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Prepared By: Roswitha Krautgartner, Gellert Golya, Leif Erik Rehder, Mila Boshnakova, Monica Dobrescu, Bob Flach, Jennifer Wilson, Dimosthenis Faniadis, Marta Guerrero, Sophie Bolla and the group of FAS oilseeds specialists in the EU

Approved By: Emily Scott

Report Highlights:

MY 2019/20 is characterized by a very tight rapeseed situation. Total European Union (EU) oilseeds area in MY 2019/20 is forecast to decline by over eight percent primarily due to an 18 percent decrease in rapeseed area, which can only be partially offset by increasing soybean and sunflower area. As a result of an improved return to more average rapeseed yields , production of total oilseeds should not decline as much as acreage. Overall oilseeds and especially rapeseed stocks are expected to be down significantly by the end of the out-year. A shrinking livestock sector and high domestic supply of grains fuel expectations for declining demand and lower feed use of oilseed meals. High olive oil supply is expected to increase the olive oil share in food consumption. A list of those maximum residue levels (MRLs) that are up for review on major oilseeds is included at the end of the report.

Executive Summary:

Coordinator: Roswitha Krautgartner, FAS/Vienna

Seeds

Total EU oilseeds area in MY 2019/20 is forecast to decline by 8.5 percent compared to the previous year. The decline is explained by a significant drop in rapeseed acreage which is only partially offset by increasing acreage of sunflower and soybean. Due to dry sowing conditions in some major rapeseed producing countries, rapeseed acreage declines sharply especially in France and Germany. In Romania, about half of the rapeseed area requires replanting with other crops because of poor germination caused by drought. In contrast, sunflower area is expected to increase in Romania, France, and Bulgaria exceeding lower acreage in Hungary and Italy. The main increase in soybean acreage is forecast to take place in France.

Year-on-year, total EU oilseeds production is forecast to decline by 4.4 percent. Slightly better than expected yields and increased acreage should result in higher soybean output of about four percent. Reduced area but higher, more average yields (compared to the low yields of the previous MY) are expected to result in an eight percent decline of rapeseed production. Following high sunflower yields in MY 2018/19, the prospects for MY 2019/20 are for only slightly higher sunflower production despite increased acreage.

Crush of EU oilseeds is forecast to decline less than overall production. Together with slightly lower imports and minimally higher exports of oilseeds, the tight supply may result in significantly lower ending stocks. Demand for rapeseed meal is good; increased imports and lower crush cannot ease the tight rapeseed situation. Rapeseed stocks are expected to be extremely low by the end of the marketing year, down nearly forty percent. Sunflower crush is trending marginally upwards from an already high level. While demand for sunflower meal and oils is high, crushing of sunflowers may face tighter competition with soybean crush. Soybean imports and crush are anticipated to decline compared to MY 2018/19 but should remain at a high level.

Meals

In line with the lower crush, EU oilseeds meal production is expected to decline by about 2.5 percent. A shrinking livestock sector in 2019 and high domestic supply of grains in MY 2019/20 fuel expectations for declining demand and lower feed use of oilseed meals resulting in a decline of all major oilseed meals in feed ratios. However, soybean meal remains attractive as one of the most important protein sources, especially in the growing poultry sector. The tight rapeseed meal situation may also increase attractiveness of sunflower meal supported by the demand of non-biotech feed.

Oils

Total oilseeds oil production is forecast to decline by about one percent. The anticipated high production of olive oil may partially compensate for other lower oilseeds oil production, mainly rapeseed oil. Total domestic consumption is on a rising trend. The increase in consumption occurs in the food use whereas biofuels use is on a declining trend due to increasing competition from animal fats and recycled oils. High availability of olive oil should increase the share of olive oil within the food consumption significantly. The use of palm oil for biofuels production is on a rising trend due to its increased use for hydrogenated vegetable oil (HVO) production. With the EU recognition of U.S. soybeans as sustainable, the share of soybean oil in biofuels production may also increase. In contrast, rapeseed oil use for biofuels is on a declining trend.

Policy

The EU Renewable Energy Directive (RED) requires all biofuel used in the EU, whether produced in the EU or a third country, to demonstrably meet sustainability criteria through compliance certification. In January 2019, the European Commission recognized the U.S. soy industry's scheme certifying U.S. soybeans compliance. With this recognition, U.S. soybeans can now be used for biofuel production in the EU and count towards RED targets.

In December 2018, the EU published the new Renewable Energy Directive, RED II. RED II sets out a 32 percent binding renewable energy target for the EU for 2030, with an upward revision clause to be revisited in 2023. The target for the transport sector was set at 14 percent and the Directive also sets out a binding 3.5 percent target on non-crop based advanced biofuels by 2030. The EU capped crop-based biofuels at the level consumed in each Member State in 2020, with an additional 1 percent point allowed over present consumption up to an overall cap of 7 percent. RED II also puts in place a freeze on the use of high-risk indirect land use change (ILUC) biofuels at the 2019 levels to phase them out completely by 2030. Only palm oil falls under this definition and will need to be phased out by 2030. Soybean, rapeseed, and sunflower do not fall under this definition.

Introduction

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

This report was a group effort of the following FAS analysts:

Allen Lisa	FAS/USEU Brussels
Audran Xavier	FAS/Paris covering France
Bettini Ornella	FAS/Rome covering Italy
Bolla Sophie	FAS/USEU Brussels
Boshnakova Mila	FAS/Sofia covering Bulgaria
De Belder Tania	FAS/USEU Brussels
Dobrescu Monica	FAS/Bucharest covering Romania
Faniadis Dimosthenis	FAS/Rome covering Greece
Flach Bob	FAS/The Hague covering The Netherlands, Sweden, Finland, and Denmark
Golya Gellert	FAS/Budapest covering Hungary
Guerrero Marta	FAS/Madrid covering Spain and Portugal
Krautgartner Roswitha	FAS/Vienna covering Austria and Slovenia
Lappin Jennifer	FAS/USEU Brussels
Mikulasova Jana	FAS/Prague covering the Czech Republic and Slovakia
Misir Andreja	FAS/Zagreb covering Croatia
Polet Yvan	FAS/USEU Brussels covering Belgium and Luxembourg
Rehder Leif Erik	FAS/Berlin covering Germany
Rucinski Piotr	FAS/Warsaw covering Poland, Estonia, Latvia, and Lithuania
Wilson Jennifer	FAS/London covering the U.K. and Ireland

The FAS EU oilseeds reporting team would like to thank Bill George, Rachel Trego, and Bryan Purcell from FAS/OGA for their valuable input and support.

Abbreviations used in this report

Benelux	Belgium, the Netherlands, and Luxembourg
CAP	EU Common Agricultural Policy
CY	Calendar Year
e	Estimate (of a value/number for the current, not yet completed, marketing year)
EC	European Commission
EFSA	European Food Safety Authority
EU	European Union of 28 member states (Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, France, Finland, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, United Kingdom)
FAS	Foreign Agricultural Service
FQD	Fuel Quality Directive
f	Forecast (of a value/number for the next, not yet started, marketing year)
FSW	Feed, Seed, Waste
GE	Genetically engineered / Genetically Engineered Organisms
GHG	Greenhouse Gas
Ha	Hectares
ILUC	Indirect Land Use Change
LLP	Low Level Presence
MMT	Million Metric Tons
MS	EU Member State(s)
MT	Metric Ton (1000 kg)
MRL	Maximum Residue Level
MY	Marketing Year
NUTS2	Nomenclature of Units for Territorial Statistics level 2 = code for regions within a country
PSA	Private Storage Aid
PPP	Plant Protection Product
RED	Renewable Energy Directive
RSPO	Round Table on Sustainable Palm Oil
SME	Soybean Meal Equivalent
TMT	Thousand Metric Tons
U.A.E.	United Arab Emirates
U.K.	United Kingdom
U.S.	The United States of America

In this report "biofuel" includes only biofuels used in the transport sector. Biomass/biofuel used for electricity production or other technical uses such as lubricants or in detergents are included in "industrial use".

The marketing years used in this report are:

January - December

Copra complex
Palm Kernel complex
Palm Oil
Fish Meal

July-June

Rapeseed complex

October -September

Soybean complex
Sunflower complex
Cottonseed complex
Peanut complex

November - October

Olive Oil

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1. Total Oilseeds

Coordinator: Roswitha Krautgartner, FAS/Vienna

Note: Total oilseeds include different marketing years with different beginning and ending months. Please find details for the specific commodities in the respective sections.

Total Oilseeds – Seeds

Oilseed, Total Oilseeds	2017/2018		2018/2019		2019/2020	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
European Union						
Area Harvested	12364	12397	12416	12436	0	11379
Beginning Stocks	2689	2689	3693	3292	0	3147
Production	34984	35506	32738	33090	0	31647
MY Imports	20060	20072	21640	20950	0	20690
Total Supply	57733	58267	58071	57332	0	55484
MY Exports	1072	1080	840	838	0	846
Crush	48175	49070	48825	48508	0	47228
Food Use Dom. Cons.	1665	1679	1700	1702	0	1722
Feed Waste Dom. Cons.	3128	3138	3133	3117	0	3115
Total Dom. Cons.	52968	53895	53658	53327	0	52065
Ending Stocks	3693	3292	3573	3147	0	2573
Total Distribution	57733	58267	58071	57312	0	55484
(1000 HA) ,(1000 MT) ,(MT/HA)						

Please note that numbers for total oilseeds seeds include cottonseed which is not included in oilseeds meals and oils.

