compared to the previous season. This reduction is in response to the tight grain market situation that prompted trade within the EU and increased the use of domestic grains. The forecast of a sizeable EU crop in MY2021/22 is expected to improve supplies. However, the projected higher domestic use and larger exports would prevent a significant commercial re-stocking from materializing. For the time being, MY2021/22 final stocks are projected to amount to over 22 MMT.

[2]*Non-Eurozone EU Members include Denmark, Sweden, Croatia, Hungary, Poland, Czech Republic, Bulgaria, and Romania.*

Section I. Wheat

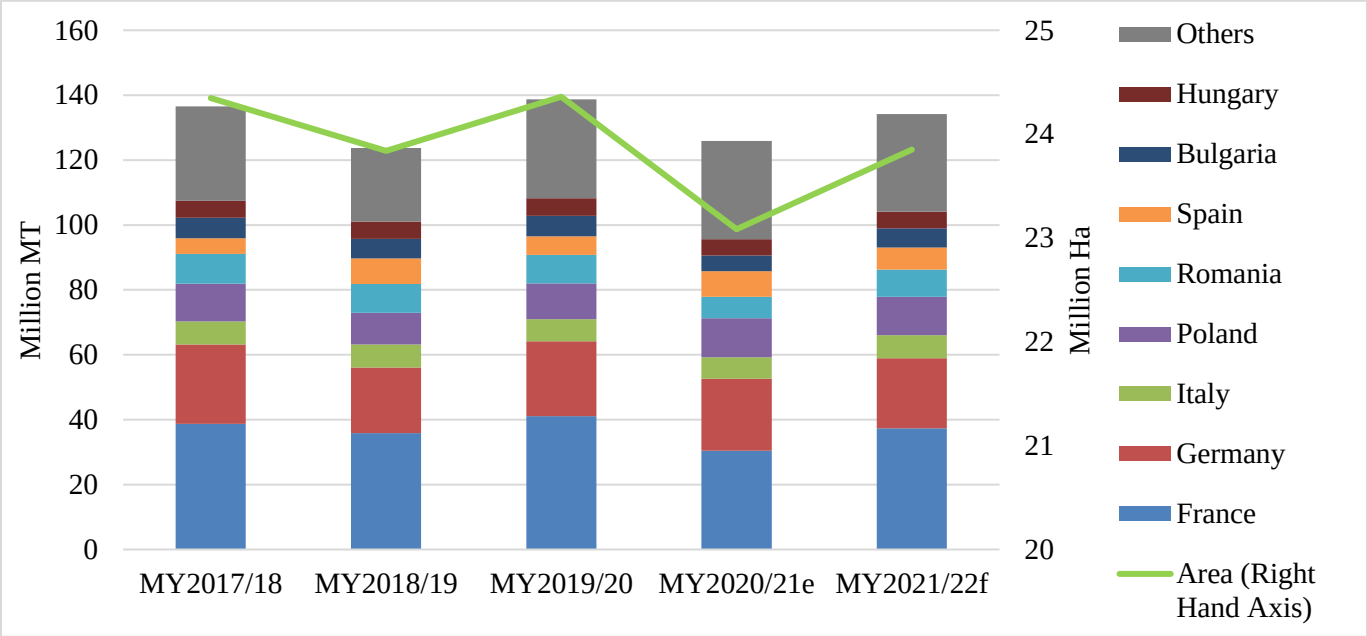
Wheat	2019/2020		2020/2021		2021/2022	
Market Begin Year	Jul 2019		Jul 2020		Jul 2021	
European Union	USDA Official EU+UK	New Post EU	USDA Official EU+UK	New Post EU	USDA Official	New Post EU
Area Harvested	26,157	24,360	24,470	23,100		23,850
Beginning Stocks	15,918	14,300	14,131	10,940		8,220
Production	154,341	138,700	135,600	125,980		134,200
MY Imports	4,801	5,478	6,000	6,200		5,500
TY Imports	4,801	5,478	6,000	6,200		5,500
TY Imp. from U.S.	1,140	1,026	0	900		900
Total Supply	175,060	158,478	155,731	143,120		147,920
MY Exports	38,429	39,764	27,500	31,000		32,000
TY Exports	38,429	39,764	27,500	31,000		32,000
Feed and Residual	52,500	45,500	48,000	41,900		44,000
FSI Consumption	70,000	62,274	69,500	62,000		62,800
Total Consumption	122,500	107,774	117,500	103,900		106,800
Ending Stocks	14,131	10,940	10,731	8,220		9,120
Total Distribution	175,060	158,478	155,731	143,120		147,920
Yield	5.9006	5.6938	5.5415	5.4537		5.6268
(1000 HA), (1000 MT), (MT/HA)						

Source: FAS EU Posts.

Area and Production

EU wheat area is expected to recover 3.3 percent in MY2021/22 driven by the larger planted area in France at the expense of barley and rapeseed. Wheat area is also expected increase in Italy, Hungary, Germany, and Romania, as farmers respond to favorable crop margins for grains. In MY2020/21, EU wheat planted area dropped 5.2 percent, its lowest level since 2007, due to the extremely challenging planting conditions in France.

EU Wheat Area and Production

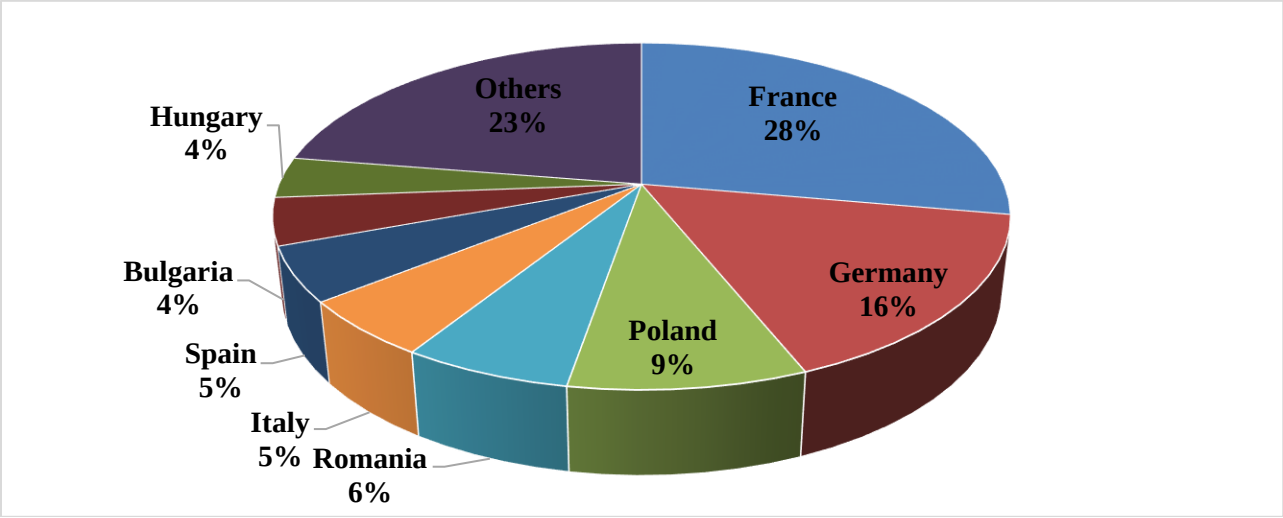


Source: FAS EU Posts.

EU wheat production is forecast to increase 6.6 percent and reach 134.2 MMT in MY2021/22, driven by larger expected production in France, Italy, Romania, Bulgaria, and Hungary. These expected increases are expected to offset slightly lower crop expectations in Germany, Poland, and the Baltic Countries due to slightly lower anticipated yields.

Planting conditions were good to ideal in most wheat growing regions, except for Romania and Bulgaria where continued drought delayed some of the plantings. However, rainfall has resumed in those countries, boosting wheat yields forecasts. The cold spell that hit western Europe in late January and early February 2021 is not estimated to have caused winterkill especially in France and in Germany where snow covered most of the planted wheat and lowered the pest threat in early spring. Water resources are above average in France. The Arctic cold spell during the first week of April 2021, with widespread frost in France, did not seem to have a negative impact on soft wheat young plants. Impact on durum plants will have to be assessed. Should weather remain favorable throughout spring, models indicate that French wheat yields will be above their MY2020/21 level.

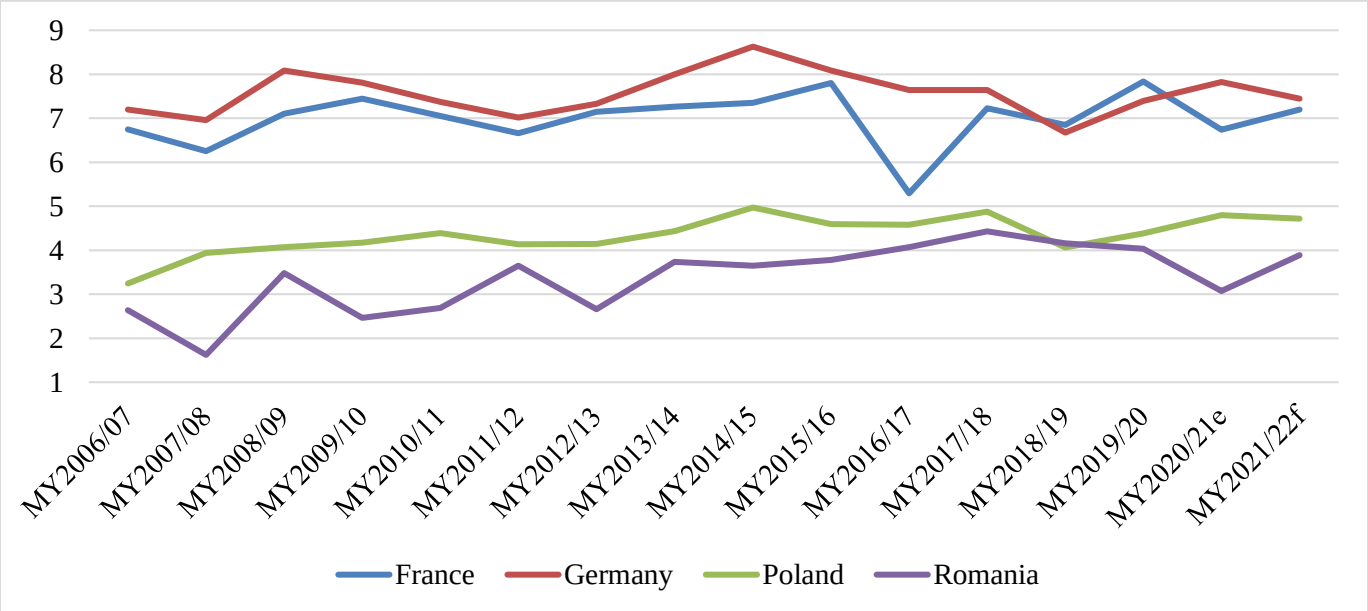
Main EU Wheat Producing Member States - MY2021/22 Forecast



Source: FAS EU Posts.

The MY2020/21 EU wheat crop was lower than MY2019/20 due to unfavorable weather at planting (excess rain hampered sowing and waterlogged the field) and prior to the harvest (excessive heat in the summer of 2020 and lack of water). These weather conditions significantly lowered yields in Belgium, France, and Italy but also in Romania and Bulgaria. In Germany, higher yields did not compensate for a smaller area. On the other hand, yields and production rose significantly in Spain due to favorable weather conditions. The MY2020/21 wheat crop was also above average in Poland and the Baltic Countries.

Evolution of Wheat Yields in EU's Top Producing Member States (MT/Ha)

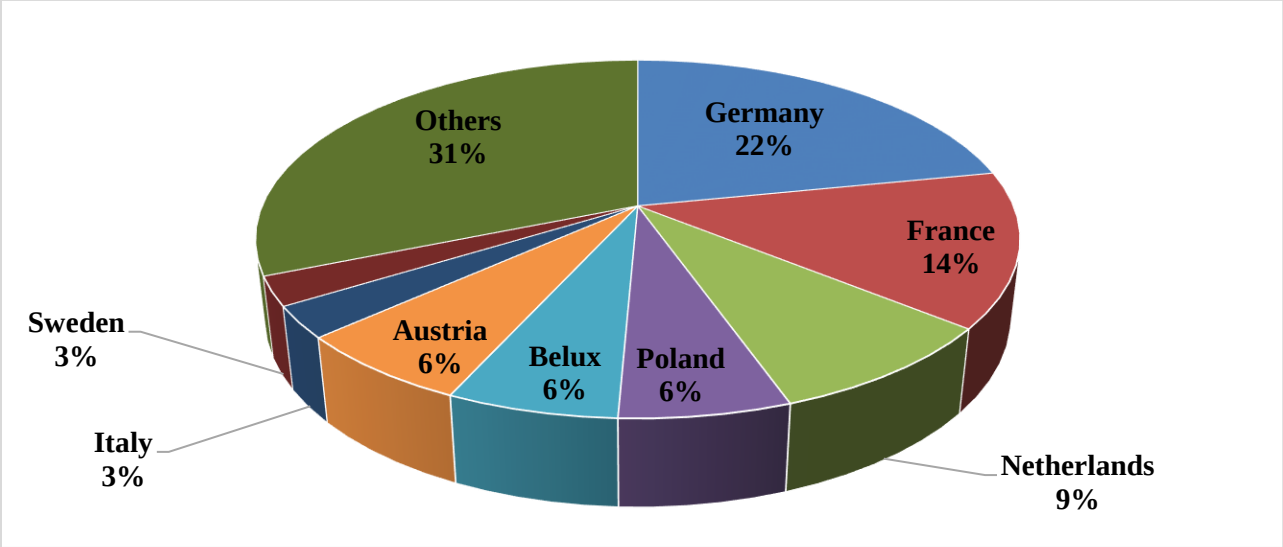


Source: FAS EU Posts.

Consumption

Total Food, Seed, and Industrial (FSI) uses in the EU are expected to decline slightly in MY2020/21. The lockdown and closures of hotels, restaurants, and institutions (HRI) in most EU countries due to the COVID-19 pandemic impacted food use. Lower use of wheat in the HRI sector was not fully replaced by household consumption. There were some changes in consumption patterns, small packages of wheat flour sold through retail channels replaced larger packages sold through the HRI sector. Wheat use for biofuel (industrial) purposes was also impacted by the lockdowns that lowered the demand for bioethanol. With the COVID-19 vaccination program rolling out in the EU, there is hope that the restrictions and lockdowns will be lifted sometime in early MY2021/22, allowing FSI wheat uses to normalize.

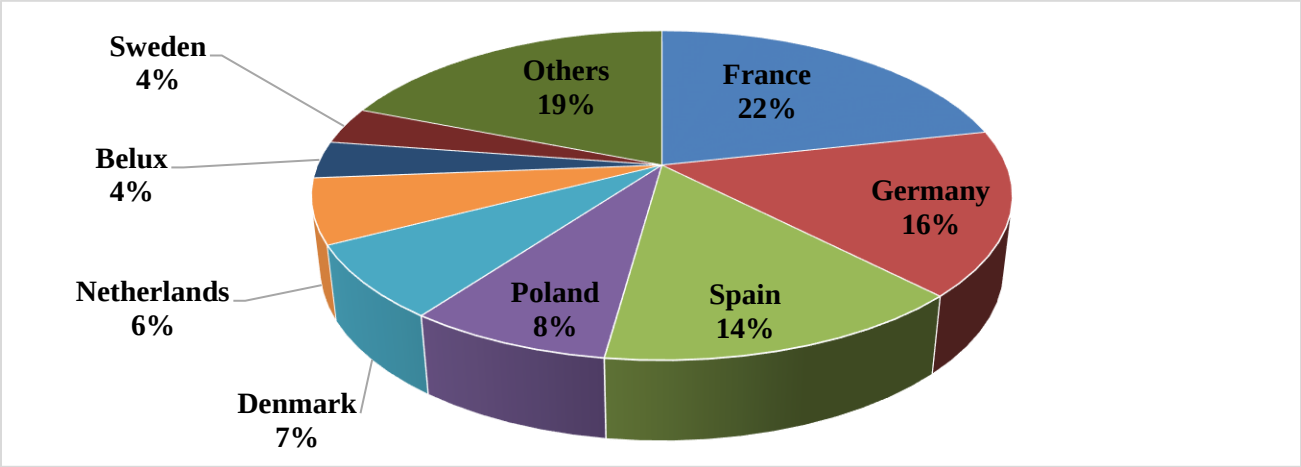
Main EU Wheat Industrial Users Member States - MY2021/22 Forecast



Source: FAS EU Posts.