Source: FAS Posts

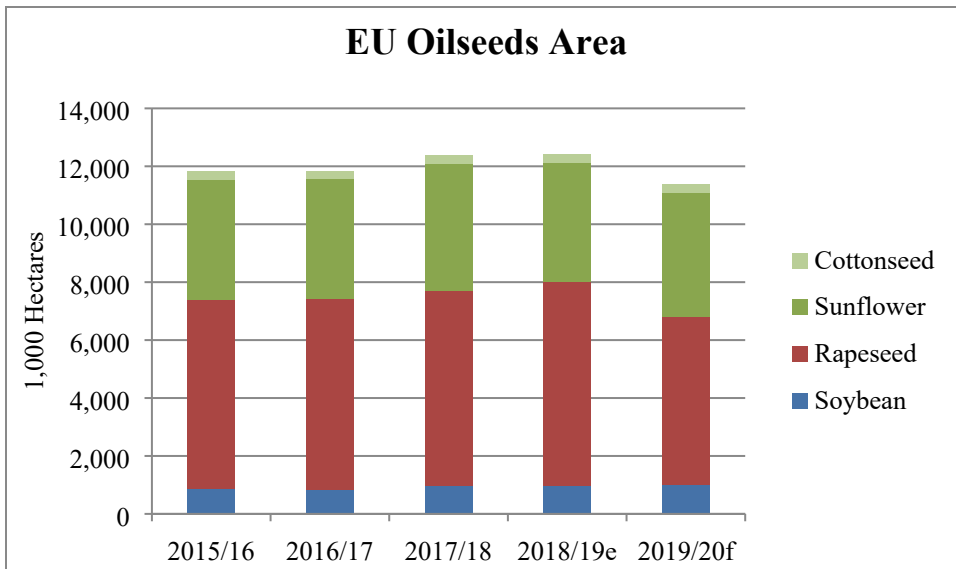
EU Total Oilseeds Area

MY 2019/20

Total EU oilseeds area in MY 2019/20 is forecast to decline by 8.5 percent compared to the previous year. The decline is explained by a significant drop in rapeseed acreage (minus 18 percent) which is only partially offset by increasing acreage of soybean (plus three percent), and sunflower (plus four percent). Rapeseed acreage in some major producing countries declined – especially in France and Germany – due to dry sowing conditions. In Romania, about half of the rapeseed area requires replantation with other crops because of poor germination caused by drought. In contrast, sunflower area is expected to increase in Romania, France, and Bulgaria exceeding lower acreage in Hungary and Italy. The main increase in soybean acreage is forecast to take place in France.

MY 2018/19

In MY 2018/19 total oilseeds area was almost flat year-on-year. Increased acreage of rapeseed made up for lower sunflower acreage.



Source: FAS Posts

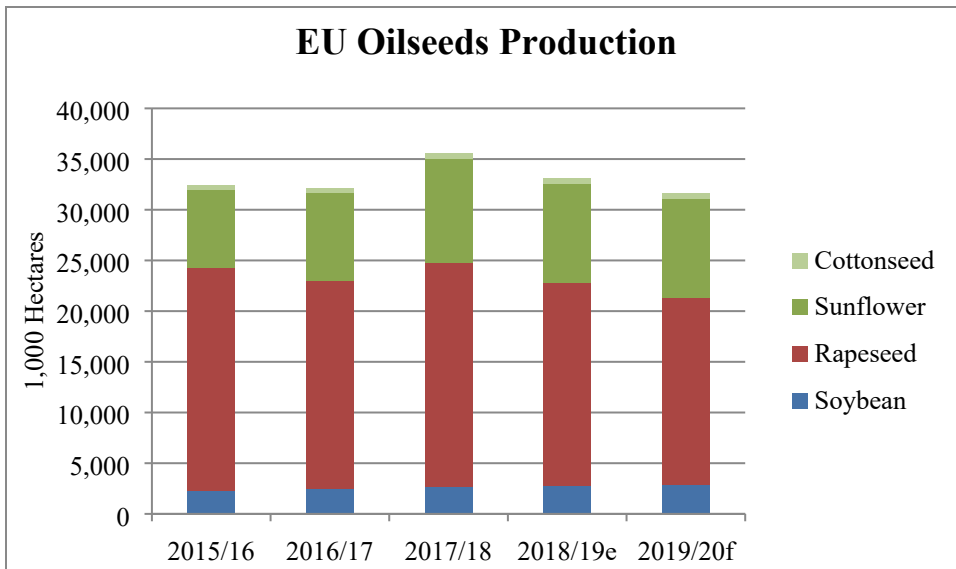
EU Total Oilseeds Production

MY 2019/20

Total EU oilseeds production is forecast to decline by 4.4 percent year-on-year. Reduced area but higher, more average yields compared to the low yields of the previous MY, are expected to result in an eight percent decline of rapeseed production. Following high sunflower yields in MY 2018/19, the prospects for MY 2019/20 are for only slightly higher sunflower production despite increased acreage under a conservative assumption of average yields. Slightly better than expected yields and increased acreage should result in higher soybean output of about four percent.

MY 2018/19

Despite almost flat total oilseeds acreage and record sunflower yields, total oilseeds production was only 6.8 percent lower year-on-year. The decline in production is mainly a result of lower sunflower area and low rapeseed yields caused by drought. Increased soybean output could only marginally offset the losses in rapeseed and sunflower production.



Source: FAS Posts

EU Total Oilseeds Crush

MY 2019/20

Crush of EU oilseeds is forecast to decline less (minus 2.6 percent) than overall production (minus 4.4 percent) is going down. Together with slightly lower imports and slightly higher exports of oilseeds seeds, the tight supply may result in significantly lower ending stocks (about minus 18 percent). Demand for rapeseed meal is good and increased imports and lower crush will add to the tight rapeseed situation. Rapeseed stocks are expected to be extremely low by the end of the marketing year (minus 39 percent). Sunflower crush is trending marginally upwards from an already high level. There is still high demand for sunflower meal and oils but crushing of sunflowers may face tighter competition with soybean crush. Soybean crush is anticipated to decline compared to MY 2018/19 but should still remain at a high level.

MY 2018/19

Higher soybean and sunflower crush could only partially offset a more than five percent lower crush of rapeseed due to low domestic rapeseed production caused by drought.

Total Oilseed – Meals

Meal, Total Oilseeds	2017/2018		2018/2019		2019/2020	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
European Union						
Crush	47885	48785	48535	48215	0	46935
Extr. Rate, 999.9999						
Beginning Stocks	1104	1104	630	1069	0	961
Production	30821	31380	31548	31239	0	30465
MY Imports	24234	24475	24753	25702	0	25282
Total Supply	56159	56959	56931	58010	0	56708
MY Exports	1389	1396	1050	1170	0	1160
Industrial Dom. Cons.	570	570	570	570	0	570
Food Use Dom. Cons.	32	32	32	32	0	32
Feed Waste Dom. Cons.	53538	53892	54618	55277	0	53867
Total Dom. Cons.	54140	54494	55220	55879	0	54469
Ending Stocks	630	1069	661	961	0	1079
Total Distribution	56159	56959	56931	58010	0	56708
(1000 MT) ,(PERCENT)						

Please note that numbers in oilseeds meals and oils do not include cottonseeds as cottonseed meal and cottonseed oil are not included in this report.

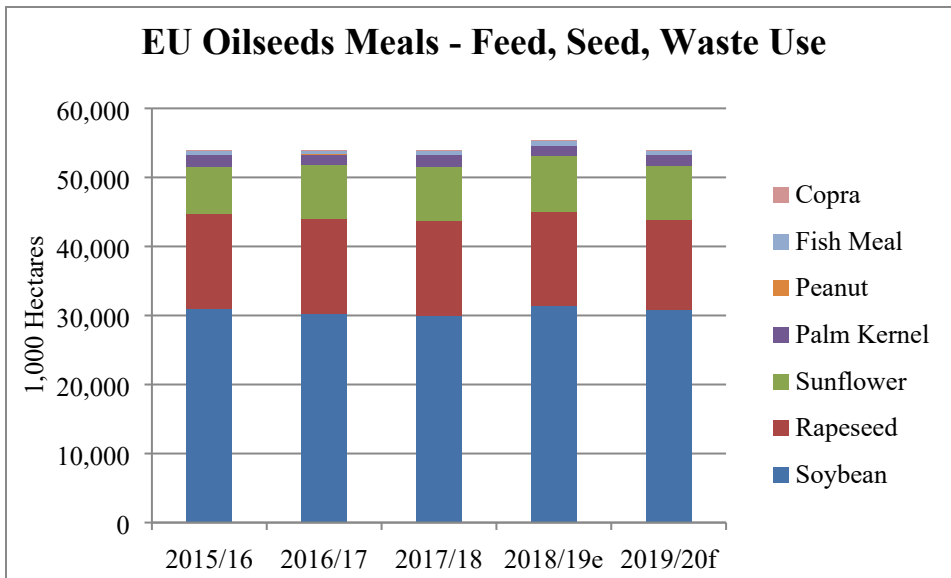
Source: FAS Posts

MY 2019/20

In line with the lower crush, EU oilseeds meal production is expected to decline by about 2.5 percent. A shrinking livestock sector and high domestic supply of grains fuel expectations for declining demand and lower feed use of oilseed meals in that season resulting in a decline of all major oilseed meals (soybean, rapeseed, and sunflower) in feed ratios. However, soybean meal remains attractive as one of the most important protein sources, especially in the growing poultry sector. The tight rapeseed meal situation may also increase attractiveness of sunflower meal supported by the demand of non-biotech feed. Leading soybean meal consumers are Spain, Germany, Italy, France, Poland, and The Netherlands. Most important rapeseed meal users are Germany, France, the Benelux, and the United Kingdom, whereas leading sunflower meal consumers are France, Spain, and Italy.

MY 2018/19

Feed use of oilseeds meals is estimated to increase by about 2.6 percent compared to the previous year. Tight domestic supply of grains leads to increased use of oilseeds meals, particularly soybean meal and sunflower meal which can also compete through attractive prices due to high availability.