Expecting larger wheat supplies, EU feed use is foreseen to increase in MY2021/22. The price difference with other available grains will dictate the extent of the recovery in feed use. In MY2020/21, EU wheat feed use declined sharply due to lower wheat availability and higher prices versus other feedstocks, particularly barley and minor grains such as rye and oats. The decline was especially important in France but also notable in other EU countries such as Spain, Italy, and Poland.

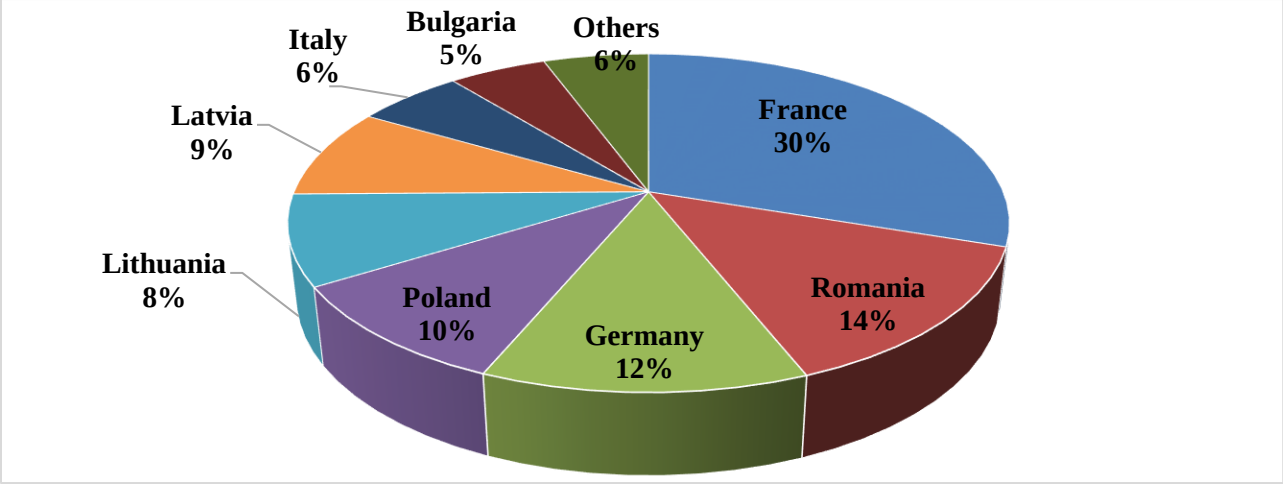
Main EU Wheat Feed Markets - MY2021/22 Forecast



Source: FAS EU Posts.

Trade

Main EU Wheat Exporting Member States - MY2021/22 Forecast

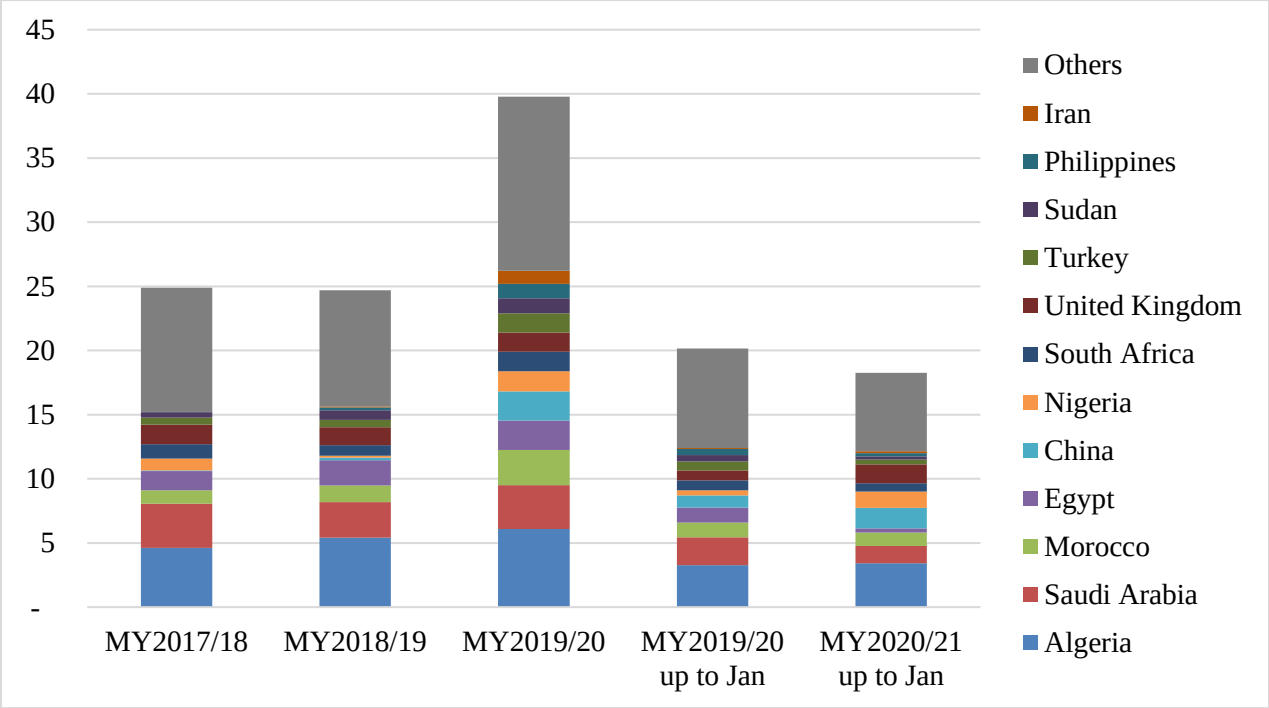


Source: FAS EU Posts.

The EU is a net exporter of wheat. With an increased supply, EU wheat exports are foreseen to increase in MY2021/22. France, Romania, and Germany are the three largest wheat exporters in Europe. However, the Baltic Countries (Latvia, Lithuania, and Estonia) and Poland are now major EU exporters and will probably jointly export more than France in MY2020/21. Polish and Hungarian wheat exports to the EU and elsewhere also benefited from the weaker Polish and Hungarian currency (Zloty and Forint, respectively). After hitting record exports in MY2019/20, EU wheat exports are expected to lower 22 percent in MY2020/21 due to the smaller crop. Nevertheless, this volume of exports will still remain among the largest volumes exported over the past 10 years. On a positive note, Russia's introduction a floating export tax in January 2021, improved EU grains competitiveness in third countries.

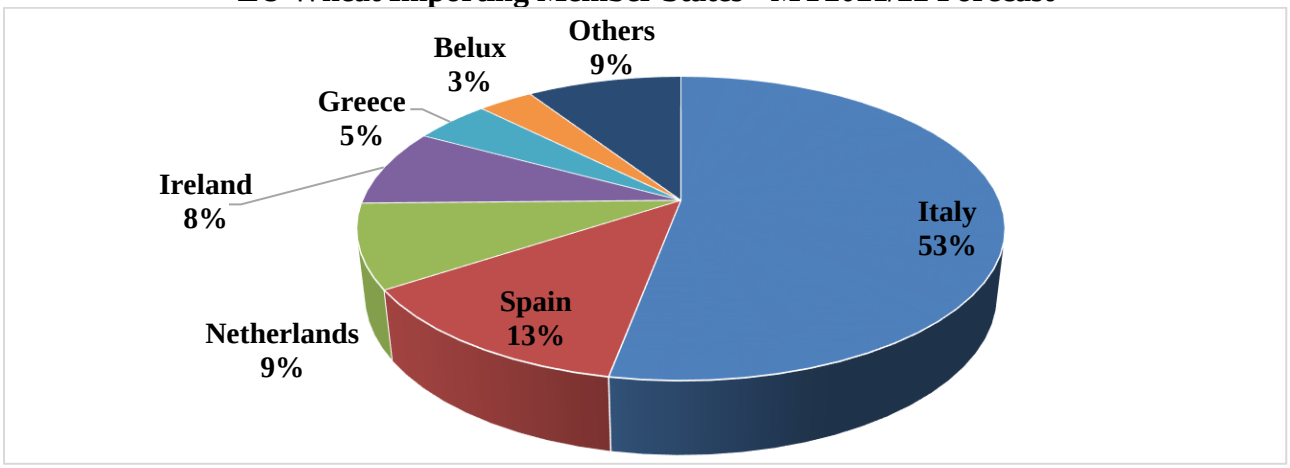
The bulk of EU wheat exports goes to North Africa and Middle East. In particular, Algeria is a steady customer for French milling wheat. The EU has a significant shipping cost advantage when exporting wheat to North Africa and now is favorably priced versus BSO (Black Sea Origin) wheat. It is important to note that China is becoming a significant customer for EU wheat. EU exports increased tenfold between MY2018/19 and 2019/20 and are further increasing in MY2020/21, according to preliminary trade data. Hence, China may become EU's second largest wheat customer in MY2020/21, as the EU-27 continues to benefit from the trade dispute between China and Australia. EU wheat export to Cuba and to Nigeria (a large share coming from Poland) are also anticipated to grow in MY2020/21. On the other hand, EU wheat exports to Morocco and Egypt are expected to shrink in MY2020/21, as Ukrainian and Canadian wheat replace French wheat in the Moroccan market.

Main Export Destinations for EU Wheat (MMT)



Source: Trade Data Monitor LLC.

EU Wheat Importing Member States - MY2021/22 Forecast

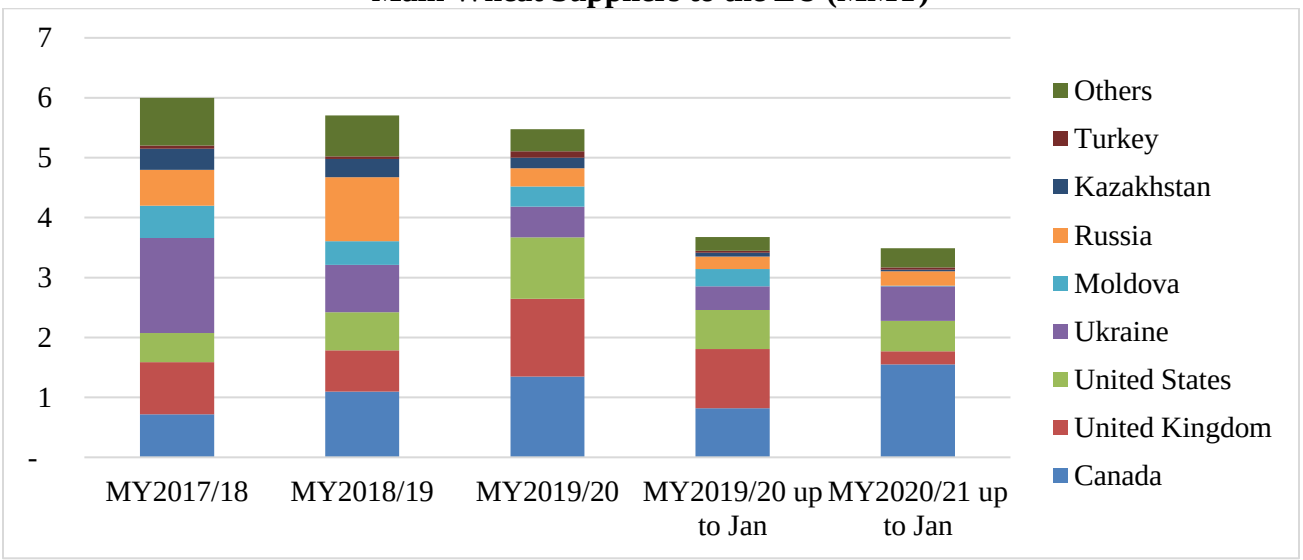


Source: FAS EU Posts.

Available trade numbers (until January 2021) indicate a 5 percent reduction in EU wheat imports. However, based on the evolution of EU wheat import licenses up to the time of this report, for MY2020/21, post anticipates an increase of more than 13 percent in wheat imports. The rise is driven by strong demand for durum wheat in Italy, EU's largest wheat importer, as the shorter domestic wheat crop and imports within the EU cannot fulfill internal demand for pasta production. For MY2020/21, Canada and the United States are likely to be the largest suppliers of wheat (mostly durum wheat as well as Hard Red Winter (HRW) wheat) to the EU. Ukraine, EU's third largest supplier, will export mainly soft wheat to Spain and Italy.

Given the expected larger domestic crop, EU wheat imports are anticipated to shrink 11 percent in MY2021/22. Of note, as of January 1, 2021, the UK, a large supplier of wheat for feed use to the EU is exporting as a third country.

Main Wheat Suppliers to the EU (MMT)



Source: Trade Data Monitor LLC.

Stocks

With a shorter crop and sizable exports and uses, EU wheat ending stocks are expected to decrease sharply in MY2020/21. These are also anticipated to increase only slightly the following year which could theoretically lead to a short balance if the EU MY2021/22 wheat crop falls below current expectations.

Section II. Coarse Grains[3]

Corn

Corn	2019/2020		2020/2021		2021/2022	
Market Begin Year	Oct 2019		Oct 2020		Oct 2021	
European Union	USDA Official EU+UK	New Post EU	USDA Official EU+UK	New Post EU	USDA Official	New Post EU
Area Harvested	8,915	8,878	8,990	8,983		8,900
Beginning Stocks	7,659	7,656	7,219	7,543		6,763
Production	66,760	66,693	64,000	64,000		65,600
MY Imports	18,607	17,382	15,500	15,000		17,200
TY Imports	18,607	17,382	15,500	15,000		17,200
TY Imp. from U.S.	17	14	0	9		9
Total Supply	93,026	91,731	86,719	86,543		89,563
MY Exports	4,807	5,388	2,200	2,800		4,300
TY Exports	4,807	5,388	2,200	2,800		4,300
Feed and Residual	60,000	59,000	56,300	57,200		58,400
FSI Consumption	21,000	19,800	21,000	19,780		19,830
Total Consumption	81,000	78,800	77,300	76,980	-	78,230
Ending Stocks	7,219	7,543	7,219	6,763		7,033
Total Distribution	93,026	91,731	86,719	86,543	-	89,563
Yield	7.4885	7.5122	7.1190	7.1246		7.3708
(1000 HA), (1000 MT), (MT/HA)						

Source: FAS EU Posts.

Area and Production

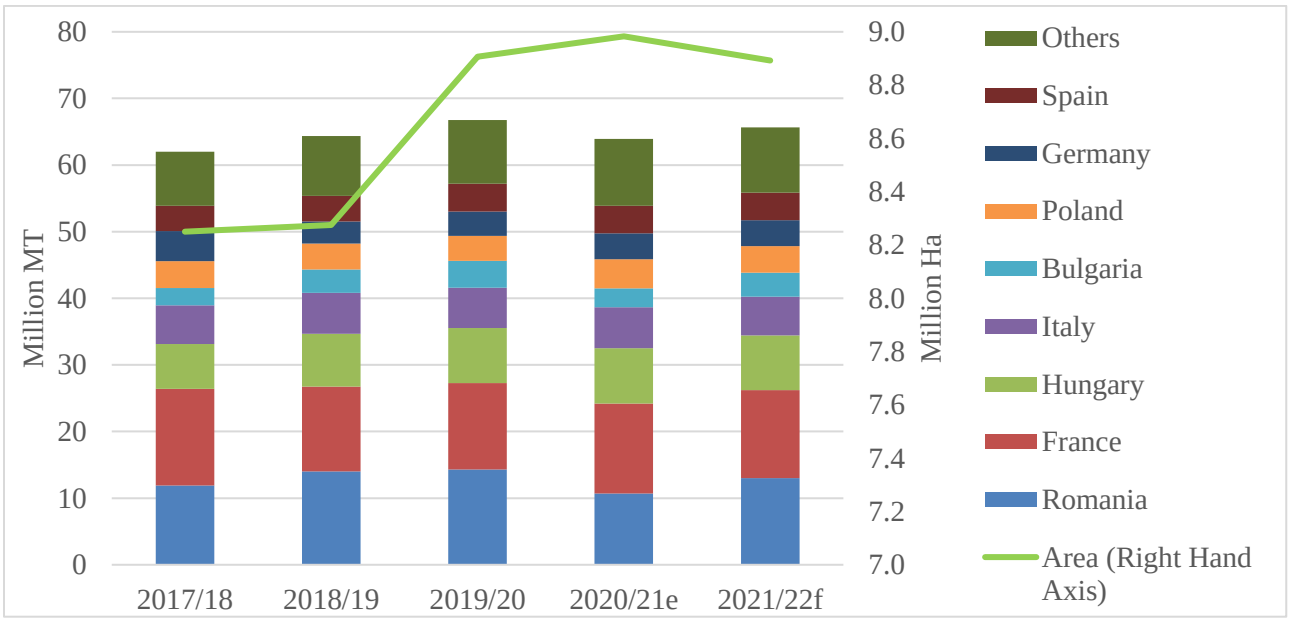
In MY2021/22, despite favorable corn prices, corn area is forecast to shrink nearly 1 percent from the previous year when it reached nearly 9 million Ha. Austria, Hungary, Italy, and Slovakia are expected to increase their area in response to strong processing and biofuel demand and replanting of winter crops. However, these increases will be offset by the expected declines in France and Romania, due to concerns about the summer heat and drought impacting crops for the second consecutive season. Smaller variations are likely to occur in the other Member States in which corn is a suitable crop.