Source: FAS Posts

Feed Use of EU Total Oilseeds Meals in Soymeal Equivalents (SME) (1,000 MT)

Feed Seed Waste SME Meals	2015/16	2016/17	2017/18	2018/19e	2019/20f	Change 2019/20 to 2018/19 in %
Soybean	31000	30200	30000	31500	30800	-2.2
Rapeseed	9748	9854	9783	9605	9285	-3.3
Sunflower	4602	5203	5249	5403	5203	-3.7
Palm Kernel	602	531	578	551	569	+3.2
Peanut	19	19	17	17	17	+/-0.0
Fish Meal	840	775	910	881	867	-1.6
Copra	6	1	1	1	1	+/-0.0
Total	46816	46582	46539	47958	46742	-2.5

Source: FAS Posts

Total Oilseeds – Oils

Oil, Total Oilseeds	2017/2018		2018/2019		2019/2020	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
European Union						
Crush	47885	48785	48535	48215	0	46935
Extr. Rate, 999.9999						
Beginning Stocks	1799	1736	2128	2091	0	2173
Production	18845	19113	18781	18811	0	18623
MY Imports	10227	10478	9900	10470	0	10708
Total Supply	30871	31327	30809	31372	0	31504
MY Exports	2494	2432	2579	2527	0	2433
Industrial Dom. Cons.	11380	12560	10990	12340	0	12340
Food Use Dom. Cons.	13669	13916	13859	14004	0	14228
Feed Waste Dom. Cons.	330	328	330	328	0	323
Total Dom. Cons.	26249	26804	26079	26672	0	26891
Ending Stocks	2128	2091	2151	2173	0	2180
Total Distribution	30871	31327	30809	31372	0	31504
(1000 MT), (PERCENT)						

Please note that numbers in oilseeds meals and oils do not include cottonseeds as cottonseed meal and cottonseed oil are not included in this report.

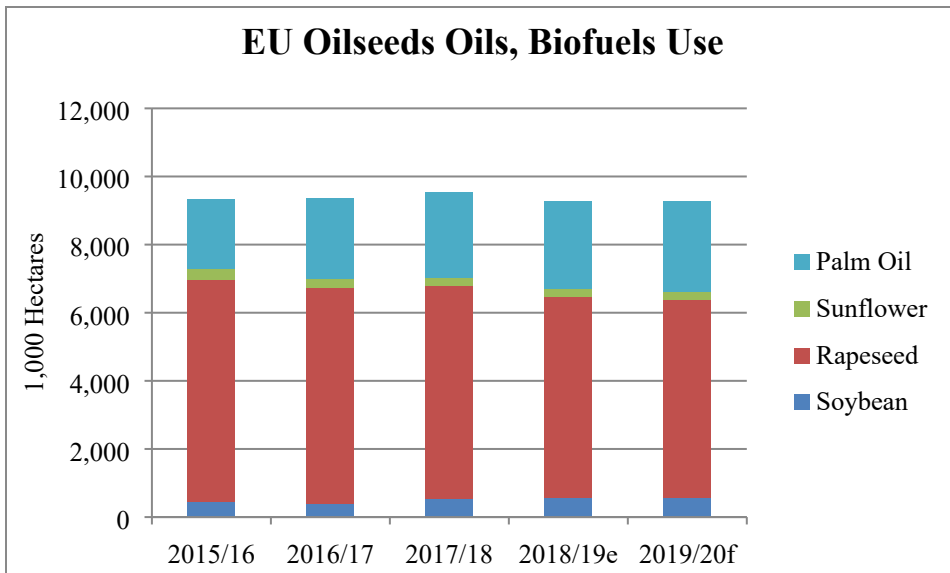
Source: FAS Posts

MY 2019/20

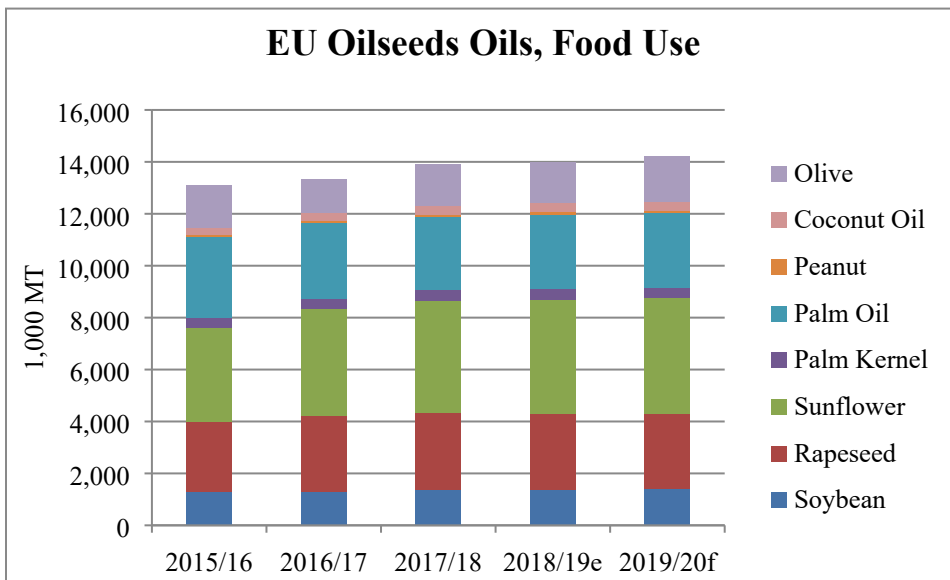
Total oilseeds oil production is forecast to decline by about one percent, which is not as low as crush numbers would indicate. The reason for that is a high production of olive oil (olive oil is not included in the crush numbers) which partially compensates for other lower oilseeds oil production, mainly rapeseed oil. Total domestic consumption is on a slight rebound over the previous year. The increase in consumption occurs in the food use whereas biofuels use is on a declining trend due to increasing competition from animal fats and recycled oils. High availability of olive oil should increase the share of olive oil within the food consumption significantly. The use of palm oil for biofuels production is on a rising trend due to its increased use for HVO production. With the EU recognition of U.S. soybeans as sustainable, the share of soybean oil in biofuels production may also increase. In contrast, rapeseed oil use for biofuels is on a declining trend.

MY 2018/19

Low rapeseed oil production leads to an overall lower production of oilseeds oils of about 1.6 percent. Increased soybean oil and olive oil production can only partially offset the losses in rapeseed oil.



Source: FAS Posts



Source: FAS Posts

2. Soybean Complex

Coordinator: Gellert Golya, FAS/Budapest

Soybean Seed

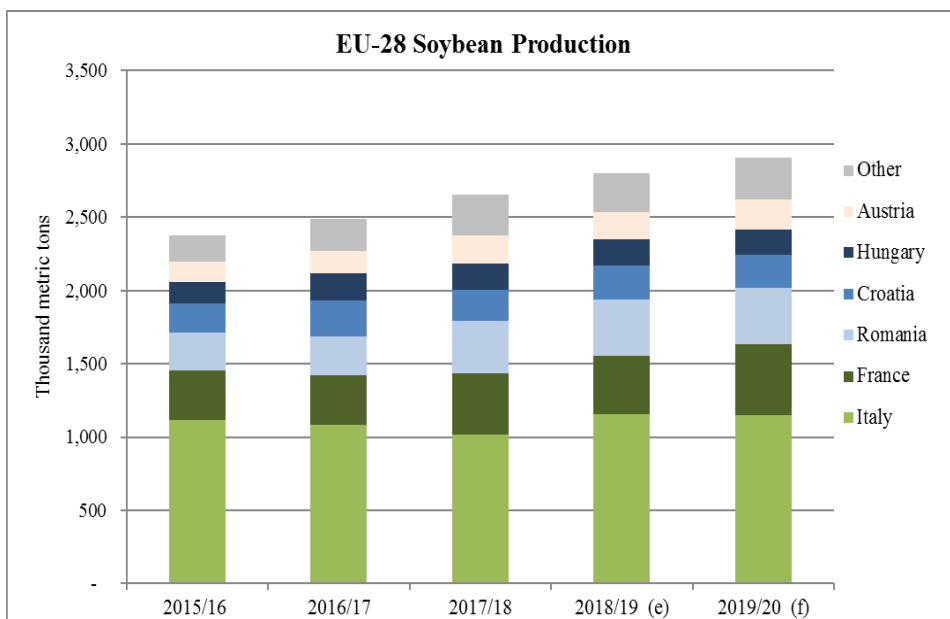
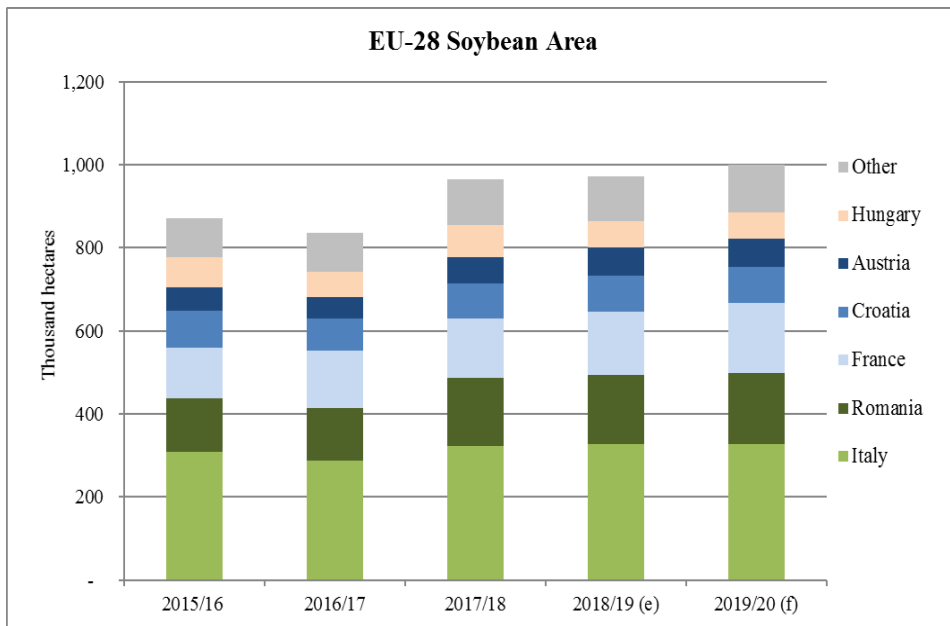
The EU remains the world's second largest importer of soybeans after China. Brazil and the United States represent more than 70 percent of the EU's total imports. Soybean production in the EU has been increasing in recent years due to incentive policies under the Common Agricultural Policy (CAP). Still, production remains limited relative to imports. Both domestic and imported soybeans are crushed to produce meal, which is used in feedstuffs in the livestock and poultry sectors. Crush is driven by meal demand, which depends on the relative prices and the availability of substitutes (such as sunflower meal and feed grain) as well as on the growth rate of the livestock and poultry industries.

Oilseed, Soybean Market Year Begin	2017/2018		2018/2019		2019/2020	
	Oct 2017		Oct 2018		Oct 2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
European Union						
Area Harvested	927	965	930	972	-	999
Beginning Stocks	1150	1150	1526	1059	-	1039
Production	2667	2660	2700	2800	-	2900
MY Imports	14584	14584	15800	15100	-	14600
Total Supply	18401	18394	20026	18959	-	18539
MY Exports	275	275	275	260	-	260
Crush	14950	15400	16600	16000	-	15500
Food Use Dom. Cons.	250	260	250	260	-	260
Feed Waste Dom. Cons.	1400	1400	1400	1400	-	1400
Total Dom. Cons.	16600	17060	18250	17660	-	17160
Ending Stocks	1526	1059	1501	1039	-	1119
Total Distribution	18401	18394	20026	18959	-	18539
	(1000 HA) ,(1000 MT) ,(MT/HA)					

Source: FAS Posts

MY 2019/20

The charts below give the evolution of soybean harvested area and production in the EU between MY 2014/15 and MY 2019/20.



Source: FAS Posts

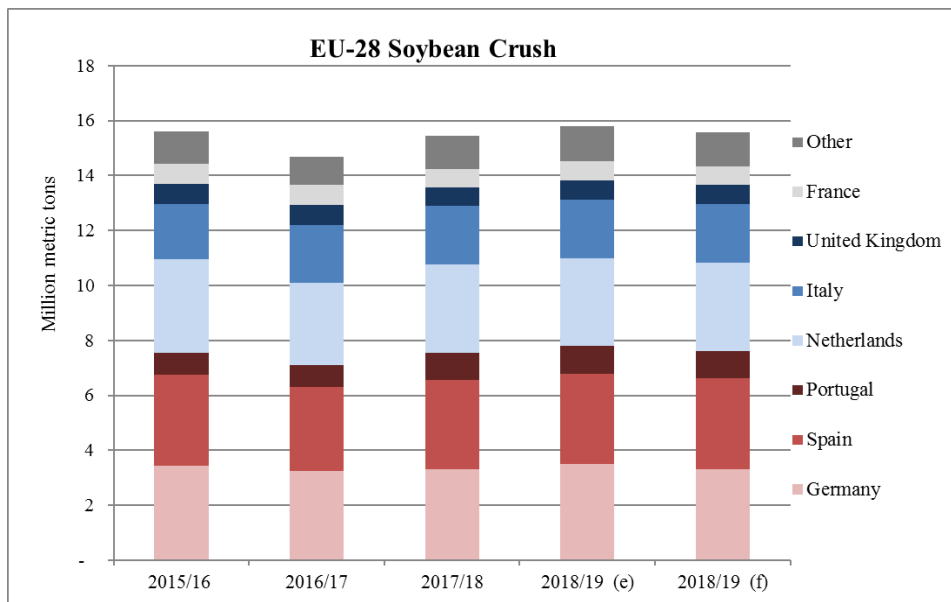
In MY 2019/20, the EU’s soybean production is expected up with a moderate increase in area. Italy is the leading soybean producer, followed by France and Romania. Italy’s soybean production is projected flat. The main increase is forecast in France with an expanded area as the country subsidizes soybean production as part of its protein plan. In Romania, soybean remains among the minor crops despite the available coupled support for production. A part of Romania’s rapeseed area may be replanted with soybeans. In Austria, soybean area is forecast to increase by 2.8 percent with good yield potentials and higher production compared to the previous year. Regarding the relatively stable supply in recent years, notable changes in production are not expected in Hungary. By contrast, the expectedly lower average yield can result in minor production decrease in Croatia.

While the EU’s intensive livestock sector benefits from vegetable protein imports, there has been a long-standing debate over the large-scale dependence on imported feed protein. Local production and imports meet different markets. Local soy is 100 percent non-GE and used as food or feed. Imports – of which 90 percent are GE – are competitive in animal feedstuffs for meat and dairy production. To accommodate the domestic animal feed demand, the EU imports around 32 million MT of soybean and soybean meal every year; EU farmers and feed producers are thus vulnerable to external market movements. Therefore, some member states have plans aimed at increasing domestic protein feed production. Under the 2014-2020 CAP, several countries give farmers coupled supports for soybean production. As a result, the EU’s soybean production increased from 1.2 million MT in MY 2013/14 to an estimated 2.8 million MT in MY 2018/19. Still it’s exceedingly unlikely that the EU will ever produce sufficient animal protein to meet domestic demand and will therefore be reliant upon imports for years to come.

Austria, Croatia, and Hungary also promote the production of non-GE soybeans in the Danube region an area where the production potential is estimated at 4 million MT annually. In 2012, farmers, cooperatives, and industries in these countries joined the Danube Soya Association, a non-governmental organization initiated by Austrian federal state governments to promote a European protein strategy. The Danube Association is generally opposed to agricultural biotechnology. Hungary and Germany submitted a joint proposal on the adoption of the European Soy Declaration at the EU Council meeting on June 12, 2017. Agriculture ministers of 14 EU countries officially signed the Declaration and underlined its potential role in boosting GE-free soy production in Europe.

In MY 2019/20, demand for imports is forecast down but projected to remain high. If there is resolution of the trade dispute between China and the US (without the implemented 25 percent tariff on U.S. soybeans), the EU will likely import lower volumes of soybean seeds because of expectedly lower crush margins and reduced export availabilities in the global market.

EU crush is forecast down especially in Germany where demand for soybean meal is trending downward due to a decline in pork production and increased domestic supply of wheat. Still, the crush is set to remain profitable with reasonable margins in the EU countries and helped by strong demand for meal as protein feed.



Source: FAS Posts

It is too early to know the market share of the different EU suppliers in MY 2019/20. Next year, higher volume of imports from South America are expected to put more pressure on imports from the United States.

Extrusion and toasting of whole soybeans produced in the EU is forecast to be stable. Full fat soybean meal produced through these techniques is used locally as feed. It can be included in the diets of poultry, swine, and cattle up to a maximum of 10-15 percent. The use is limited by the maximum amount of fat in rations. The biggest producers and users of this type of meal in the EU are Italy, Belgium, Austria, France, Germany, and Hungary. However, even in these countries, the share of full fat meal remains minor compared to the conventional ones.

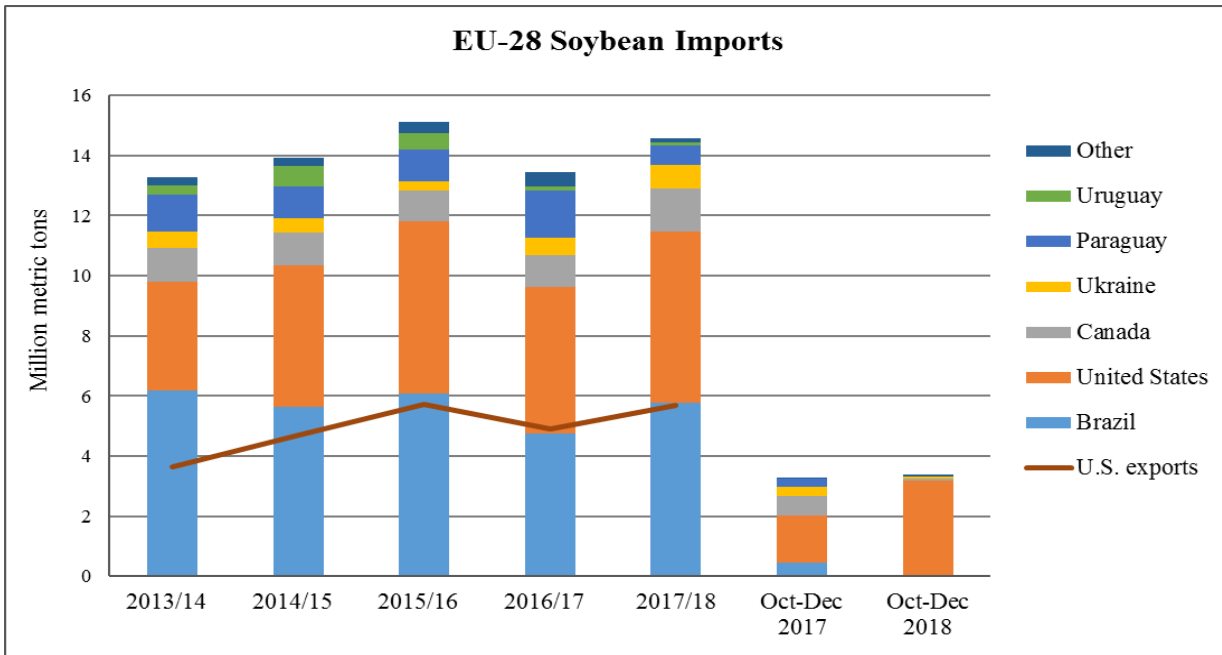
MY 2018/19

In MY 2018/19, higher soybean production and expanded area were expected compared to the previous year. These changes are revised up compared to previous USDA estimates. The increase is mostly driven by higher yields in the main producing countries excluding France and Austria. Still, the growth of soybean area partly offsets lower yields in both countries. By contrast, the decrease in Hungary's soybean area was balanced with 20 percent higher yield. In Romania, the production is up slightly in response to the favorable weather conditions.

In MY 2018/19, EU imports of soybeans and crush are expected to increase based on price movement and exportable availabilities on the market. Without resolution of the trade dispute between the US and China, a heavy soybean balance in the US is projected to push the soybean prices down. Also, the current outbreak of African Swine Fever (ASF) may reduce China's demand for soybean meal by 5-10 percent this year. Good margins are leading to a record crush in Germany and an increase in the EU's crush level. Increasing livestock, poultry, and dairy production, low availability of wheat and low rapeseed crush lead to increasing soybean crushing demand. The approval of U.S. soybeans for use in biofuels (announced by the EC on Jan 29, 2019) also creates some additional demand.

Imports and the crush are revised down compared to the previous USDA estimates in line with latest data available from FAS posts. These changes are driven by the fact(s) that, 1) EU crushers are running at full capacity; 2) soybean meal is projected to suffer minor loss of competitiveness against cereals in the second half of the year; 3) and oilseed crushers are not expected to switch to process more soybean.