[3] *Coarse grains are the threshed, dry seeds of plant, cultivated for human/and or animal consumption and gathered in the dried, unprocessed state upon maturity. Is the total of corn, barley, rye, oats, mixed grains, and sorghum.*

Current planting conditions look good throughout Europe, as abundant rainfall replenished soil moisture. In Bulgaria and Romania, winter conditions were very good with mild temperatures and abundant precipitation, which boosted soil moisture levels above the previous season. Similarly, in France, underground water reserves are back to normal and even well above normal in the southwest of France, the main corn growing area. In Spain, corn area is anticipated to rebound marginally in MY2021/22 based on good economic (favorable prices) and agronomic results (yields) reached in the previous season and the increasing trend of planting of corn as a second crop. Dams in both Spain and Portugal, where virtually all corn is grown under irrigation, report medium to high storage levels. In Austria corn acreage is expected to increase after a drop in MY2020/21, due to high demand from the processing industry and the replanting of destroyed winter plantings.

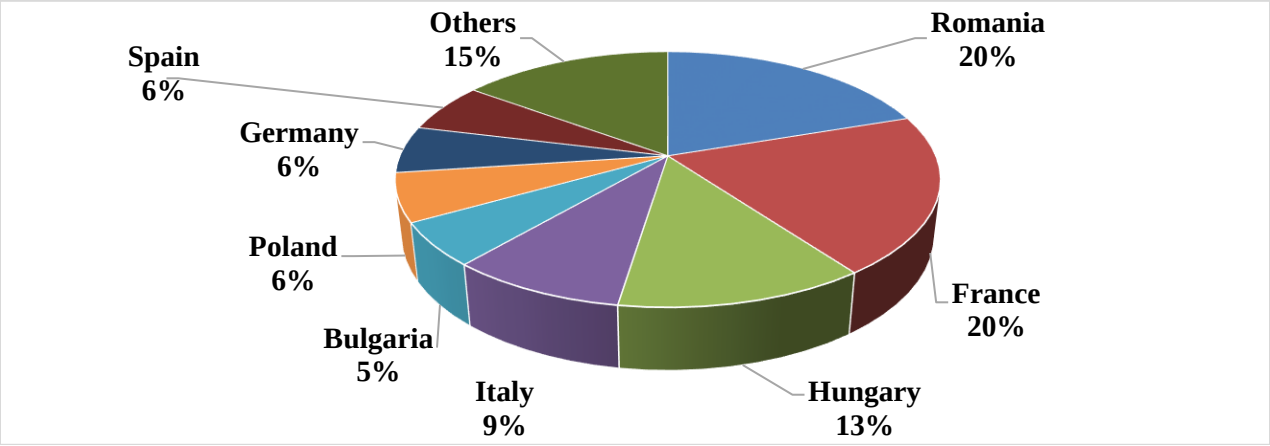
EU corn production is forecast to reach 65.6 MMT in MY2021/22, up 2.5 percent from MY2020/21. Average corn yield throughout the EU is forecast to increase 3.5 percent in MY2021/22, after falling 5.2 percent in MY2020/21. The production increase is driven mainly by production recovery in Bulgaria and Romania, after both countries experienced significant losses due to drought in MY2020/21. Croatia, Czech Republic, France, Greece, Hungary, Italy, Poland, Slovakia, and Spain expect a decline from their above-average harvests in MY2020/21. Note that at drafting time of this report, most of the corn in the EU has not been planted, thus the forecasts are based on farmer's planting intentions.

EU Corn Area and Production



Source: FAS EU Posts.

Main EU Corn Producing Member States - MY2021/22 Forecast



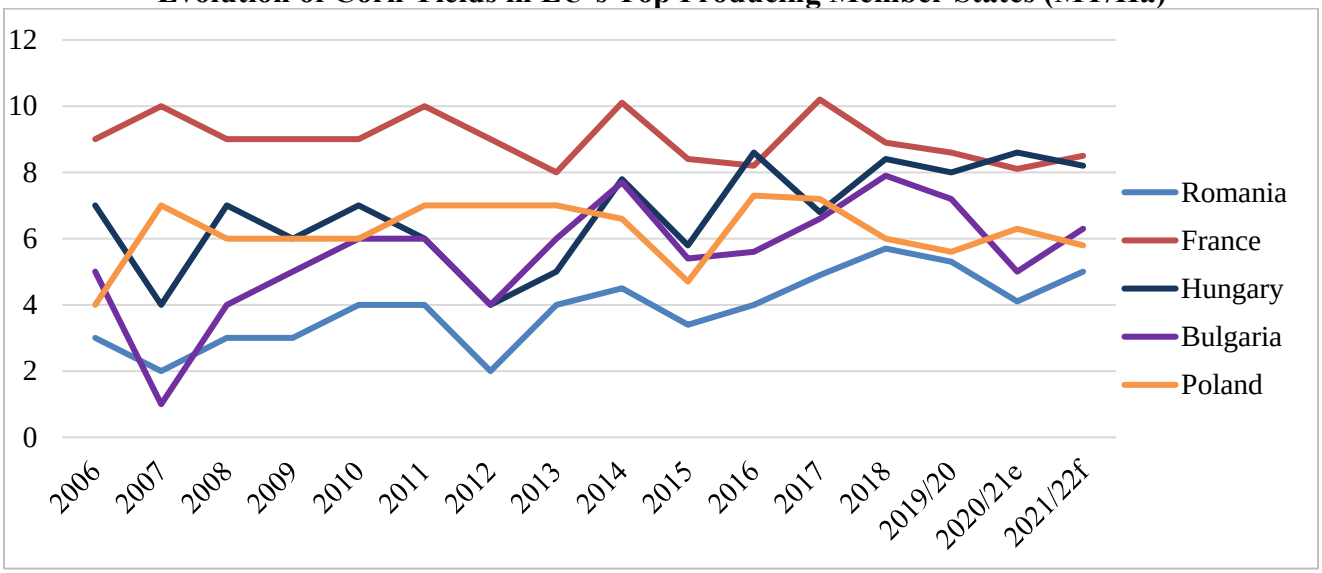
Source: FAS EU Posts.

Assuming normal weather, Romania's production is forecast to recover from the previous year's low and grow 21 percent in MY2021/22. Similar to its neighbor, Bulgaria expects a production rebound of more than 20 percent due to better expected yields and stable planted area. In Hungary, good yields are projected for MY2021/22 but not at the record levels of the previous season. In the Czech Republic, yields are expected to be lower than the decrease from exceptional levels in MY2020/21, resulting in a lower harvest. Similar prospects are envisioned for Italy, where the production is expected to drop in response to expected lower yields in MY2021/22. In contrast, Slovakia's production is forecast to increase in MY2021/22.

In MY2020/21, EU corn production fell 4 percent, attributed fully to drops in Bulgaria and Romania, which could not be compensated for by larger harvests in most of the Member States. Romania's 2020/21 corn crop had a promising start following the late spring rainfall however, the severely dry summer months negatively affected the eastern and southeastern regions, lowering production 25 percent compared to the previous season. In Bulgaria, corn production was much lower than usual and 30 percent below the previous year due to dry conditions during planting and vegetation. In contrast, Croatia's 2020/21 and 2019/20 growing seasons benefited from favorable weather and moisture conditions which led to exceptionally good corn yields for a third consecutive year. In the Czech Republic, exceptional yields increased production 33 percent from the previous season. In MY2020/21, French corn production grew 4 percent due to a significantly larger corn area, and at the expense of rapeseed and wheat, and despite reduced yields following drought and a heat wave in the spring and summer of 2020. In Greece, yields rebounded and benefitted from rains during the second half of August, boosting corn production nearly 6 percent. In Hungary, despite a 5.4 percent reduction in corn area, record yields increased production by 1.3 percent. Similarly, improved yields in Slovakia increased production nearly 6 percent despite a slightly smaller area.

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 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 as an increasing number of crop protection tools are banned. The French government announced that it will also ban glyphosate (except for specific uses that would exclude corn cropping). On the other hand, while neonicotinoids remain prohibited throughout the EU, in January 2021, Romania authorized the temporary use of neonicotinoid pesticides for corn crops in response to farmers' concerns. For additional information on regulations affecting corn, please see the Policy Section at the end of this report.

Evolution of Corn Yields in EU's Top Producing Member States (MT/Ha)



Source: FAS EU Posts.

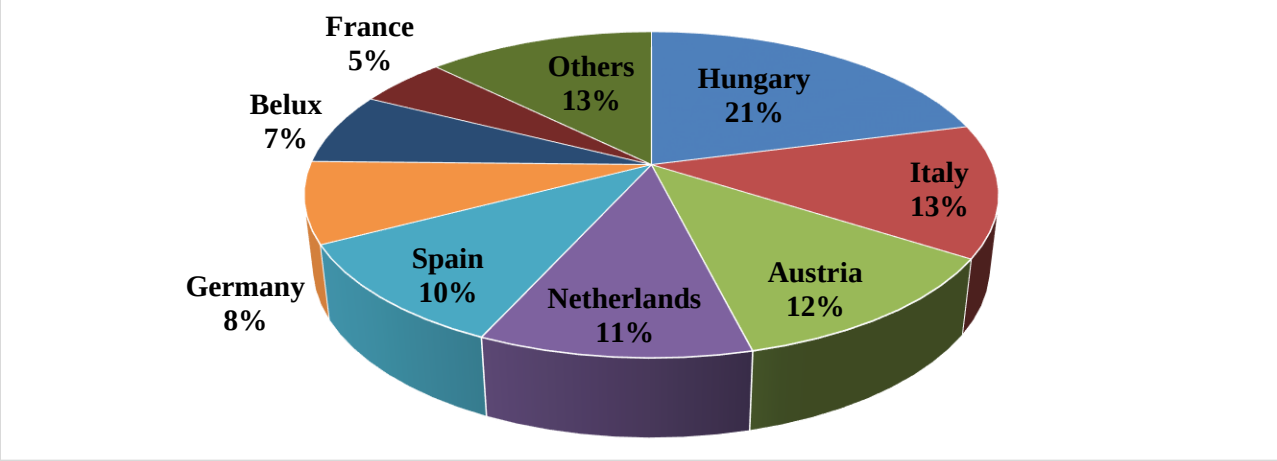
With the exception of Spain and Portugal, no biotech corn is grown in Europe as most EU countries have opted out of the cultivation. In other member states, such as Romania, that did not opt-out from GE crops cultivation, the rigorous traceability requirements and difficulties in marketing crops have discouraged farmers from cultivating biotech corn. This largely explains why, contrary to the United States, corn crop yields in the EU have stopped increasing for the past five years. For additional information, see the latest GAIN Report on the situation of Biotechnology and Other New Production Technologies in the EU.

Consumption

EU corn consumption is expected to rise 1.6 percent in MY2021/22, primarily due to the rebound in feed usage, as competition from wheat and barley is projected to be weaker than the previous season. Food, seeds and industrial use (FSI), which account for about 25 percent of the total EU corn consumption, is forecast to increase marginally in MY2021/22, spurred by higher corn usage for industrial purpose in some of the Member States, such as Hungary, Austria and Bulgaria. Hungary has three of the EU's largest corn processing factories (Pannonia Bio, Hungrana, and Kall Ingredients).

Corn-based isosugar and dextrose production faces difficulties in the saturated sugar market. On the other hand, ethanol, starch, gluten, DDGS, and CGF production, along with bioethanol production, have positive prospects in Hungary. In Austria, there is high demand from the processing industry (starch, citric acid) and energy (biogas, bioethanol). In Bulgaria, the expansion of processing capacities for starch will stimulate demand for food and industrial use (ethanol and spirits), thus consumption is expected to grow in MY2021/22. Industrial consumption in most other Member States is estimated to stay flat, except in Italy and Slovakia, where a small decrease is projected.

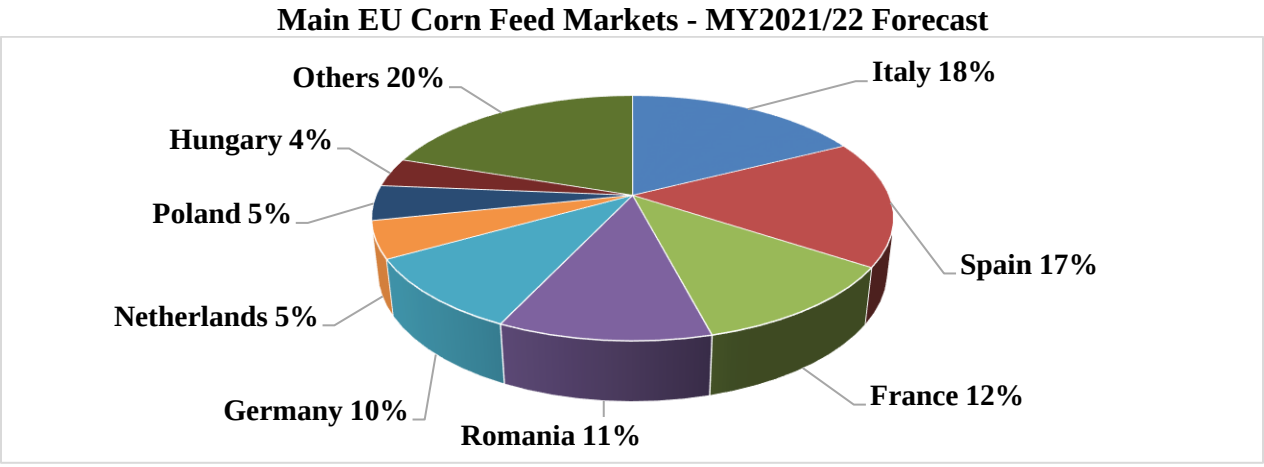
Main EU Corn Industrial Users Member States - MY2021/22 Forecast



Source: FAS EU Posts.

In MY2020/21, FSI use is anticipated to remain nearly unchanged from the previous year. Decreases in food usage, primarily in France and Romania, are likely to be counterbalanced by the growth in industrial use in Hungary, Poland, Bulgaria, Spain, Austria, and Slovakia. The COVID-19 pandemic has limited the movement of the European population. This is likely to continue having an impact on the demand for bioethanol despite the current price for crude oil which makes blending outside compulsory biofuels mandates more competitive. Using part of companies' bioethanol capacities to enhance the production of disinfectants in response to COVID-19 can partially compensate for the reduction in bioethanol demand.

Corn feed use in MY2021/22 is expected to rebound and increase 2 percent. This is based on the recovery prospects in meat demand, particularly from the food-service sector affected by COVID-19, and expectations for lower competition from wheat and barley. Corn feed usage is expected to increase in most EU member states, more prominently in Spain, Romania, the Netherlands, and Austria. Small variations are estimated for other member states, except in Ireland, where a larger decrease is anticipated.



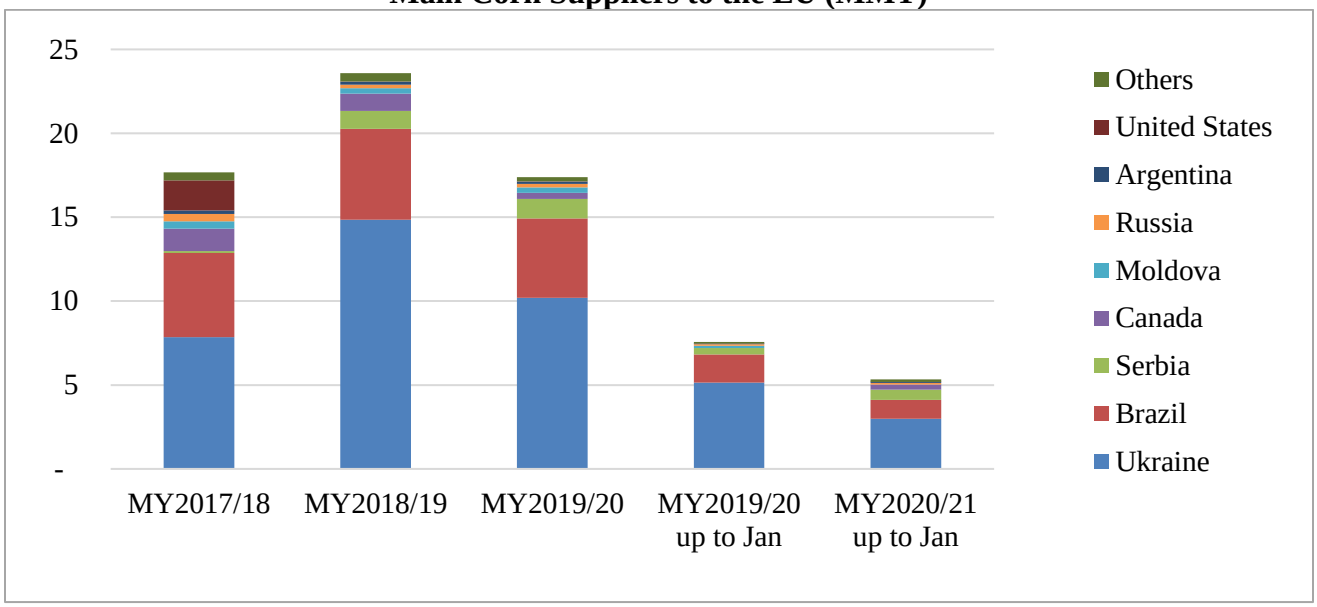
Source: FAS EU Posts.

In MY2020/21, EU corn feed use is anticipated to decrease 3 percent driven by low corn competitiveness as compared to other grains, such as barley and wheat. Some analysts believe that the short corn supply and low competitiveness will lead to a reduced share of corn in feed formulas in MY2020/21, despite robust domestic feed demand. The large decreases in Spain, Romania, France, Germany, and the Netherlands nullify the surges in Italy, France, Hungary, and Poland, where corn crops were abundant. Corn is the preferred grain for feed compounders in Spain, Roman, Bulgaria, and Hungary, while Italy is the top EU corn user in feed. In some of the corn producing countries, such as France, Germany, Poland, Bulgaria, 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, 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.

Trade

The EU is a net importer of corn. Traditionally the EU corn market deficit is covered by imports. Assuming improved global supplies, imports for MY2021/22 are forecast to climb 15 percent from their current low level. Ukraine and Brazil are anticipated to remain the major corn suppliers to the EU.

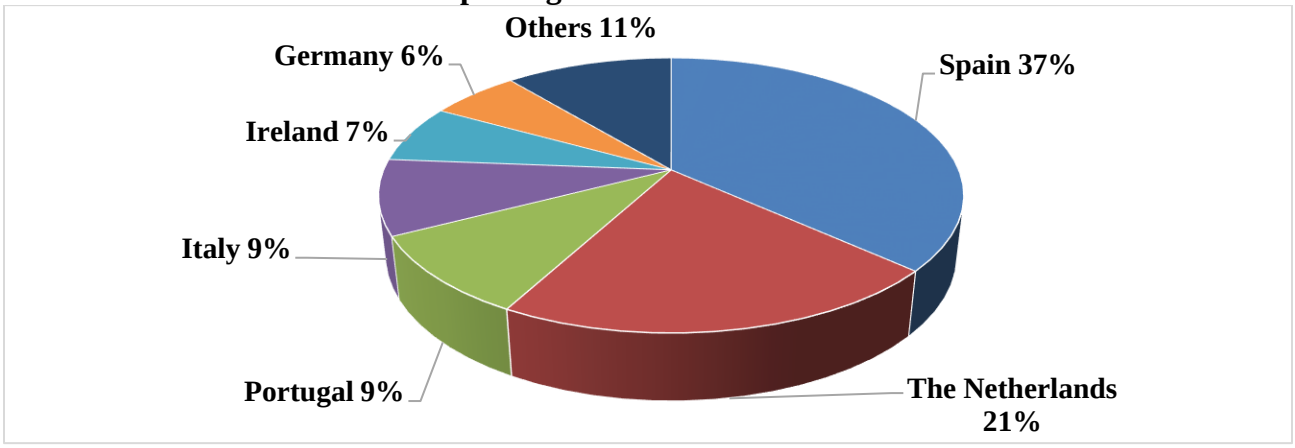
Main Corn Suppliers to the EU (MMT)



Source: Trade Data Monitor LLC.

In MY2020/21, imports are anticipated to plunge 14 percent due to tight global supplies. Ukraine, the major corn supplier to EU, harvested a lower crop, which is subject to an export cap. In addition, China with its robust grains demand, is increasingly becoming an important market for Ukraine, adding more pressure on the exportable supplies destined to EU. In the case of Brazil, the EU's second corn supplier, there are concerns regarding the crop, as delayed soybean harvesting may delay corn plantings, harvesting, and shipping to the EU. The other potential origins, such as Serbia, are only a minor contribution on the EU market. Imports of corn from the United States, which reached sizable levels in previous years, are expected to remain at low levels in MY2020/21 and MY2021/22. Since 2018, EU has imposed additional duties on U.S. corn in retaliation to U.S. Section 232 tariffs on EU steel and aluminum products.

Main EU Corn Importing Member States - MY2021/22 Forecast



Source: FAS EU Posts.

EU corn exports are forecast to rise 54 percent in MY2021/22, assuming a rebound supply in the two major exporting countries, Romania and Bulgaria. However, the exportable supply could shrink if the domestic production is lower than anticipated. The dynamics of EU corn exports, which are estimated to plunge 48 percent in MY2020/21, is directly related to the low harvests in the two major corn producing countries. Romania and Bulgaria have a cumulative share of more than 80 percent of total EU corn exports. These Member States are mostly competitive in the Middle East and North Africa, due to their geographical location.

Stocks

Ending stocks are forecast to grow 4 percent in MY2021/22 under expectations of a larger supply. As a reflection of a year with a short crop and low imports, MY2020/21 ending stocks are tightening, projected to lower 10 percent, mainly in Romania and Spain, as well as Italy and Ireland. Increases are projected in France, Czech Republic, Austria and Poland, due to their ample harvests.

Barley

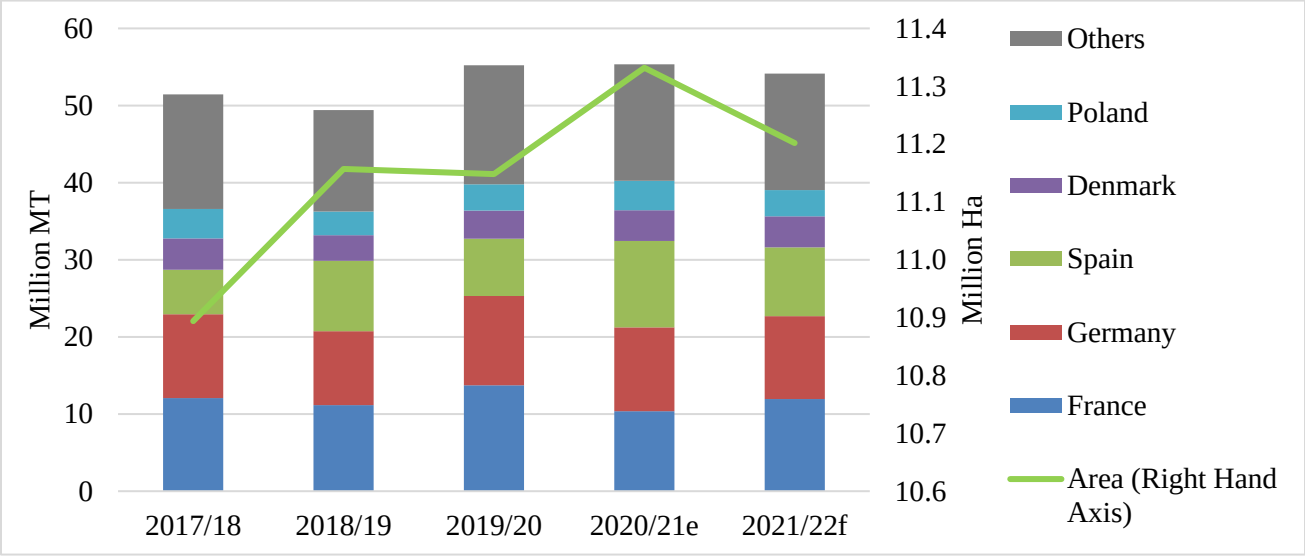
Barley	2019/2020		2020/2021		2021/2022	
Market Begin Year	Jul 2019		Jul 2020		Jul 2021	
European Union	USDA Official EU+UK	New Post EU	USDA Official EU+UK	New Post EU	USDA Official	New Post EU
Area Harvested	12,334	11,211	12,775	11,332		11,200
Beginning Stocks	6,345	5,839	6,951	5,281		5,116
Production	63,318	55,171	63,400	55,185		54,200
MY Imports	587	1,837	200	1,450		1,300
TY Imports	150	1,089	200	1,450		1,300
TY Imp. from U.S.	0	0	0	0		0
Total Supply	70,250	62,847	70,551	61,916		60,616
MY Exports	8,099	7,766	7,000	6,700		6,500
TY Exports	7,908	7,578	7,000	6,700		6,500
Feed and Residual	40,200	37,000	42,000	37,500		36,300
FSI Consumption	15,000	12,800	15,100	12,600		12,700
Total Consumption	55,200	49,800	57,100	50,100		49,000
Ending Stocks	6,951	5,281	6,451	5,116		5,116
Total Distribution	70,250	62,847	70,551	61,916		60,616
Yield	5.1336	4.9211	4.9628	4.8698		4.8393
(1000 HA), (1000 MT), (MT/HA)						

Source: FAS EU Posts.

Area and Production

In MY2021/22, the EU's barley area is forecast to shrink moderately to 11.2 million Ha. Following a two-year hike, France's planted area is projected to decrease due in part to excessive rainfall in October 2020. Similarly, reduced planted area is anticipated in Spain and Germany. In Romania and Bulgaria, dry sowing conditions also resulted in a decline in barley area. In MY2020/21, the EU's total barley area grew slightly to 11.3 million Ha due to an increase in EU's main barley producing countries, except for Germany, Romania, and Ireland. Notwithstanding, area growth was lower than expected due to low fall precipitation rates in Spain; dry sowing conditions in Hungary, Bulgaria and Romania; and abundant rainfall and excess moisture in France and Germany, which delayed and disrupted planting in the fall of 2019.

EU Barley Area and Production



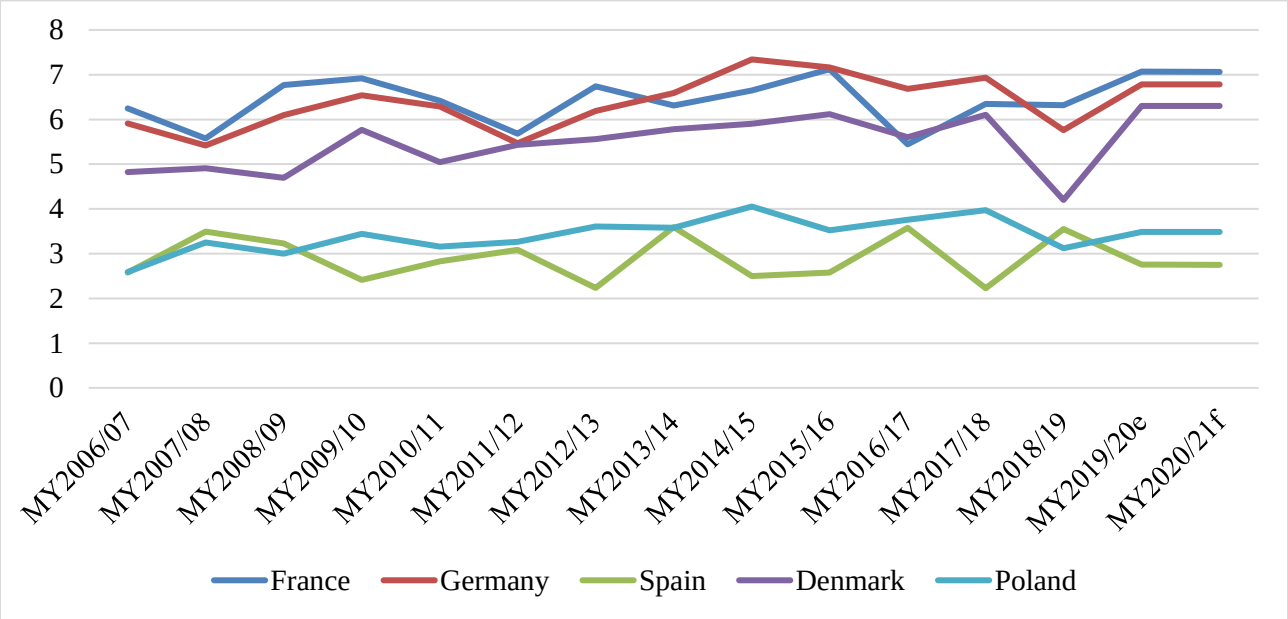
Source: FAS EU Posts.

In MY2021/22, the EU's barley production is forecast down to 54.2 MMT due to expected reductions in both yield and area. This is largely a result of a forecasted decline in production in Spain and Poland. In Spain, yields are not expected to reach the record setting rates of the previous marketing year. Weather conditions during the fall and winter were favorable. Soil moisture was replenished by abundant rain and snowfall, especially in the central plain. Depending on the spring weather, yields could return to above average. Nonetheless, Spain's production is forecast to decrease 2.3 MMT, to 8.8 MMT. In Poland, the average yield is expected to be lower than the previous season and production is estimated at 3.4 MMT. Despite cold snaps in mid-January and in the first half of February, snow cover limited the negative impact on winter crops. However, spring conditions are more decisive for Poland's harvest, as the majority of Polish barley crops are planted in the spring.

In MY2021/22, abundant rain replenished French groundwater reserves during the winter. As a result, yields are forecast to rebound after last year's yield setback and should offset the fall in area. French barley production is therefore estimated to grow 1.6 MMT to 11.9 MMT compared to last season. In Germany, conditions were favorable during planting and in the early growth stages of winter crops.

Notable winter damage was not reported. Therefore, yields are expected to rebound, and despite lower area production is forecast down only slightly to 10.7 MMT. Danish barley production is expected to increase moderately to 4 MMT. However, yields are unlikely to reach the record level achieved in MY2020/21.

Evolution of Barley Yields in EU's Top Producing Member States (MT/Ha)

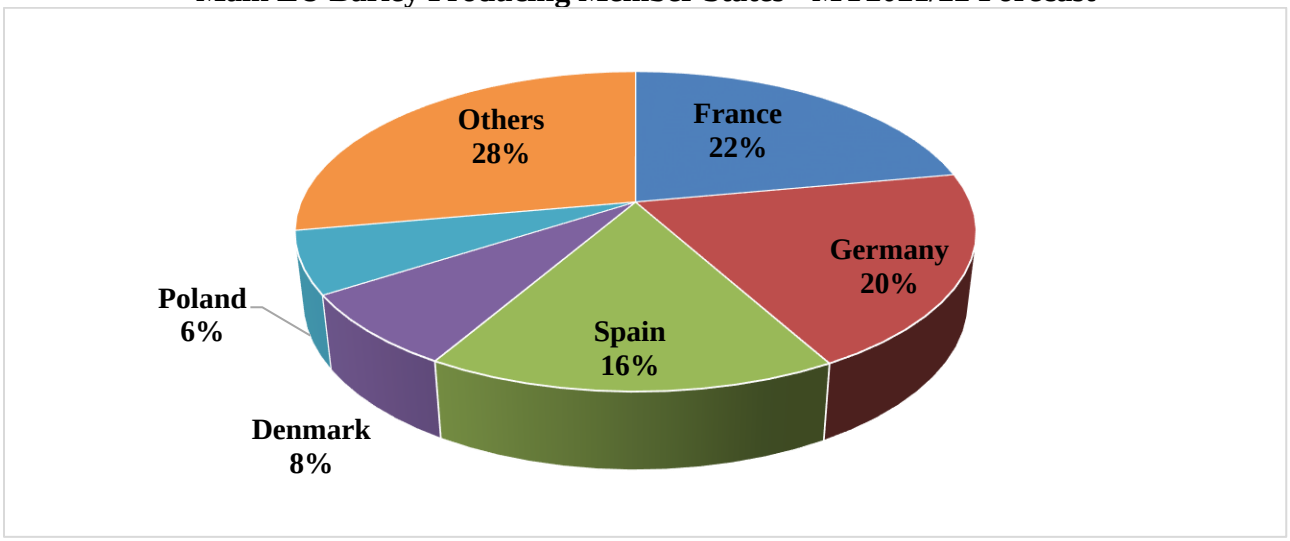


Source: FAS EU Posts.