The decision on where to source soybeans from year to year is based on price, protein content, and availability. Brazil and the United States are the EU's two main suppliers of soybeans. Together, they account for more than 70 percent of the EU's imports. In MY 2018/2019, the extreme heat and a dry spell in Brazil's southern areas are expected to decrease the country's exportable availabilities. This and China's increasing demand for Brazilian soybeans might lead to a decline in Brazil's share of the European market, which may in turn lead to an increase in imports from other countries, including the United States.



Source: Global Trade Atlas

MY 2017/18

The crush is revised up compared to previous USDA estimates to the detriment of ending stocks in line with latest data available from FAS posts.

Soybean Meal

The EU remains the world's largest soybean meal importer. More than 80 percent of its total imports are from Argentina and Brazil. Imports make up the majority share of the EU's consumed soybean meal. Although crush of locally produced soybeans is increasing due to CAP incentives and support programs, its share of the EU's total market is still limited. Soybean meal is used for animal feed production in the livestock and poultry sectors.

Soybean Meal Market Year Begin	2017/2018		2018/2019		2019/2020	
	Oct 2017		Oct 2018		Oct 2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
European Union						
Crush	14950	15400	16600	16000	0	15500
Extr. Rate	0.79	0.79	0.79	0.79	0	0.79
Beginning Stocks	485	485	215	564	0	502
Production	11811	12160	13114	12640	0	12245
MY Imports	18354	18354	18500	19200	0	19000
Total Supply	30650	30999	31829	32404	0	31747
MY Exports	393	393	300	360	0	360
Industrial Dom. Cons.	10	10	10	10	0	10
Food Use Dom. Cons.	32	32	32	32	0	32
Feed Waste Dom. Cons.	30000	30000	31250	31500	0	30800
Total Dom. Cons.	30042	30042	31292	31542	0	30842
Ending Stocks	215	564	237	502	0	545
Total Distribution	30650	30999	31829	32404	0	31747

(1000 MT), (PERCENT)

Source: FAS Posts

MY 2019/20

In MY 2019/20, the EU's soybean meal imports are expected to decrease slightly due to specific market conditions including:

- Difficulties in the pork industry (ASF outbreak, lagging domestic (consumption) demand for pork)
- Price-competitive alternatives (high-protein sunflower meals)
- Private sector initiatives to replace GE soybean meal with non-GE feedstuffs

The biggest importers of soybean meal in the EU are the Netherlands, France, Poland, Spain, Italy, and Germany.

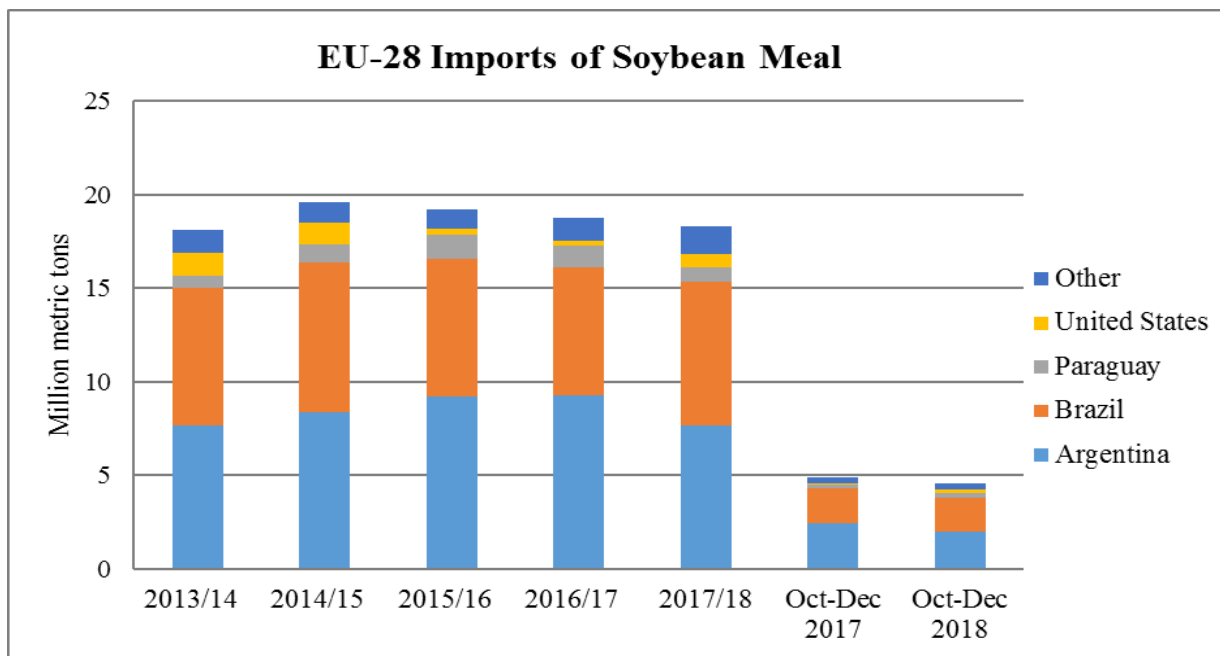
In MY 2019/20, feed use of soybean meal is projected to remain almost stable with a slight decrease compared to the previous year. Soybean meal is forecast to maintain its competitiveness on average but it may be less attractive against cereals, considering the price ratio change. Still, the ratio is estimated at a higher level than the five-year average.

The main users of soybean meal in animal rations are the EU's biggest meat and dairy producing countries: Spain, Germany, Italy, France, Poland, and the Netherlands. Soybean meal demand from a growing poultry industry will only slightly offset reduced use in pork production. In Spain and Italy, the demand for soybean meal is anticipated to remain high. In Germany, there is upward potential for soybean meal in feed ratios. However, demand is trending downward due to the crisis in the German pork sector (ASF and declining demand). In the Netherlands, imports of sunflower meal from third-countries are forecast to rise. This supply is expected to have a downward pressure on the feed use of soybean meal. In Poland, demand for soybean meal is projected up due to the continuing growth of the poultry industry. For more information about the EU's livestock and poultry production, please consult the [EU 28 Livestock](#) and [Poultry Semi-annual Reports](#).

MY 2018/19

In MY 2018/19, the EU's soybean meal production is forecast up compared to MY 2017/18 because of better supply, lower soybean prices, higher volume of imports for crushing, and good margins. At the same time, meal production is revised down compared to the previous USDA estimate in line with latest data available from FAS posts, driven by the fact that EU crushers have reached their full processing capacity.

Despite attractive crush margins and the good supply of soybean seeds, imports of soybean meal are revised up compared to the previous USDA estimate because favorable competitiveness ratios, the exportable availabilities, and limited processing capacities. Argentina and Brazil are the EU's main suppliers of soybean meal. In Argentina, soybean exports face high taxes, therefore, the country primarily exports soybean meal. This year, its share of the EU market is expected to increase slightly at the expense of Brazil.



Source: Global Trade Atlas

In MY 2018/19, feed use of soybean meal in the EU is forecast up compared to MY 2017/18 due to lower wheat and corn production together with a peak in intensive livestock and poultry production. Higher production, more imports, and better supply are expected to pull the soybean meal use up in animal feeds. Soybean meal still has good competitiveness on average. Therefore, meal consumption is projected to rise especially in Germany, the Netherlands, and France.

MY 2017/18

Depending on the crush, the EU's soybean meal production is revised up compared to the previous USDA estimate in line with latest data available from FAS posts.

Soybean Oil

In the EU, soybean oil is mainly used for food and for industrial purposes such as biofuels, cosmetics, and paint. The excess supply is exported to third countries, mainly North Africa. Since MY 2011/12, the EU has been a net exporter.

Soybean Oil Market Year Begin	2017/2018		2018/2019		2019/2020	
	Oct 2017		Oct 2018		Oct 2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
European Union						
Crush	14950	15400	16600	16000	0	15500
Extr. Rate	0.19	0.19	0.19	0.19	0	0.19
Beginning Stocks	161	161	159	257	0	302
Production	2841	2929	3154	3040	0	2945
MY Imports	284	284	200	250	0	250
Total Supply	3286	3374	3513	3547	0	3497
MY Exports	902	902	1000	1000	0	880
Industrial Dom. Cons.	870	810	900	840	0	860
Food Use Dom. Cons.	1300	1350	1300	1350	0	1400
Feed Waste Dom. Cons.	55	55	55	55	0	50
Total Dom. Cons.	2225	2215	2255	2245	0	2310
Ending Stocks	159	257	258	302	0	307
Total Distribution	3286	3374	3513	3547	0	3497
(1000 MT), (PERCENT)						