Aside from the main producers, most EU Member States foresee lower barley production for MY2021/22. For example, in Hungary a slight decrease is expected. There were no reports of frost damage, but grain fields sown late due to rainy weather in October are less developed. Still, the production of some regional neighbors is projected to grow. For Romania, barley production is forecast to recover from the previous year, when a lack of rainfall impacted crops. Higher yields can offset the effect of dry sowing conditions and the slight decline in area. Similarly, in Bulgaria, while dryness in the fall resulted in an area decline, prospects for higher yields are promising. Mild temperatures, sufficient precipitation, and replenished soil moisture reserves helped the resumption of plant development. Nevertheless, late planting may impact yields.

In MY2020/21, the EU's barley production held steady at 55.2 MMT, relatively unchanged from the previous year. Although year-on-year production declined significantly in France, Germany, Romania, and Finland, remarkably high yields resulted in a substantial increase in Spain and Poland. Denmark's production also trended upward.

Main EU Barley Producing Member States - MY2021/22 Forecast

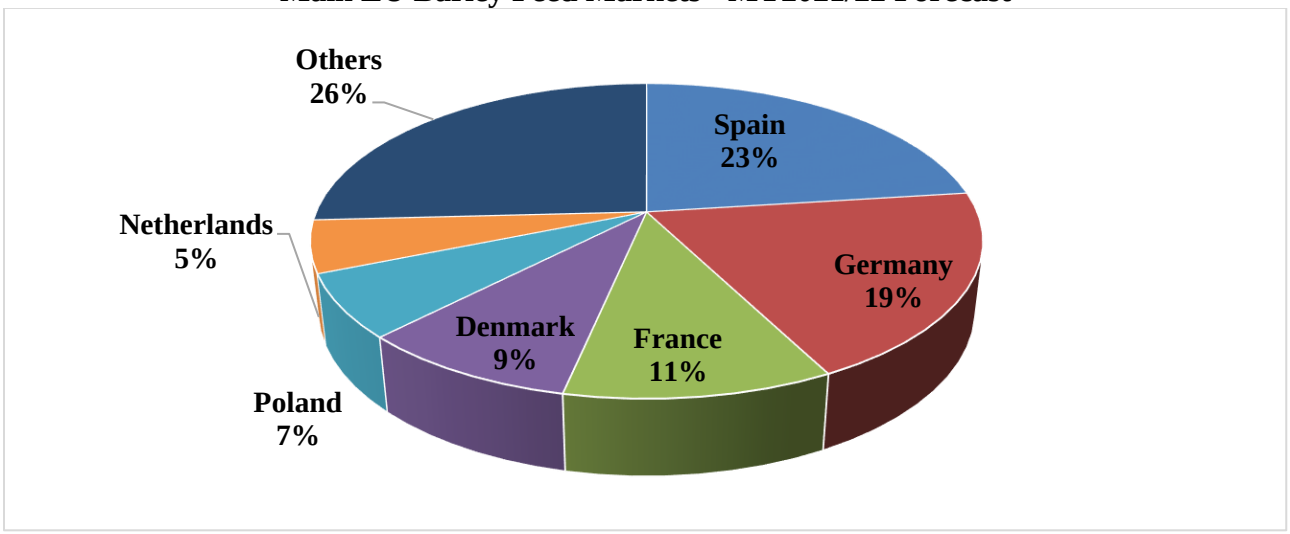


Source: FAS EU Posts.

Consumption

In MY2021/22, total barley consumption is forecast to lower to 49 MMT, following a decrease in feed consumption. As grain prices continue to rise, barley consumption in animal feed is expected to decrease compared to the previous season. The price advantage of barley is eroding due to improved supplies and competition from wheat and corn, the share of which is projected to recover in animal rations at the expense of barley consumption.

Main EU Barley Feed Markets - MY2021/22 Forecast



Source: FAS EU Posts.

As EU countries have begun their vaccination programs against the COVID-19 pandemic, the effect of mass immunization on the market should manifest with a slight recovery in food consumption, the food-service sector, and the brewing industry. However, the spread of new and more contagious variants of the virus and prolonged restrictive measures could temper improvements to market developments.

EU's industrial use of barley is also expected to rise slightly, primarily in the starch industry. Barley utilization in fuel-grade ethanol production depends on the progress and the results of vaccination campaigns, on the easing of COVID-related restrictions, and consequently on the volume of fuel consumption.

In MY2020/21, total EU barley consumption is forecast to rise moderately to 50.1 MMT. Livestock producers in some Member States faced difficult circumstances over the marketing year as main grain prices rose and outbreaks of animal diseases hit the region. As a result of declines in production and supply of livestock products, barley utilization in feed is forecast to fall sharply in France, Germany, and Belgium. By contrast, feed use in Spain is forecast to hit high levels driven by record harvests and a strong demand by the country's export-oriented livestock industry. While China banned pork imports from Germany and Belgium due to ASF infections in their wild boar population, other EU Member States, particularly Spain, the Netherlands, and Denmark filled the gap and amped their pork trade.

As consecutive COVID-19 waves hit Europe, a temporary hike was recorded in the demand for basic food products. On the other hand, the pandemic caused severe recessions in several sectors, such as tourism and HRI sectors, the brewing industry, and transportation. As a result, the food and industrial use of barley is set to decrease in MY2020/21.

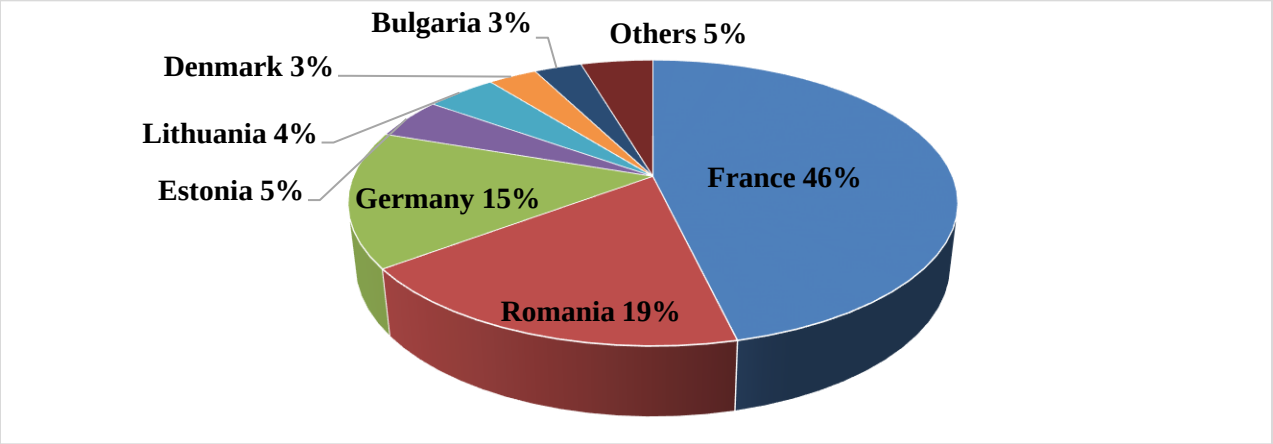
Trade

EU barley imports in MY2021/22 are projected to fall 0.15 MMT to 1.3 MMT, despite lower regional production and availability in main trading partners due to increased competitiveness of alternative grains imports. Production in the UK, which became a third country exporter as of January 1, 2021, is projected to decrease in MY2021/22. Main drivers for the decline include reduced area and lower yields after its remarkably good harvests over the past two years. Although Ukraine's barley production is also forecast to recover after a setback, a substantial rebound is not expected in exports destined for the EU. The trade dispute between China and Australia (an 80.5 percent tariff on Australian barley) could provide Ukraine with better opportunities in the Chinese market. In MY2021/22, EU barley exports are also forecast to decrease 0.2 MMT to 6.5 MMT as it is unlikely that France will be able to maintain such a strong export position in the Chinese market as in MY2020/21. The EU, especially France, may also face fiercer competition in markets such as Saudi Arabia, Morocco, Libya, Algeria, and Iran.

In MY2020/21, EU barley imports are estimated to decline nearly 0.4 MMT to 1.45 MMT. Barley production decreased in France, Germany, Romania, and Finland. However, these production declines were offset by substantially higher yields in Spain and Poland, and by good harvests in Denmark. Hence, EU's barley supplies are not expected to change. At the same time, Ukraine's and Moldova's significantly lower production should limit the volume of their exports to the EU. In addition, similar to France, good export opportunities in the Chinese market keep Ukrainian barley prices high and less

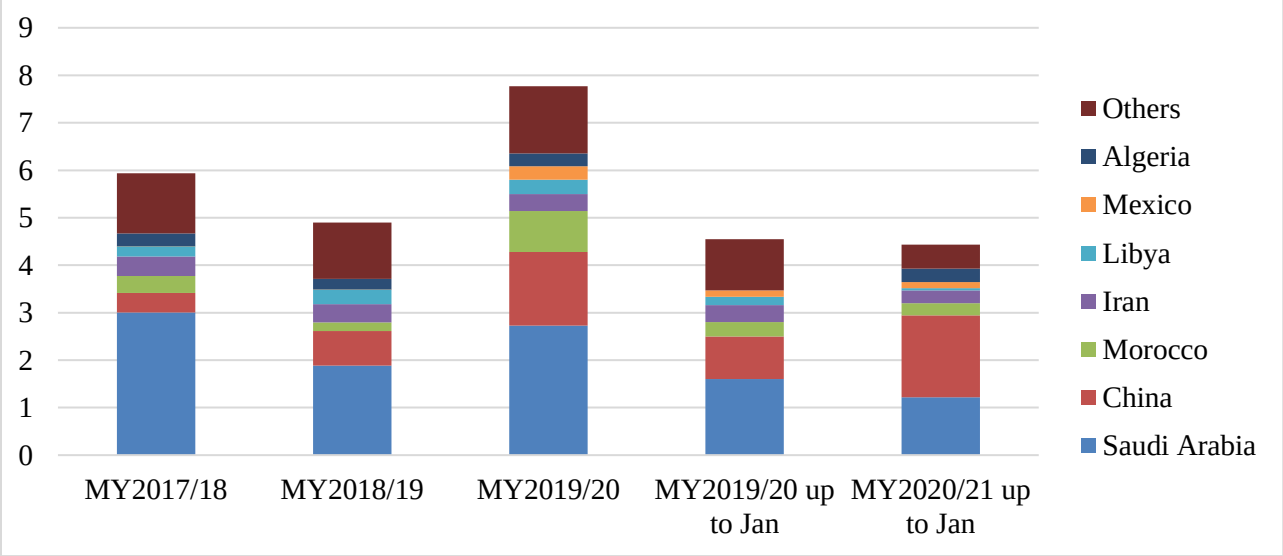
competitive. Therefore, the UK can strengthen its position in the EU. However, the markets in North Africa and the Middle East also provide alternative options for British exporters. EU exports are expected to trend negatively in MY2020/21 and estimated to decrease to 6.7 MMT. Tight stocks, lower supplies, and livestock and feed industries' demand are likely to temper exports. However, as previously stated, France has benefited from the escalated trade dispute between China and Australia since May 2020, when China imposed an 80.5 percent tariff on Australian barley.

Main EU Barley Exporting Member States - MY2021/22 Forecast



Source: FAS EU Posts.

Main Export Destinations for EU Barley (MMT)



Source: Trade Data Monitor LLC.

Stocks

In MY2021/22, ending stocks are expected to remain flat at 5.1 MMT compared to the previous season. Stocks in Spain, Poland, and Hungary are forecast down, while higher volumes are expected in France. In MY2020/21, EU barley stocks are estimated to decrease 0.16 MMT to 5.1 MMT. Significantly higher production should grow inventories in Spain and Denmark. However, the livestock sector's strong demand and the improving export opportunities in the swine and pork industry may prevent an increase in stocks. In France, lower barley production and the robust demand for exports will prompt a steep decline in ending stocks.

Rye

Rye	2019/2020		2020/2021		2021/2022	
Market Begin Year	Jul 2019		Jul 2020		Jul 2021	
European Union	USDA Official EU+UK	New Post EU	USDA Official EU+UK	New Post EU	USDA Official	New Post EU
Area Harvested	2,212	2,207	2,230	2,230		2,200
Beginning Stocks	481	513	657	562		372
Production	8,431	8,357	9,150	9,140		8,350
MY Imports	3	4	5	10		30
TY Imports	1	1	5	10		30
TY Imp. from U.S.	0	0	0	0		0
Total Supply	8,915	8,874	9,812	9,712		8,752
MY Exports	258	262	160	170		120
TY Exports	260	274	160	170		120
Feed and Residual	4,600	4,790	5,500	5,800		5,000
FSI Consumption	3,400	3,260	3,400	3,370		3,260
Total Consumption	8,000	8,050	8,900	9,170		8,260
Ending Stocks	657	562	752	372		372
Total Distribution	8,915	8,874	9,812	9,712		8,752
Yield	3.8115	3.7866	4.1031	4.0987		3.7955
(1000 HA), (1000 MT), (MT/HA)						

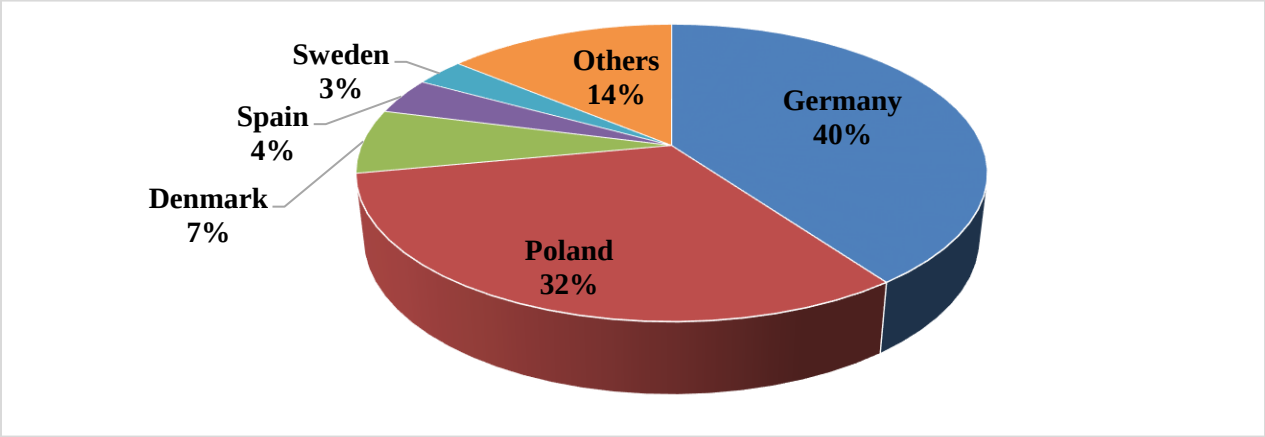
Source: FAS EU Posts.

Area and Production

In MY2021/22, EU rye planted area is expected to decrease 1.4 percent than last season at 2.2 million Ha. In the EU, rye is planted predominantly in sandy, less fertile soils. The main EU rye producing countries are Germany and Poland, which account for over 70 percent of the total EU rye market. The reduction in rye planted area in Poland, Spain, and Denmark is in line with rye price expectations and the abundance of other feed grains. Conversely, Germany's planted area is forecast to increase. However, assuming yields remain at the five-year average and with the forecast for lower planted area, EU rye production is forecast lower at 8.3 MMT for MY2021/22.

In MY2020/21, EU rye planted area increased 1 percent, supported by larger areas in Poland, France, and Romania, which offset declines in other EU Member States. Germany, the leading EU rye producing country, kept planted area stable. In Poland, after two consecutive years with severe droughts and poor harvests, favorable prices were the main driver behind the growing interest in rye cultivation. EU rye production grew 9.4 percent to 9.1 MMT fueled by record levels in some Member States. Polish rye production jumped 26 percent compared to the previous season and reached 3.1 MMT, due to higher yields and a larger planted area. Contrary to official drought forecasts, late spring and summer weather in Poland was very favorable for rye cultivation. In MY2020/21, Germany's rye production grew as yields recovered from heavy drought in MY2019/20. In addition, Spain's yields also reached record levels.