Source: FAS Posts

MY 2019/20

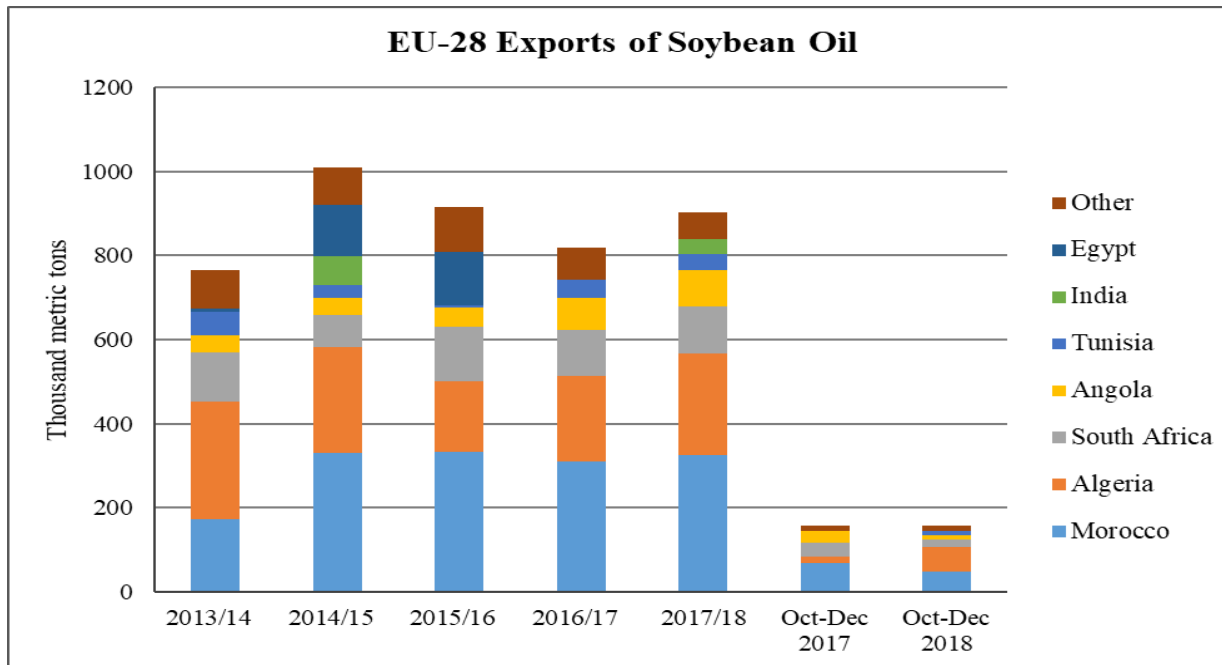
In MY 2019/20, soybean oil production in the EU is projected down slightly because of the lower crush. Changes in imports are not expected, however; falling export availabilities in the global market and the EU's duty-free import quota for Argentine biodiesel at minimum prices can limit volumes. Soybean oil exports are also forecast down due to the lower supply. The industrial use of soybean oil, especially for biofuel production, is likely to climb because of the rising biodiesel consumption and the introduced biofuel blending mandates to meet the requirements of RED.

MY 2018/19

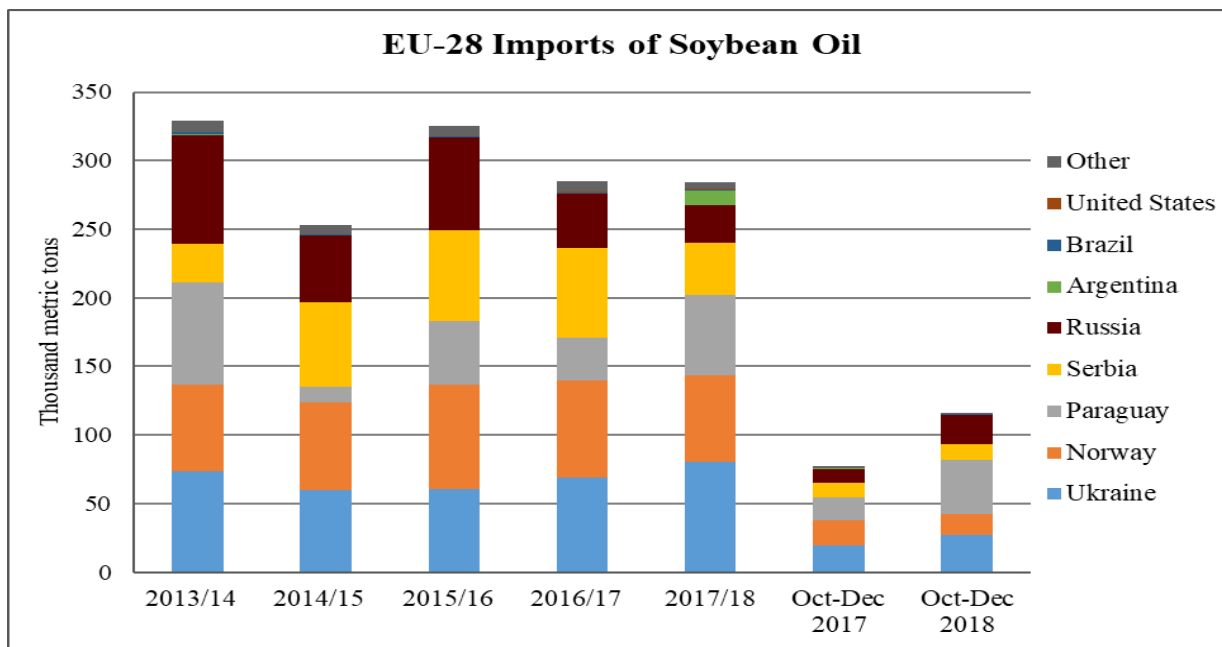
In MY 2018/19, the EU's soybean oil production is expected to increase due to the higher crush. The allowance of U.S. soybeans for use in biofuels (valid until July 1, 2021) may also pull the production up slightly. Imports are projected down because of good crush margins, increased soybean oil prices, and the imposed duty-free import quota for Argentine biodiesel. Soybean oil exports are revised up because of the EU's record production, where soybean crush margins are at an all-time high. The industrial use of soybean oil in biofuels shows an upward trend too.

MY 2017/18

The charts below give the destination of EU exports of soybean oil and the origin of EU imports between MY 2013/14 and MY 2017/18. North Africa remains the main export destination (Morocco, Algeria, Tunisia, and Egypt) while imports mostly come from Ukraine, Norway, Paraguay, Serbia, and Russia. The EU has been a net exporter of soybean oil since MY 2011/12 because of the implementation of RED that made it more difficult to use soybean oil as a feedstock for biodiesel production. The EU's largest exporters of soybean oil are also the EU's largest crushers – Spain, the Netherlands, and Germany.



Source: Global Trade Atlas



Source: Global Trade Atlas

EU Industrial Uses for Soybean Oil (1,000 MT)

	MY 2017/18	MY 2018/19	MY 2019/20
Biofuel Use	540	570	580
Other Industrial Uses	270	270	280
<i>Total Industrial Use</i>	<i>810</i>	<i>840</i>	<i>850</i>

Source: FAS Posts

3. Rapeseed Complex

Coordinator: Leif Erik Rehder, FAS/Berlin

Rapeseed is the dominant oilseed in the EU with the EU as one of the world's largest producers of rapeseed and products. Demand for rapeseed exceeds domestic supply which leads to the import of large quantities of rapeseed for crushing. EU rapeseed imports mainly come from Ukraine and Australia. Canada has also emerged as a supplier but its export potential is limited since Canadian produce needs to be certified as sustainable to meet the directives set out in the EU RED.

The EU rapeseed market is driven by the demand for products after crushing - rapeseed meal and rapeseed oil. Rapeseed meal is used in the livestock sector as the EU is a leading producer and exporter of meat and dairy products. Here, rapeseed meal competes with U.S. soybeans and soybean meal from the United States and other suppliers as well as domestic sunflower meal and grains in feed ratios. In dairy production, rapeseed meal has become the dominant protein. However in meat production, rapeseed meal has been less readily adopted as a soybean meal substitute; due to its high protein content, soybean meal is the top choice in feed ratios for poultry and pork.

Rapeseed oil is mainly used by the biodiesel industry. The industry directly depends on RED biofuels policy decisions since production levels are mandated by the EU. Compared with biodiesel, food and industrial use of rapeseed oil influence demand to a lesser extent.

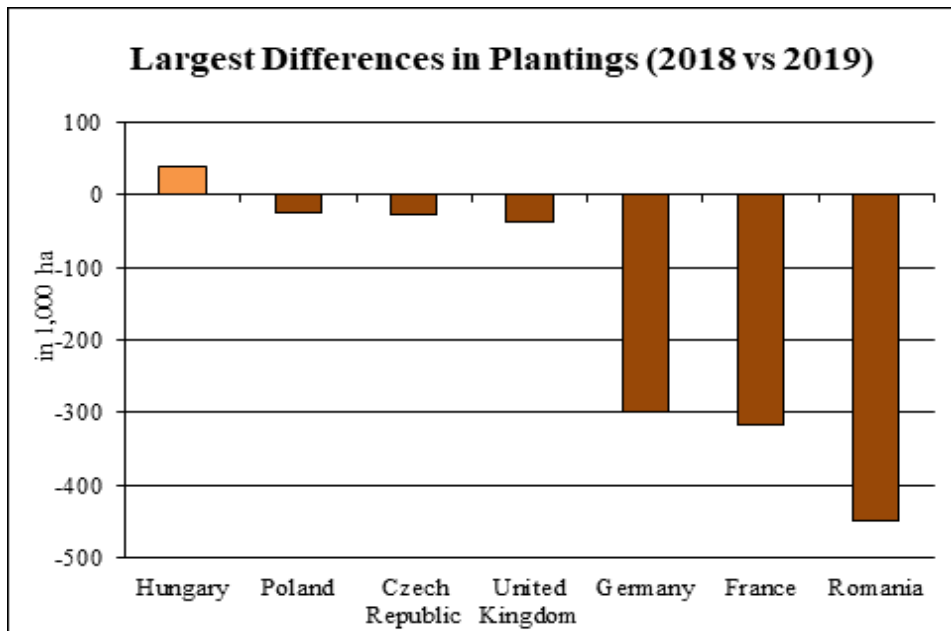
Oilseed, Rapeseed Market Begin Year	2017/2018		2018/2019		2019/2020	
	Jul 2017		Jul 2018		Jul 2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
European Union						
Area Planted	6850	6850	7000	7050	0	5800
Area Harvested	6834	6749	6883	7050	0	5800
Beginning Stocks	875	875	1596	1421	0	1471
Production	22145	22170	19600	20050	0	18425
MY Imports	4007	4007	4500	4300	0	4500
Total Supply	27027	27052	25696	25771	0	24396
MY Exports	131	131	65	100	0	100
Crush	24300	24500	23100	23200	0	22400
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	1000	1000	1000	1000	0	100
Total Dom. Cons.	25300	25500	24100	24200	0	23400
Ending Stocks	1596	1421	1531	1471	0	896
Total Distribution	27027	27052	25696	25771	0	24396

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

Source: FAS Posts

MY 2019/20

Farmers in the EU planted 5.8 million hectares of rapeseed in fall of 2018, nearly 18 percent less than the previous year. This was mainly due to the summer drought that persisted well into the planting season. Especially in France and Germany, acreage dropped significantly due to the exceptionally dry sowing conditions. In Romania, farmers planned to reduce acreage just slightly but poor germination led to replanting of around half of the rapeseed acreage with corn, sunflower, winter wheat, and barley. The drought also affected sowing of rapeseed in the United Kingdom, Czech Republic, Bulgaria, Hungary, Poland, and Austria. Additionally, the EU ban on the insecticide neonicotinoid continued to affect planting decisions by farmers since it leads to lower yields and less profitability of rapeseed compared with other crops.