Main EU Rye Producing Member States - MY2021/22 Forecast



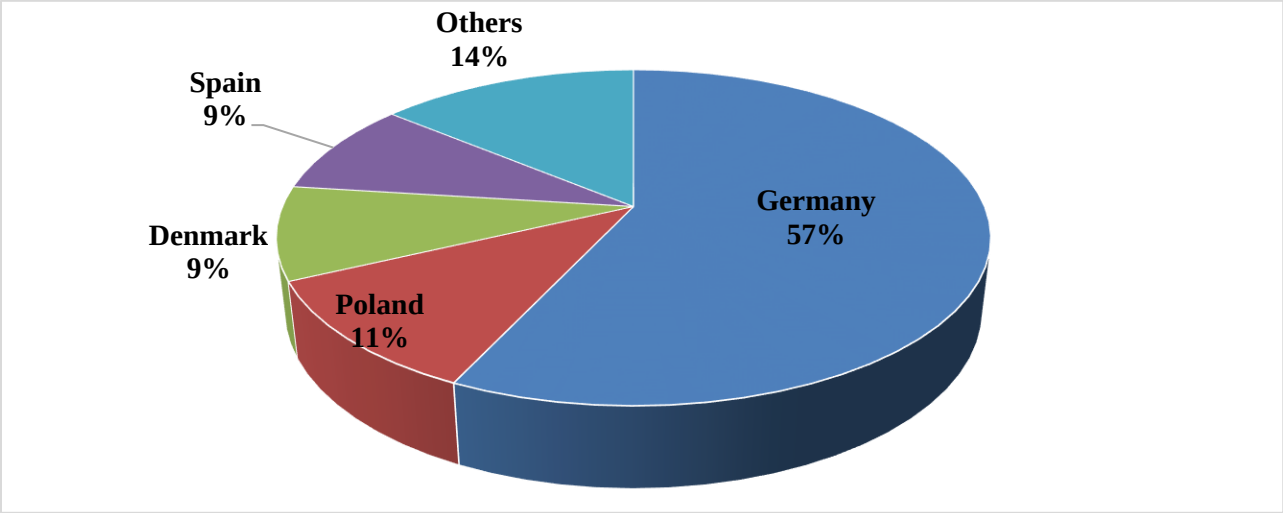
Source: FAS EU Posts.

Consumption

In MY2021/22, rye feed use is projected to decrease 13.8 percent, due to lower availability. Growing competition from wheat and corn in feed formulas will reduce the need for feed rye. Lower on-farm rye feed use in Poland and Germany is expected. Significant reductions in rye feed use are also expected in Denmark and Spain. In MY2020/21, there has been a shortage of many feed grains and oilseed meals which has prompted swine producers to increase rye ratios in feeds, especially in Poland, Germany, Spain, and Sweden.

FSI use is forecast to decrease in MY2021/22, as a consequence of lower industrial use primarily for ethanol in Poland, while Germany's industrial use is expected to stay unchanged. In contrast, in MY2020/21, EU's rye consumption for biofuels increased driven mostly by the main rye consuming countries. EU's rye food use in MY2021/22 is expected to remain stable in all Member States after increasing in recent years. The increase in food use in MY2020/21 can be attributed to changing consumption patterns in favor of rye bread in Poland and Germany.

Main EU Rye Feed Markets - MY2021/22 Forecast



Source: FAS EU Posts.

Trade

EU rye is largely traded within the EU. In the past, the EU used to import some rye from Russia and the Ukraine. However, such imports were negligible during the first six months of MY2020/21 and are not expected to pick up in the coming months. In recent years, the EU has exported between 170,000 MT and 260,000 MT of rye mainly to the United States, Japan, and Israel. Almost 40 percent of EU rye exports to non-EU countries go to the United States. The main EU exporter to the United States is Germany. In MY2020/21, United States remained the primary non-EU destination for German rye.

Stocks

EU rye stocks in MY2020/21 and forecast for MY2021/22 are expected to be lower than in previous seasons. In MY2020/21, high demand for rye in feed use will reduce stocks by the end of the marketing year.

Oats

Oats	2019/2020		2020/2021		2021/2022	
Market Begin Year	Jul 2019		Jul 2020		Jul 2021	
European Union	USDA Official EU+UK	New Post EU	USDA Official EU+UK	New Post EU	USDA Official	New Post EU
Area Harvested	2,550	2,372	2,785	2,570		2,510
Beginning Stocks	391	371	478	300		445
Production	8,030	7,000	9,280	8,300		7,430
MY Imports	8	115	5	50		56
TY Imports	8	100	5	50		56
TY Imp. from U.S.	0	0	0	0		0
Total Supply	8,429	7,486	9,763	8,650		7,931
MY Exports	211	218	190	175		210
TY Exports	230	235	190	175		210
Feed and Residual	5,900	5,600	7,000	6,600		5,950
FSI Consumption	1,840	1,368	1,870	1,430		1,440
Total Consumption	7,740	6,968	8,870	8,030		7,390
Ending Stocks	478	300	703	445		331
Total Distribution	8,429	7,486	9,763	8,650		7,931
Yield	3.1490	2.9511	3.3321	3.2296		2.9602
(1000 HA), (1000 MT), (MT/HA)						

Source: FAS EU Posts.

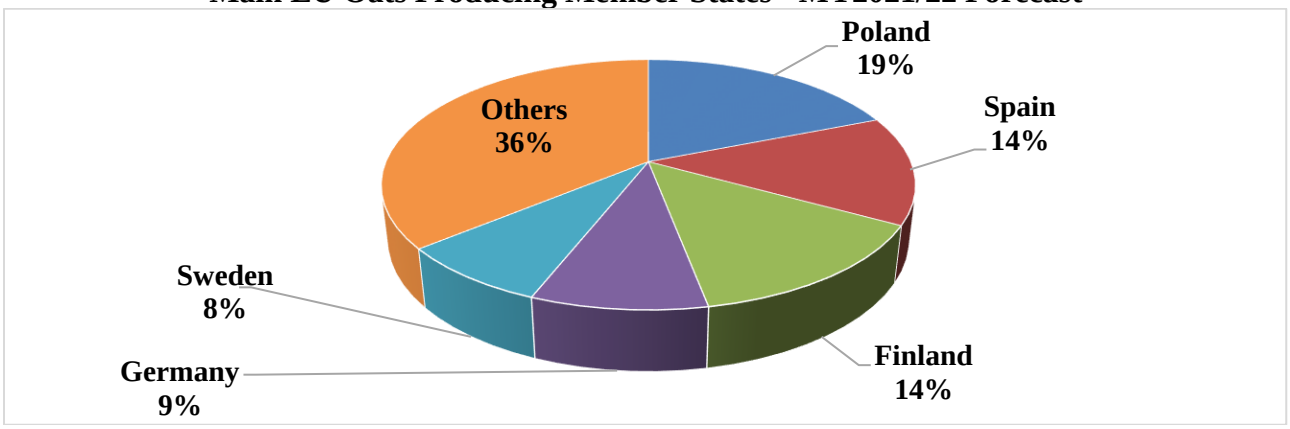
Area and Production

There are five main producers of oats in the EU including Poland, Spain, Finland, Germany, and Sweden. These countries traditionally account for about 65 to 70 percent of EU production. In the EU, oats are planted as spring grain. In MY2021/22, the total EU oats planted area is forecast to shrink 2.3 percent to 2.5 million Ha. The decline in planted areas is mainly a result of decreased farmers' planting decisions in all leading EU producing countries. Spain is an exception as planted area in Spain is expected to stay at the same level as the previous season. In MY2021/22, EU production is forecast to decrease to 7.4 MMT, as lower yields are expected in all major oats producing Member States. In addition, in the Baltic Countries (Lithuania, Latvia, and Estonia), oats production is expected to normalize after hitting record yields during the previous season. The Nordics (Sweden, Finland, Denmark) oats production is also forecast to be a bit smaller due to lower acreage. The weather conditions for oat plantings have been beneficial, with moderate temperatures and rainfall. It is worth noting that there is a long-term structural increase in oats production in the Nordics. In some EU countries, production of oats will increase in MY2021/22. However, it should not be large enough to compensate for the forecasted lower yields in the major oats-producing countries.

In MY2020/21, EU oats planted area recovered to nearly 2.6 million Ha compared to the previous season. Severe drought conditions during MY2019/20 were extremely unfavorable for coarse grain plantings in all main producing countries. Romania was the only country with significantly smaller area planted to oats. In MY2020/21, EU oats production reached record levels, mostly due to a larger planted

area and much better yields, driven by favorable weather conditions during the vegetation period. Large crops in Spain, Poland, Germany, and Sweden contributed to the total record level growth.

Main EU Oats Producing Member States - MY2021/22 Forecast



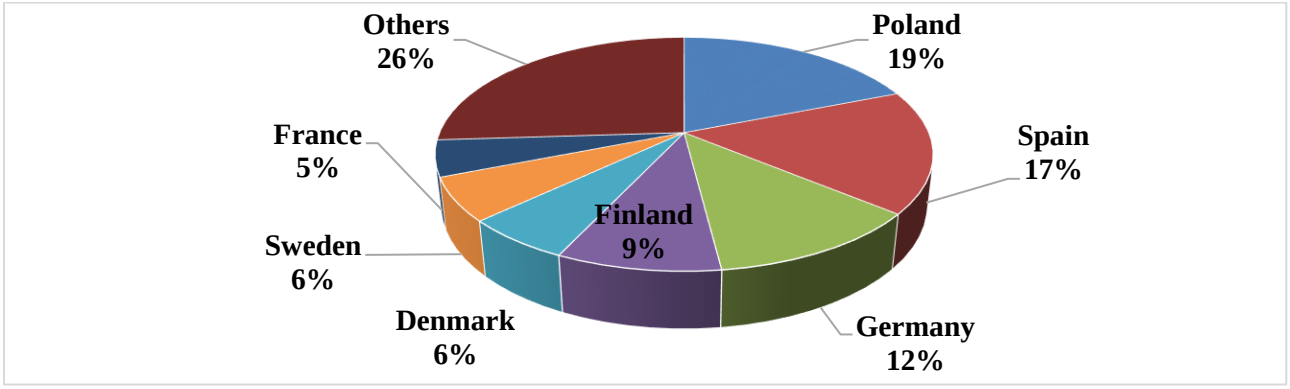
Source: FAS EU Posts.

Consumption

Eighty percent of EU oats production is used for feed, used primarily on-farm. In MY2021/22, total EU oats consumption is forecast to diminish 8 percent to 640,000 MT. Feed use will decline in line with a lower crop. In MY2021/22, FSI use is forecast almost static. Usage for the production of bioethanol and biogas is forecast to remain steady at around 60,000 MT. EU's oats food use is forecast to increase slightly, especially in Romania and Bulgaria. In the Nordics -Sweden, Finland, and Denmark, - where demand for domestically grown food products is consolidating, oats food use also has opportunities to expand.

In MY2020/21, EU total oats consumption increased compared to the last season and in line with higher production. Lower availability of feed wheat, barley and corn, spurred demand and leveraged prices for feed oats, rye, and mixed grains. In addition, the COVID-19 pandemic influenced human consumption patterns and increased oat consumption. Demand for healthy non-perishable foods is currently higher than in previous years.

Main EU Oats Feed Markets - MY2021/22 Forecast



Source: FAS EU Posts.

Trade

EU oats are traditionally traded mostly within the EU. Export volumes to non-EU countries usually originate from Latvia, Finland, and Sweden. Third country destinations are mainly South Africa, the United States, and Switzerland. However, depending on the year, there are also other non-EU countries. During the first half of MY2020/21, Algeria imported 22 percent of total EU global oat exports. In recent years, EU oat exports to the United States and South Africa have shown substantial fluctuation. In MY2019/20, the EU exported 26 percent of its oats production to the United States. In the first half of MY2020/21, the EU has not had any deliveries to the United States. However, after Brexit, exports to the UK show as a non-EU export destination.

Stocks

Due to lower forecast production, a decline in ending stocks is expected for MY2021/22, mostly in Germany. MY2020/21 ending stocks are expected higher than in the previous year but could be significantly lower than the six-year average.

Mixed Grains

Mixed Grains	2019/2020		2020/2021		2021/2022	
Market Begin Year	Jul 2019		Jul 2020		Jul 2021	
European Union	USDA Official EU+UK	New Post EU	USDA Official EU+UK	New Post EU	USDA Official	New Post EU
Area Harvested	3,979	3,927	4,000	3,940		3,990
Beginning Stocks	517	423	658	599		512
Production	14,691	14,531	15,650	15,483		15,103
MY Imports	0	0	0	0		0
TY Imports	0	0	0	0		0
TY Imp. from U.S.	0	0	0	0		0
Total Supply	15,208	14,954	16,308	16,082		15,615
MY Exports	0	0	0	0		0
TY Exports	0	0	0	0		0
Feed and Residual	12,800	12,610	13,900	13,820		13,360
FSI Consumption	1,750	1,745	1,850	1,750		1,755
Total Consumption	14,550	14,355	15,750	15,570		15,115
Ending Stocks	658	599	558	512		500
Total Distribution	15,208	14,954	16,308	16,082		15,615
Yield	3.6921	3.7003	3.9125	3.9297		3.7852
(1000 HA), (1000 MT), (MT/HA)						

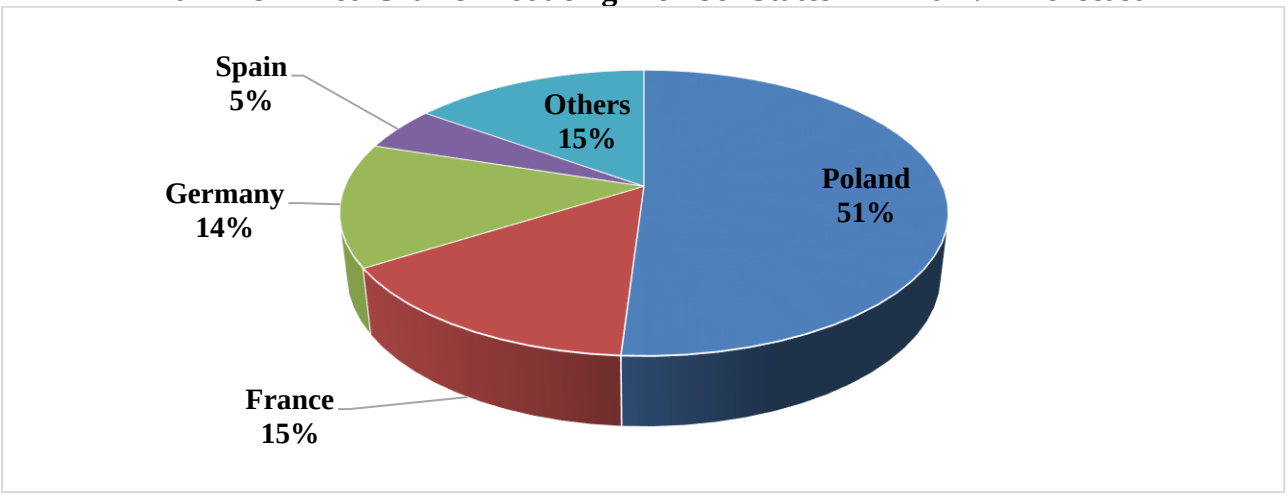
Source: FAS EU Posts.

Figures for EU mixed grain include triticale, and the threshed, dry seeds of wheat, barley, corn, oats, rye, and sorghum grown and harvested on the same field. Triticale is planted mostly as a winter grain, and to a lesser extent, also as a spring grain. The majority of mixed grains are planted in spring. Triticale is more profitable for farmers and gives better yields per hectare. A long-term tendency in the EU is the gradual replacement of mixed grains by triticale. Triticale mostly replaces wheat on less fertile soils, but that are still too good for planting rye. The figures in this report represent the sum of triticale, and mixed grains, referred together as "mixed grains." Poland is by far the main producing country followed by Germany and France. These three countries combined account for around 80 percent of the total EU production.

For MY2021/22, the EU mixed grain area is projected to expand to almost 4 million Ha. Planted area is expected to remain stable in Poland and Germany, while it is forecast to increase in France, Spain, and Hungary. However, planted area in Lithuania is forecasted to decrease. Anticipating a lower hog production, this year, Lithuanian farmers are expected to reduce the mixed grain planted area. EU MY2021/22 mixed grains production is forecast to be 9 percent lower compared to the record last year. The good condition of winter crops gives hope for high yields and good harvest in Poland, France, and Germany. In France, larger crops, following increased area and yields, could partially compensate for the stable or reduced area in other countries. In Spain, crop prospects for MY2021/22 remain positive, although still dependent on spring weather. Thus far, plants remain in excellent conditions. Should spring weather prove favorable, Spain could also have another large mixed grain crop for a second consecutive season.

In MY2020/21, Polish mixed grain production reached record levels, accounting for over 50 percent of the entire EU mixed grains production. In Poland, warm, sunny, and mostly dry weather in late spring, coupled with beneficial rains in June 2020 created ideal conditions for triticale and other mixed grains for MY2020/21. Favorable weather conditions during plant growth and dry conditions during the harvest boosted yields and grain quality. Yields achieved in 2020 were extremely good.

Main EU Mixed Grains Producing Member States - MY2021/22 Forecast



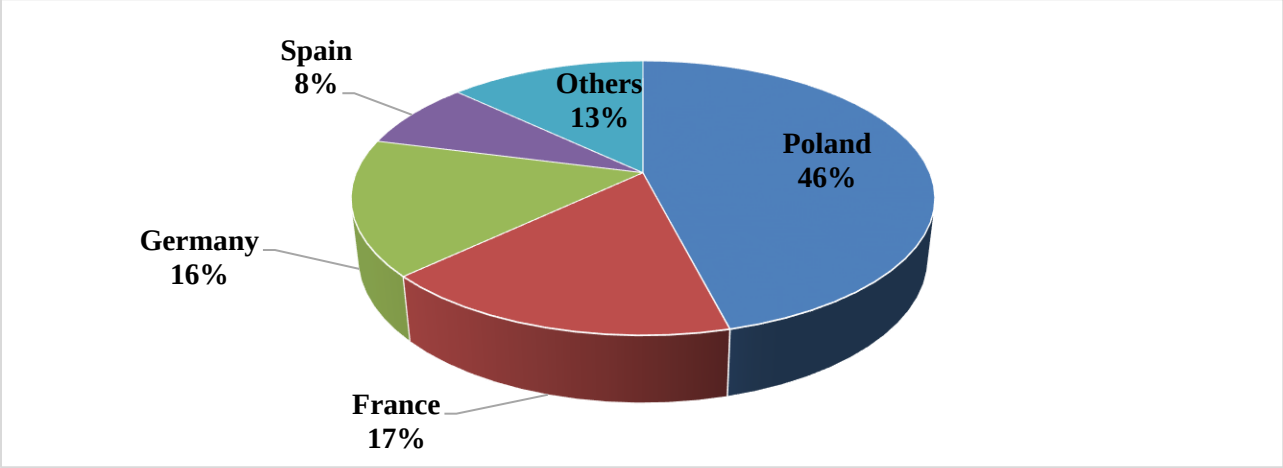
Source: FAS EU Posts.

Consumption

About 90 percent of EU mixed grains production is used for feed. In MY2021/22, feed use is forecast to diminish in line with lower availability. In MY2020/21, on-farm feed use increased following the abundant crop. There is a growing preference to feed triticale to livestock over other mixed grains due to its higher nutritional value, which supports higher triticale production and lower mixed grains production.

Industrial use for bioethanol and biomethane is the main component of FSI. The use of mixed grains and triticale as an ethanol feedstock is relatively small and accounts for just 6 percent of the EU use. Industry demand in MY2021/22 and the current MY2020/21 is forecast to remain stable. Mixed grains and triticale are not used for human consumption.

Main EU Mixed Grains Feed Markets - MY2021/22 Forecast



Source: FAS EU Posts.

Trade

There is no trade with non-EU countries in mixed grains. A small volume is exported from Poland within the EU, mainly to Germany for feed use.

Stocks

Mixed grains are used by farmers for their day-to-day needs. Stocks are used up systematically throughout the year, so end-of-year stocks are usually small. Accordingly, it is expected that MY2021/22 end stocks will be comparable to the previous year.

Sorghum

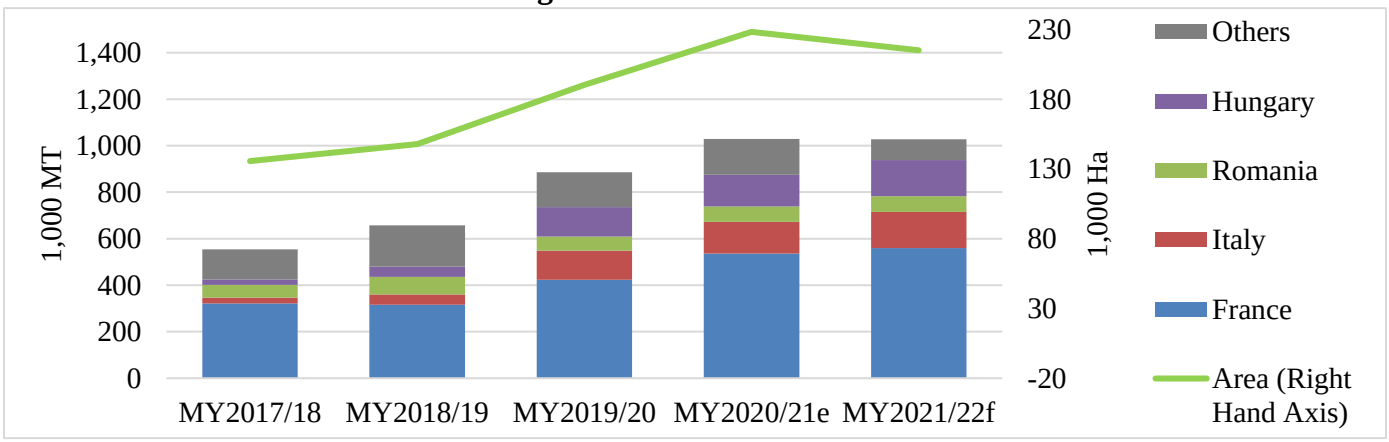
Sorghum	2019/2020		2020/2021		2021/2022	
Market Begin Year	Jul 2019		Jul 2020		Jul 2021	
European Union	USDA Official EU+UK	New Post EU	USDA Official EU+UK	New Post EU	USDA Official	New Post EU
Area Harvested	160	190	200	230		226
Beginning Stocks	100	100	102	33		34
Production	848	1,023	1,010	1,200		1,235
MY Imports	85	85	50	20		60
TY Imports	90	90	50	20		60
TY Imp. from U.S.	2	2	0	0		0
Total Supply	1,033	1,208	1,162	1,253		1,329
MY Exports	3	15	2	6		4
TY Exports	3	16	2	6		4
Feed and Residual	900	1,132	1,050	1,190		1,260
FSI Consumption	28	28	22	23		26
Total Consumption	928	1,160	1,072	1,213		1,286
Ending Stocks	102	33	87	34		39
Total Distribution	1,033	1,208	1,162	1,253		1,329
Yield	5.3000	5.3842	5.0500	5.2173		5.4646
(1000 HA), (1000 MT), (MT/HA)						

Source: FAS EU Posts.

Area and Production

Compared to other grains, EU sorghum planted area is small. France, Italy, and Romania are the EU's major sorghum producers. These three countries combined account for over 80 percent of the EU's sorghum area. The anticipated area decline in France is only partially compensated by larger plantings in Hungary. Driven by demand from other EU Member States, area planted to sorghum in Hungary has trended upward since 2018. Additionally, farmers in southeast Austria have started planting sorghum as an alternative to corn in their crop rotation for pest management purposes. EU sorghum production ranges from 0.5 and the record high of 1.2 MMT achieved in 2020. Improved yields should secure a slightly larger EU sorghum production in MY2021/22.

EU Sorghum Area and Production



Source: FAS EU Posts.

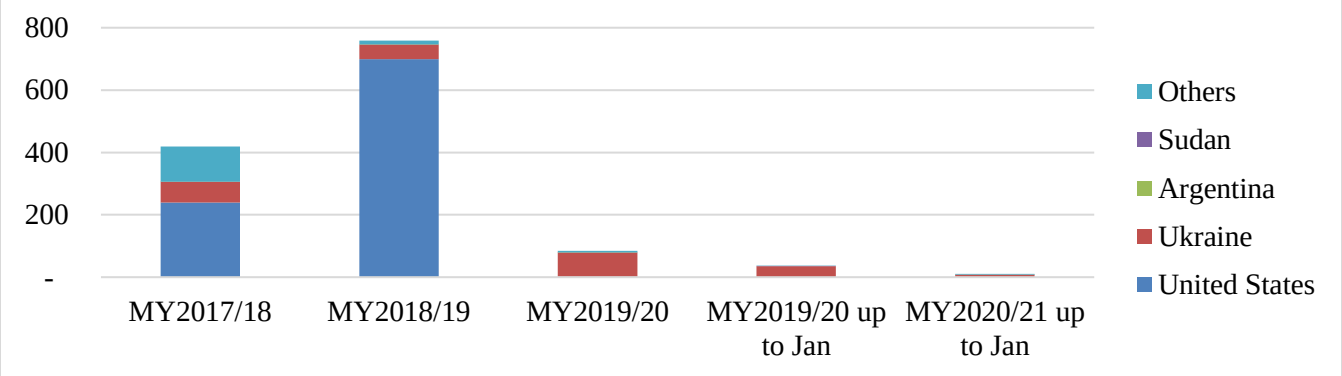
Consumption

While sorghum share in the EU feed mix is still low (less than 1 percent on average years), the expansion in domestic production is helping expand its use in feed.

Trade

Since MY2007/08, when tight global feed grain supply triggered interest in affordable alternatives, EU feed compounders and biofuel processors started utilizing sorghum in their feed and biofuel processes. This fueled EU sorghum imports to nearly 6 MMT. Ever since then, imported volumes of sorghum have been sporadically present in subsequent years when conditions proved favorable (i.e. tight feed supplies, discounted price compared to corn, and favorable transport logistics like in MY2010/11, or when China imposed duties on U.S. sorghum in MY2018/19). With Spain as the lead importing country, imports of sorghum originate mainly from the United States. However, other suppliers, such as Ukraine, continue gaining market share, benefiting from logistical synergies with imports of other feed grains. In MY2020/21, China´s sorghum purchases will discourage EU imports of sorghum as a discount against corn is needed to enter the feed formula.

Main Sorghum Suppliers to the EU (1,000 MT)



Source: Trade Data Monitor, LLC.

Section III. Rice

Rice	2019/2020		2020/2021		2021/2022	
Market Begin Year	Sep 2019		Sep 2020		Sep 2021	
European Union	USDA Official EU+UK	New Post EU	USDA Official EU+UK	New Post EU	USDA Official	New Post EU
Area Harvested	416	416	420	420		423
Beginning Stocks	1,189	1,189	1,244	1,249		1,206
Milled Production	1,985	1,985	1,962	1,962		1,990
Rough Production	2,860	2,885	2,827	2,840		2,902
Milling Rate ,9999) units	6,940	6,880	6,940	6,908		6,857
MY Imports	2,441	2,003	2,400	2,000		2,025
TY Imports	2,409	1,993	2,450	1,990		2,015
TY Imp. from U.S.	43	24	0	23		24
Total Supply	5,615	5,177	5,606	5,211		5,221
MY Exports	311	528	315	535		540
TY Exports	319	543	315	545		550
Consumption and Residual	4,060	3,400	4,140	3,470		3,500
Ending Stocks	1,244	1249	1,151	1,206		1,181
Total Distribution	5,615	5,177	5,606	5,211		5,221
Yield (Rough)	6.8750	6.9351	6.7310	6.7619		6.8605
(1000 HA), (1000 MT), (MT/HA)						

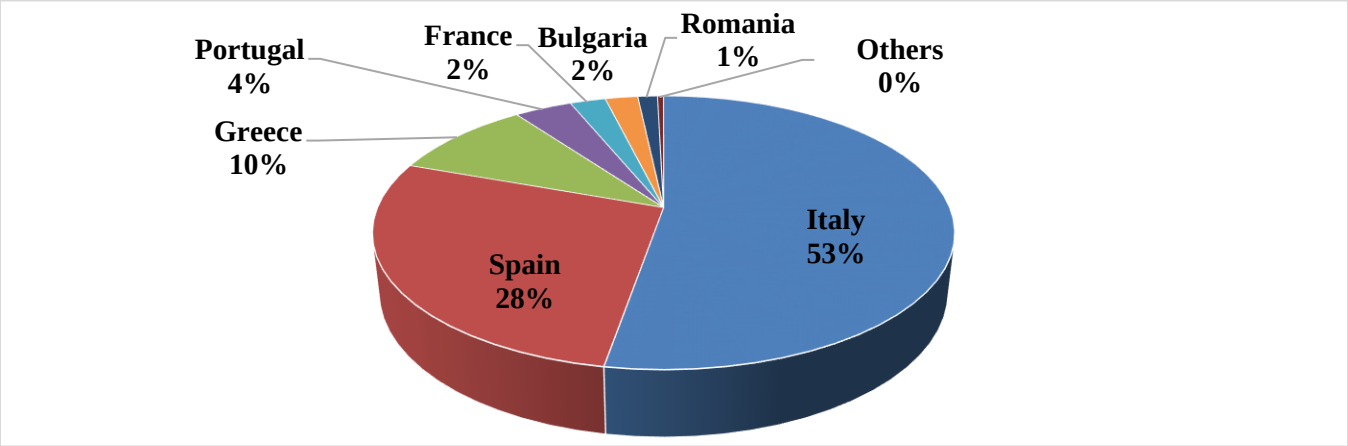
Source: FAS EU Posts.

Area and Production

EU rice area is concentrated in the southern Member States, namely Italy, Spain, Greece, Portugal, France, Bulgaria, Romania, 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. In MY2021/22, EU rice planted area is forecast to continue its upward trend driven by increases in Italy and Portugal, while leveling-off in Spain. EU rice production is forecast to slightly increase in MY2021/22, driven by higher volumes in Italy, Greece, Portugal, Bulgaria, and Romania, despite the stable production forecast in Spain. Note that as of the drafting of this report, most of the rice in the EU has not been yet planted. Thus, these forecasts are based on farmer's planting intentions.

Italy is by far the largest rice producer in the EU, accounting for approximately 53 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 81 percent of rice varieties grown in Italy are Japonica while the rest of the varieties 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. Spain is the second largest rice producer in the EU, accounting for approximately 28 percent of production. The main Spanish producing regions are Andalusia, Extremadura, Valencia, Cataluña, Aragon, and Navarra.

Main EU Rice Producing Member States - MY2021/22 Forecast



Source: FAS EU Posts.

Consumption

EU rice consumption is trending upwards. While European households stockpiled rice in March and April 2020 in response to the COVID-19 lockdown, the flow of goods normalized in subsequent months. Nevertheless, the pandemic has altered consumption patterns and marginally increased household purchases of rice. There is a traditional affinity for Japonica varieties in rice producing Member States particularly 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 (i.e. Basmati, wild rice blends, brown rice, glutinous rice, or starchy rice), and ready-to-eat rice portions keeps growing as consumers continue 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.

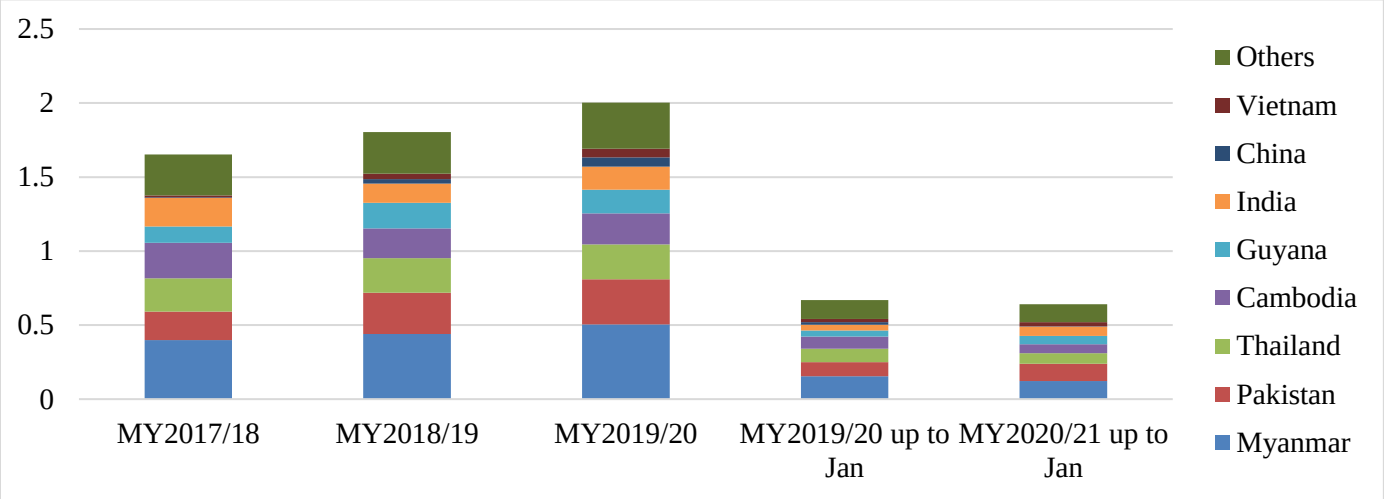
Trade

Despite the uncertainty surrounding the lingering economic impact of COVID-19, EU rice imports are forecast to rise slightly in MY2021/22, driven by increased demand. Myanmar, Pakistan, Thailand, and Cambodia are expected to remain EU's leading rice suppliers. The restoration of EU import duties on Indica rice from Myanmar and Cambodia in January 2019 resulted in a change of the type of rice imported rather than a decrease in total non-EU rice imports. Husked rice japonica imports have been increasing as only white rice Indica is affected by the increased duties.