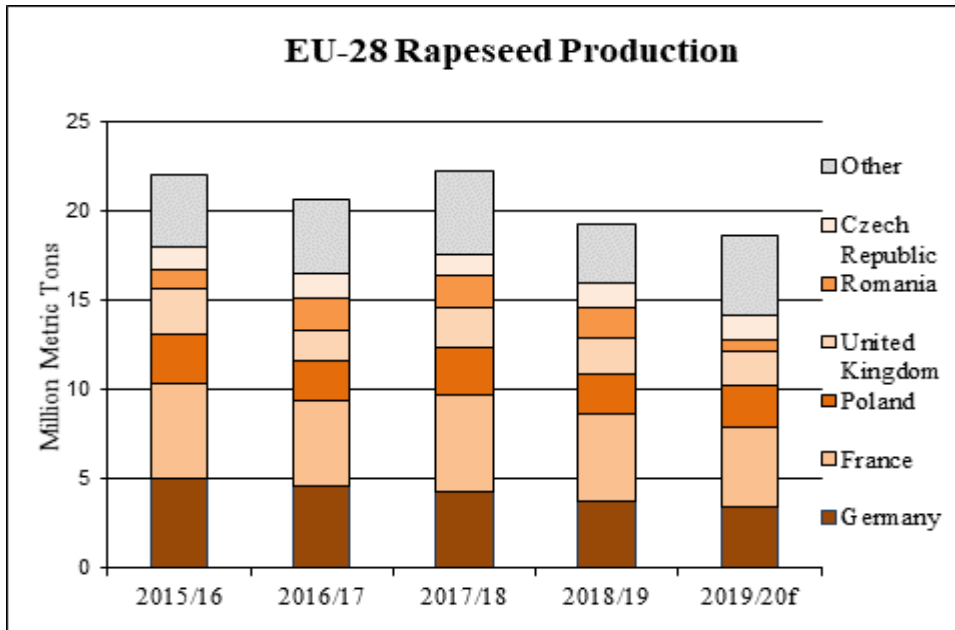


Source: FAS Posts

EU acreage was further reduced by the detection of traces (less than 0.1 percent) of non-authorized biotech rapeseed variety in seed. As a result, some planted fields had to be ploughed under, including up to 20,000 hectares in France and 2,000 hectares in Germany. It is noteworthy that the biotech rapeseed is nevertheless approved for importation into the EU for food and feed uses. The seeds in question were produced in Argentina.

As of mid-March 2019, there are no reports of major losses due to winterkill. In general, the EU rapeseed crop is in good shape and plants have partly recovered from bad sowing conditions. This results in better yield expectations than last year. Drastically reduced acreage and slightly better yields are expected to result in lowest EU rapeseed crop since 2007/08. Production prospects for the EU are currently estimated down by eight percent compared with the previous marketing year.

However, potential is still difficult to assess since it will be a few more weeks before any frost damage can be ruled out completely. The mild winter might also result in higher pest and disease pressure in the spring which may reduce yields. In that case, the potential of the crop will depend on favorable growing conditions in spring and summer in the major rapeseed regions.



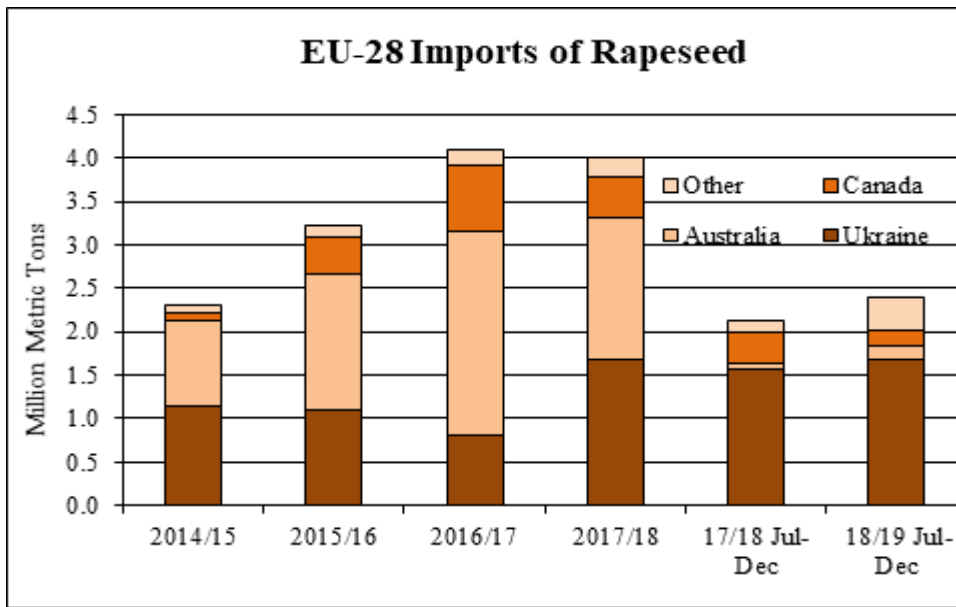
Source: FAS Posts; f: forecast

The lower domestic crop will result in tight domestic rapeseed supply; crushers need to look for alternate sources since stocks are fairly low. As a result, there might be higher imports from Ukraine based on record acreage and good production prospects in that country. Australia's production and exports are also expected to rebound after last year's drought. Canada is expected to increase production and become the world's largest rapeseed producer. Canadian export potential to the EU might improve further if China bans Canadian canola imports. However, volumes to the EU might be limited since Canadian product destined for Europe's biodiesel sector needs to meet the EU's sustainability standards. In total, it is expected that imports of rapeseed in MY 2019/20 will increase just slightly to 4.5 MMT.

Currently, the outlook for crush margins look fairly good for the start of next marketing year but this is mainly based on tight supply while demand for rapeseed oil is expected to weaken due to the return of Argentine biodiesel exports to the EU, price competitive palm oil, as well as the approval of soya-oil based biofuel from U.S. soybeans for EU biodiesel mandates. At the end of the MY, rapeseed stocks are expected to decrease considerably. Rebounding production of grain and forage is also expected to weaken demand for rapeseed meal especially from the dairy sector.

MY 2018/19

The EU rapeseed crop in the current MY 2018/19 turned out better than expected. The drought decreased yields in major producing regions but there were upward revisions in France, Poland, United Kingdom, Czech Republic, Germany, and Croatia. This more than offset reductions in Sweden, Estonia, and Belgium. Together with a slight increase in imports and good stocks, there is plenty of rapeseed on the EU market. Imports mainly come from Ukraine this year since there is not much supply from Australia due to the drought down under. Imports are complemented by shipments from Canada.



Source: FAS Posts

Overall, crush margins for rapeseed have been quite attractive in the first half of the current MY 2018/19 but crushers in Belgium, the Netherlands, and Germany switched and crushed more profitable soybeans or sunflowers. Dutch crushers have turned away completely from rapeseed and are not expected to crush rapeseed again in the current or upcoming MY. Due to the tight market rapeseed exports are expected to turn out a bit lower than expected. Ending stocks are expected to remain fairly stable.

Rapeseed Meal

Demand for rapeseed meal in the EU is good. Rapeseed meal is mainly used in feed ratios for the dairy sector. Tight supply of domestic rapeseed and weak demand for rapeseed oil have reduced crush and production of rapeseed meal. The use of rapeseed in animal feed also varies greatly among EU countries. Its use is most prevalent in countries that have a long rapeseed crushing history and high dairy production, like Germany, France, the Benelux, and the UK.

In countries like Germany and the Netherlands, the rapeseed meal market is influenced by the growing demand for sustainable products and stricter environmental regulations. Dairy cows are fed with rapeseed meal as a protein supplement in order to meet the requirements of GMO-free milk production. However, rapeseed meal has a high phosphorus content, and its increased use has become problematic since there is the need to reduce the nitrogen and phosphorus load in liquid manure.

Meal, Rapeseed Market Begin Year	2017/2018		2018/2019		2019/2020	
	Jul 2017		Jul 2018		Jul 2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
European Union						
Crush	24300	24500	23100	23200	0	22400
Extr. Rate, 999.9999	0.57	0.57	0.57	0.57	0	0.57
Beginning Stocks	270	270	203	267	0	241
Production	13851	13965	13167	13224	0	12768
MY Imports	242	242	400	500	0	500
Total Supply	14363	14477	13770	13991	0	13509
MY Exports	460	460	300	250	0	200
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	13700	13750	13200	13500	0	13050
Total Dom. Cons.	13700	13750	13200	13500	0	13050
Ending Stocks	203	267	270	241	0	259
Total Distribution	14363	14477	13770	13991	0	13509

(1000 MT) ,(PERCENT)

Source: FAS Posts

MY 2019/20

Rapeseed meal production follows crush. So, again there is less rapeseed meal for use in feed ratios in MY 2019/20. Demand is expected to be filled by imports from Ukraine, Russia, and Belarus to a certain extent but it will also be replaced by other meals like sunflower meal, grains and forage. For most EU countries, use of rapeseed meal in feed ratios is forecast to remain fairly stable. But, its use is expected to decrease in France, Poland, United Kingdom, and Ireland. Availability of rapeseed meal is expected to be rather tight and stocks are projected to remain fairly balanced. This will also limit exports of rapeseed meal to other countries.

MY 2018/19

Production of rapeseed meal in the EU is slightly higher than expected. Demand for rapeseed meal continues to exceed domestic supply which leads to higher imports. Tight supply on the domestic market will lead to slightly decreasing consumption in animal feed, lower exports, and decreasing ending stocks.