Effective June 22, 2018, the EU is retaliating against various U.S. exports in response to U.S. Section 232 tariffs on EU aluminum and steel. Hence, U.S. rice is subject to a 25 percent *ad valorem* retaliatory duty. Nevertheless, the impact of the duties on U.S. rice exports to the EU was small as these exports target high-end customers, like sushi restaurants. The slowdown in HRI activity is seen as the main driver for the decline in U.S. rice imports in 2020, cushioned by the COVID-19 related rise in food delivery services demand. For additional information on regulations affecting rice, please see the Policy Section at the end of this report.

In MY2021/22, EU rice exports are forecast to rise slightly due higher rice supplies. The UK is forecast to be the main non-EU rice export destination, followed by Turkey.

Main Rice Suppliers to the EU (MMT)



Source: Trade Data Monitor, LLC.

Stocks

Higher consumption and exports are forecast to result in slightly lower rice ending stocks in MY2021/22.

Section IV. Policy

The COVID-19 crisis, the EU Green Deal, Common Agricultural Policy reform (CAP), and Brexit, have consumed agricultural EU policy makers in Brussels. The COVID-19 crisis shaped EU policy making and politics with concerns over resilient supply chains. These concerns influenced the EU Green Deal's agri-food vision under the Farm to Fork and Biodiversity strategies and sparked debates over CAP reform.

The European Green Deal plans to make the EU's economy sustainable by turning climate and environmental challenges into opportunities that boost the efficient use of resources. Its chief goal is for the EU to be climate neutral by 2050. The EU Commission also aims to work with international partners to improve global environmental standards. The agri-food strategies within the Green Deal include the Farm to Fork (F2F) and the EU Biodiversity Strategy for 2030. These aim to fundamentally change the way agriculture operates and how food is produced for, and provided to, EU consumers. The announcement of the two Strategies on May 2020 marks the beginning of a multi-year legislative development and negotiation process. Key aspects of the two Strategies include: reducing pesticide use, a variety of new labeling initiatives, increasing organic production and marketing, supports to domestic production of plant protein for animal feed and meat-consumption substitution, animal welfare initiatives, and strengthening efforts to combat global deforestation. The F2F and Biodiversity Strategies' proposals on pesticides will also be supported through non-legislative actions, such as

guidance documents and enhanced implementation of existing regulations, as outlined in the "REFIT" report the Commission also released in May 2020.

The Farm to Fork Strategy

The F2F Strategy highlights 27 actions aimed to transform the way EU food is produced, processed, transported, presented, and sold. The full Strategy is available here. The Commission identified these actions to further the Green Deal goals, reducing greenhouse gas emissions and pursuing economic growth decoupled from resource use. The F2F Strategy seeks to position the EU's food systems on a more sustainable path. At the production level, the Commission proposes actions to reduce the overall use and risk of chemical pesticides by 50 percent by 2030 as well as the reduction of the use of fertilizers by at least 20 percent among other cuts. Additionally, the Commission set a goal that 25 percent of agricultural lands should be used for organic farming, up from the current 8 percent.

For additional information on Green Deal pesticide use reduction proposals including improved collection of pesticide use statistics and proposed revision of existing pesticide legislation, see GAIN report: Pesticides Initiatives in the EU Farm to Fork Strategy.

Biodiversity Strategy

The EU Biodiversity Strategy provides a broad focus on nature conservation and tackling biodiversity loss in the EU and globally. The two main pesticide reduction initiatives presented in F2F are emphasized in the Biodiversity Strategy and complemented by the Biodiversity Strategy's pledge to review and possibly revise the EU 2018 Pollinators Initiative. The Biodiversity Strategy also aims for further soil and nature conservation by setting aside a minimum of 10 percent of the existing agricultural area into higher biodiversity landscape features, such as buffer strips and rotational and non-rotational fallow land. The Commission's proposed conservation measure is nested within the over-arching target of the Biodiversity Strategy to protect 30 percent of all EU land.

As part of the European Green Deal, the Commission has announced a legislative proposal to be published by mid-2021 to combat deforestation and forest degradation linked to agriculture. The Commission is currently carrying out an impact assessment but has already identified soy and corn as commodities that could be in the scope of the future legislative proposal. This upcoming legislative proposal will impact imports of grains in the EU and may impact global trade flows, especially with regards to corn as EU importers will have to purchase products that comply with the new EU requirements.

Common Agricultural Policy Reform

Established in the 1958 Treaty of Rome, the CAP continues to be the EU's principal agriculture sector legislative framework; it currently supports approximately 10.5 million farms and thousands of rural communities across the EU. At the July 2020 European Council summit, EU heads of state and government allocated €344 billion for the CAP under the 2021-2027 Multiannual Financial Framework. Comprising 32 percent of the overall 2021-2027 budget, the CAP is split into two pillars. The first

accounts for about 78 percent of the total budget providing direct payments to farmers; the second funds member state rural development projects and programs.

Every five-seven years, the Commission begins multi-year stakeholder consultations on the next CAP, adjusting the framework to social and political priorities and gradually modifying the way farming operates in the EU. The Commission drafts the initial CAP proposal, which is provided to the European Parliament (EP) and Council who deliberate and vote to accept or amend the Commission's proposal. Agricultural sector stakeholder consultations for the current CAP proposal began in 2018. Portugal, who currently heads the Presidency of the EU Council hopes to achieve a trilogue agreement (Parliament, Council, and Commission) on the CAP before the end of its term in June 2021.

EU Restrictions on the Use of Neonicotinoids

As of December 2013, the EU has prohibited the use of three neonicotinoids (clothianidin, imidacloprid, and thiamethoxam) on crops attractive to honeybees. In May 2018, the Commission further restricted the use of neonicotinoids except for the application in permanent greenhouses in the EU and banned a fourth one (thiacloprid) in January 2020. This means that the EU has banned four out of five neonicotinoid pesticides (chemically comparable to nicotine), which were previously licensed in Europe. For additional information see GAIN Report on the Implications of Restricted Use of Neonics in the EU.

Upcoming Reviews for MRLs

The Commission put forward a proposal to lower the Maximum Residue Levels (MRLs) for clethodim to the limit of detection (LOD) or default level, which was adopted in February 2021, at the Standing Committee on Plants, Animals, Food and Feed. This will impact MRLs for future U.S. exports of corn to the EU as well. For additional information, please consult USEU FAS website on Early Alert.

Glyphosate

The active substance glyphosate is approved for use at the EU level and is set to expire on December 15, 2022. Its renewal procedure is currently ongoing, and its last reauthorization was limited to five years instead of the more typical 10-15 years. Although, the substance is still approved at the EU level, some Member States are banning its sales or restricting its use in plant protection products at the national level, such as Luxembourg, Austria, Germany, France, the Netherlands and Belgium.

Despite the restrictions, the EU MRLs for glyphosate remain in place in these Member States. At the time of this report, impact on trade has been limited as there are no restrictions on imported products that are treated with products containing glyphosate. However, some Member States may be under political pressure to restrict imported products containing glyphosate because some EU farmers are not allowed to use the substance.

Agricultural Biotechnology

Commercial cultivation of GE crops in the EU is limited to one percent of the EU's total corn area (102 thousand hectares of GE corn in Spain and Portugal). Since 2015, nineteen EU countries have "opted out" of GE crops cultivation for all or part of their territories under Directive (EU) 2015/412.

Bt corn produced in the EU is domestically used as animal feed. Spain and Portugal's feed grain elevators do not keep separate production lines for GE and non-GE corn as practically all marketed feed contains GE soybean as a source of protein, and consequently it is labeled by default as "contains GE products." The corn processing industry uses GE-free corn for production that is intended to enter the food chain, in many cases sourced through identity preserved programs.

Every year, the EU imports between 12 to 25 million MT of corn and corn-processing byproducts (GE and non-GE). The share of EU imported GE corn is estimated at just over 20 percent for corn. Over the past 10 years, on average, the United States represented 5 percent of total EU imports of corn. The beginning of GE corn plantings in the United States in 1998 resulted in a drastic decline in U.S. exports to the EU. This is due to the lag of GE traits approved in the EU compared to approvals in the United States (asynchronous approval), the lack of a low-level presence policy in the EU, and more recently, EU retaliatory tariffs on U.S. corn due to U.S. Section 232 Safeguard Measures on EU steel and aluminum. For additional information, see the latest GAIN Report on the situation of Biotechnology and Other New Production Technologies in the EU.

Brexit

The United Kingdom (UK) officially left the European Union on January 31, 2020. The transition period, in which the UK was expected to comply with EU rules and legislation ended on December 31, 2020. During this transition period, both parties negotiated a Trade and Cooperation Agreement (TCA) on its future relationship, which was only concluded on December 24, avoiding a no deal outcome (hard Brexit). The European Commission published a specific guide, as well as for import licenses on the EU Tariff Rate Quotas (TRQ).

EU Import Policy

The EU limits the entry of lower priced grains from non-EU countries through a system of import duties and quotas. Under the WTO Uruguay Round Agreement, all import quotas and variable levies applied to EU imports of grains and processed grains were fixed or 'tariffied' and subsequently reduced by 36 percent over the six-year period of July 1, 1995 to June 30, 2001. However, under the Blair House Accord concluded between the United States and the EU in 1993, it was agreed that the difference between the grains import price (Cost Insurance Freight [CIF] duty paid in Rotterdam) and the EU's intervention price could not be greater than 55 percent. The EU then developed a system where duties were set on the basis of separate reference prices for six grain types, and applied to imports of high-quality wheat, durum wheat (high quality), durum wheat (medium quality), maize (corn), flint corn, rye, and sorghum. The resulting duty has been set at zero Euro/MT for the above-mentioned grains since

the August 27, 2020. The references considered a for duties calculation and a sample of duty calculation are as follows:

Reference used for calculating import duties

Type of Grain	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
Corn	U.S. yellow corn No. 3	Chicago Mercantile Exchange
Flint corn	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)

Grain	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)
Corn	Chicago yellow corn No. 3	157.03	68.46	16.20	15.56	100.22	56.81
Note: Reference price = EU intervention price is 1.55 times Euro 101.31							

Details on quotas available for grains imports to the EU are outlined in the table below.

EU Grain Import Quotas Available

Product	Quantity (MT)	Period	Origin	In-Quota Duty (€/MT)
Common Wheat	572,000	Jan – Dec	United States	12 (vs. 95 outside quota)
Common Wheat	100,000	Jan – Dec until 2023	Canada	0 (vs. 95 outside quota)
Common wheat	2,371,600 I) 1,185,800 II) 1,185,800	I) Jan-Jun II) July-Dec	Third countries, other than U.S. and Canada	12 (vs. 95 outside quota)
Common wheat	129,577	Jan-Dec	All	12 (vs. 95 outside quota)
Common wheat and products	1,000,000	Jan-Dec 2021	Ukraine	0 (vs. 95 outside quota)
Corn	277,988 I) 134,994 II) 134,994	I) Jan-Jun II) July-Dec	All	0 (vs. EU duty calculated value)
Corn and products	650,000	Jan-Dec 2021	Ukraine	0 (vs. EU duty calculation)
Barley and products	350,000	Jan-Dec 2021	Ukraine	0 (vs. 93 outside quota)
Barley	307,105	Jan-Dec	All origins	16 (vs. 93 outside quota)
Malting barley	50,890	Jan-Dec	All origins	8 (vs. 93 outside quota)

Source: Commission Implementing Regulation (EU) 2020/761, Commission Implementing Regulation (EU) 2020/1988, and Commission Implementing Regulation 2014/416.

Actual quantities of grain traded, based on the European Commission's DG TAXUD surveillance, are published on a weekly basis on Mondays at 16:00 Brussels time at the Europe website. Import licenses applying to grains subject to TRQs are valid for the current month plus two.

Special Provisions for Maize (Corn) and Sorghum for Spain and Portugal – "Abatimento"

Spain and Portugal accession to the EU resulted in the application of common EU tariff barriers on Spanish and Portuguese imports. It consequently reduced the competitiveness of 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 and Portuguese market. The current agreement applies to 2 million MT of corn and 0.3 million MT of sorghum for Spain, plus a quota of 500,000 MT of corn for Portugal. Amounts are reduced by any quantity of grain substitutes (e.g. starch residues and citrus pulp) imported during the same year. Flint corn is not permitted to be included within these concessions. Regulation 2020/760 has amended the management of this scheme. Since April 1, 2021, the former bidding system was replaced by the automatic fixation of zero duty (TRQ) from April 1 of each year (i.e. the normal import regime would apply from January 1 until March 31).

Intervention Mechanism

Regulation (EU) No 1308/2013 of the European Parliament and of the Council (Common Market Organization) allows the EU to intervene in markets by purchasing grains from farmers and traders at an intervention price of Euro 101.31/MT. 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, durum wheat, barley, corn, and paddy rice. 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.

Guaranteed intervention quantities were reduced to zero MT for corn since MY2009/10, durum wheat since MY2009/10, barley since MY2010/11, and rice since MY2009/10. By reducing the guaranteed intervention quantity to zero, the EU maintains the right to reintroduce intervention if market conditions are considered to be appropriate. 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. While negotiations are ongoing for the new CAP, set for implementation starting January 1, 2023, the mechanism for intervention storage is expected to be maintained.

Exceptional Measures

Articles 219 – 221 of Regulation (EU) 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.

EU Additional duties targeting U.S. grains

EU retaliation on U.S. Section 232 Safeguard Measures on EU Steel and Aluminum: On June 22, 2018, the EU imposed additional tariffs of 25 percent on U.S. corn, semi-milled and milled rice and products in retaliation to U. S. safeguard measures on EU steel and aluminum (Commission Implementing Regulation (EU) 2018/886).

U.S. – EU WTO Cases on Aircraft Subsidies: On November 9, 2020, European Union adopted countermeasures against U.S. exports following the World Trade Organization's ruling that authorized the EU to take such countermeasures against U.S. subsidies to aircraft maker Boeing. The European Commission published Implementing Regulation (EU) 2020/1646 that lays down the list of products affected by a 25 percent additional tariff. The Regulation entered into force on November 10, 2020. Wheat other than durum was listed in the Regulation and hence subject to the additional tariff. On March 5, 2021, the United States and the EU agreed on a four-month suspension on these additional tariffs. However, if no further agreement is found between the two parties before July 10, 2021, the additional tariffs are likely to resume.

Rice – Export and Import Licenses

Exports of rice to countries outside the EU are mostly subject to the issuance of an export license. 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 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 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 application. Security is Euro 1/MT. Current rate of duty is Euro 65/MT.

As mentioned above, in retaliation for U.S. safeguard measures against EU aluminum and steel, the EU imposed additional tariffs of 25 percent on rice imports from the United States.

Related Reports

Title	Date
Grain and Feed Update - Poland	02/17/2021
New Polish Agricultural Commodity Exchange is Operational	01/11/2021
Grain Brief - Croatia	11/18/2020
Grain and Feed Market Update - Bulgaria	11/06/2020
EU Crop Update	11/02/2020
Grain and Feed Market Update - Bulgaria	09/23/2020
Czech Republic Sees Solid Harvest Despite Initial Drought	09/22/2020
EU Eliminates Grain Import Duties	09/03/2020
French wheat crop down almost 25 percent and wheat exports projected to decline	08/05/2020
Persistent Drought Curbs Romanian Wheat Production and Corn Development	07/22/2020
Grain and Feed Market Update - Bulgaria	07/17/2020
Lower Acreage and Production Expectations for Austrian Arable Crops in 2020	07/10/2020
Grain and Feed Update - Poland	07/07/2020
Spain: Perfect Weather Secures a Record Winter Grains Crop	06/01/2020
The Czech Republic Experiencing the Worst Drought in 500 Years	05/22/2020
Another Drought Reduces Romanian Grain Yields	05/14/2020
May Rains Aid Polish Farmers But 2020 Drought Concerns Persist	05/08/2020
Light Rains in Germany Ease Fear of Drought for Now	05/06/2020

Attachments:

No Attachments