Rapeseed Oil

Demand for rapeseed oil is the main driver for the rapeseed market in the EU though uncertainty in the rapeseed oil market continues. Most of this uncertainty stems from developments in the EU biodiesel market and changes in EU's RED biofuels policy. This has already led to lower use of rapeseed oil for biodiesel in recent years and the outlook remains negative since political support for rapeseed oil as a primary biodiesel feedstock is declining. There is strong competition with animal fats and recycled oils as well as crude oil prices affecting profitability of rapeseed oil production. The potential of rapeseed oil is also limited due to strong competition from the return of Argentine biodiesel exports to the EU as well as price competitive palm oil and soya-oil. The approval of soya-oil based biofuel from U.S. soybeans for EU biodiesel mandates is also expected to come at the expense of rapeseed oil.

4. Sunflower Complex

Coordinator: Mila Boshnakova, FAS/Sofia and Monica Dobrescu, FAS/Bucharest

Sunflower Seeds

Oilseed, Sunflowerseed Market Begin Year	2017/2018		2018/2019		2019/2020	
	Oct 2017		Oct 2018		Oct 2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
European Union						
Area Harvested	4308	4390	4286	4104	0	4270
Beginning Stocks	592	592	463	704	0	514
Production	9679	10180	9900	9700	0	9790
MY Imports	512	512	550	570	0	600
Total Supply	10783	11284	10913	10974	0	10904
MY Exports	630	630	450	400	0	385
Crush	8600	8850	8800	8980	0	9000
Food Use Dom. Cons.	540	540	545	550	0	555
Feed Waste Dom. Cons.	550	560	550	530	0	530
Total Dom. Cons.	9690	9950	9895	10060	0	10085
Ending Stocks	463	704	568	514	0	434
Total Distribution	10783	11284	10913	10974	0	10904

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

Source: FAS Posts

MY 2019/20

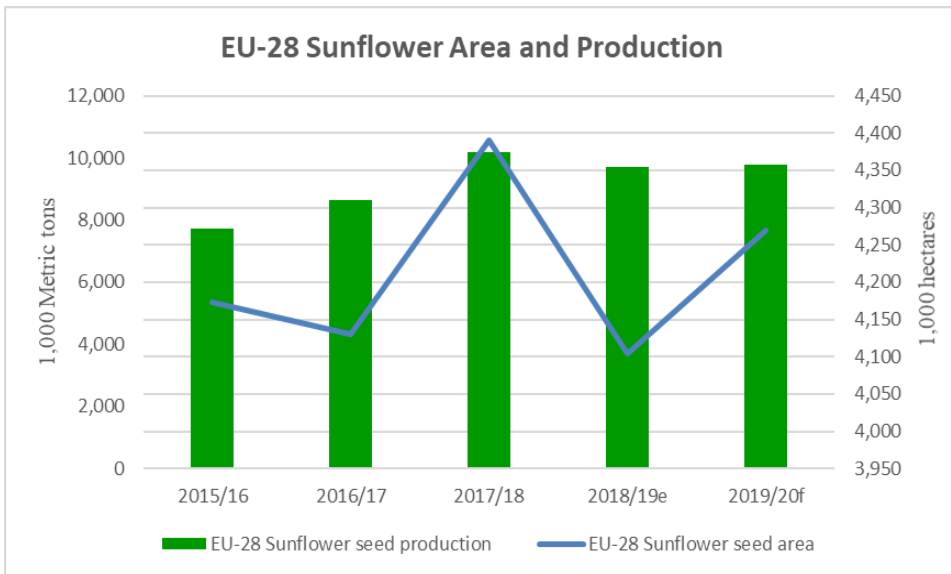
Following a lower sunflower crop in the current season, MY 2019/20 prospects are for a minimal (one percent) increase in production due to four percent acreage growth and anticipated average yields. Planted area under sunflower is expected to expand more considerably in Romania, France, and Bulgaria due to spring reseeded of compromised winter rapeseed fields. Smaller area growth is forecast for Hungary and Italy, while Spain and Czech Republic expect minor reductions. Other EU member-states report steady planted area encouraged by favorable crush demand. In Romania and Bulgaria area growth is additionally stimulated by a strong demand for high oleic sunflower.

Currently, the production expectations for MY 2019/20 are for average yields, about three percent lower than in the current year when some countries such as Hungary, Romania, and Bulgaria having excellent yields. The current forecast for the average yields is more conservative than in the present year and may be improved provided the weather cooperates. The EU is projected to harvest one percent more sunflower crop than in the current year, but below the record levels in MY 2017/18. Early spring planting conditions with insufficient soil moisture are reported in Hungary, Romania, Bulgaria, Austria, Spain and Italy while France has improved groundwater reserves.

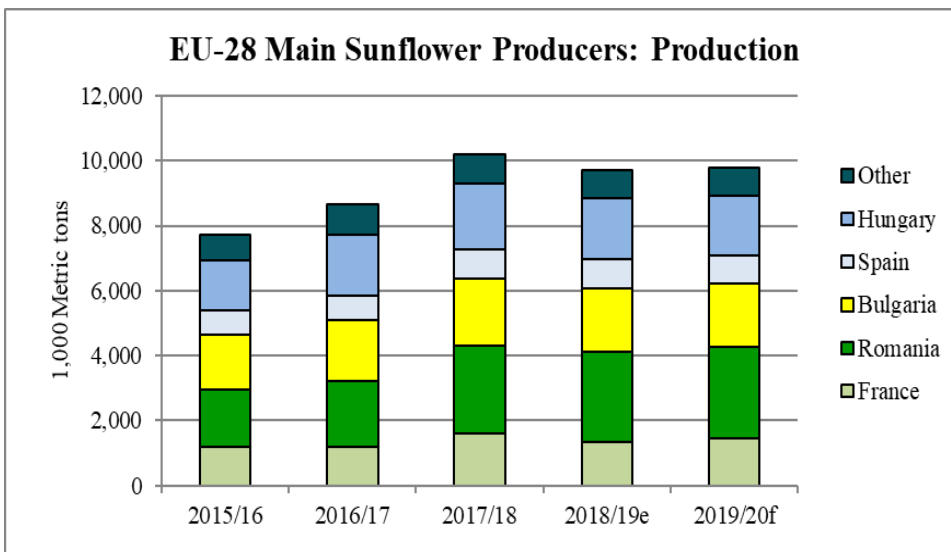
A steady to slightly higher domestic crop is forecast to lead to growing sunflower seed imports to meet strengthened crush demand. As a result, crush is projected to continue its positive growth albeit very marginally, by less than one percent, from current record high levels and to remain strong due to expected attractive demand for sunflower meal and oil. The biggest increase in crush is forecast for France which will likely offset the

anticipated declines in Spain, Germany, and Bulgaria. Other major crushing countries such as the Netherlands, Hungary, and Italy forecast steady crush in MY 2019/20 season. The EU crushers may face tighter competition between sunflower seeds and imported soybeans while the domestic rapeseed crop is anticipated to be in shorter supply in the new season.

Exports of sunflower seeds are projected to marginally weaken in favor of crush. Stable domestic demand is expected to reduce ending stocks. Stocks to use ratio is projected to decline and make the sunflower balance less comfortable than in the current season.



Source: FAS Posts



Source: FAS Posts

MY 2018/19

The latest estimate confirms higher than previously expected – but still lower than MY 2017/18 – sunflower seeds production in the EU, about five percent below the record achieved in the previous season. This was due mainly

to a seven percent lower harvested area. Final member-states estimates show that the area is below USDA official estimate. Average yields, however, were very good and increased by two percent compared with MY 2017/18. Favorable weather with abundant spring-summer rains and moderate summer temperatures in Hungary, Romania and Bulgaria resulted in excellent yields. Very good yields were reported in Spain, Portugal, Italy, and Austria while the major reduction occurred in France and Germany due to dryness.

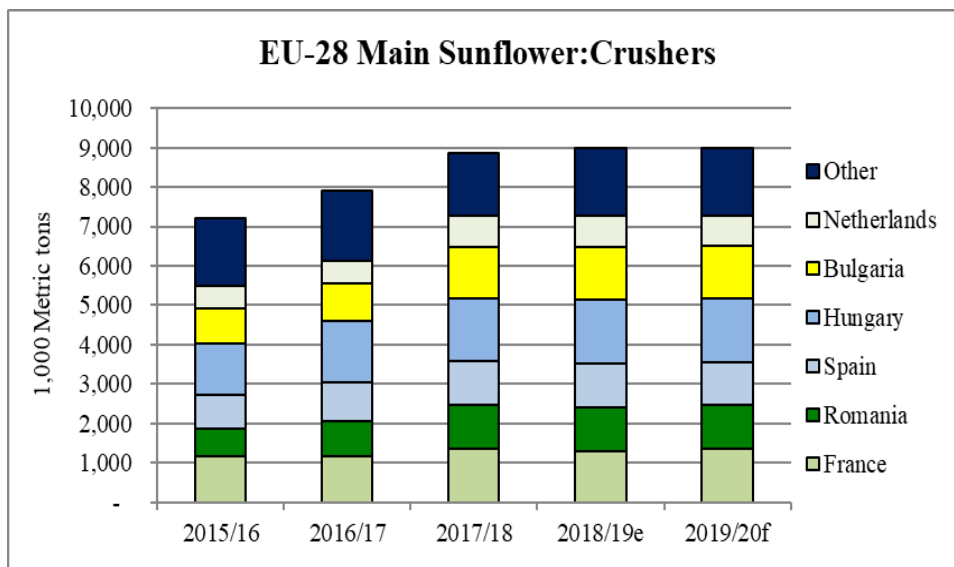
Lower supply and favorable domestic demand are likely to increase import needs. In the first quarter of the marketing year imports increased by 20 percent. Heavy balances in the Black Sea as well as an expectedly good Argentine crop in the second half of the marketing year are likely to keep imports flowing provided that the demand stays strong. Currently, the forecast is for an 11 percent increase in imports in MY 2018/19, marginally above the USDA official estimate.

Lower domestic supply is also expected to discourage EU exports to traditional markets. In the first quarter of the marketing year exports decreased by almost 60 percent. In the second half of the marketing year the reduction in exports may soften as a result of stronger demand in Turkey due to the introduction of a duty-free tariff rate quota in the beginning of 2019. The expectation for annual exports is to be 37 percent below last season and marginally below USDA official estimate.

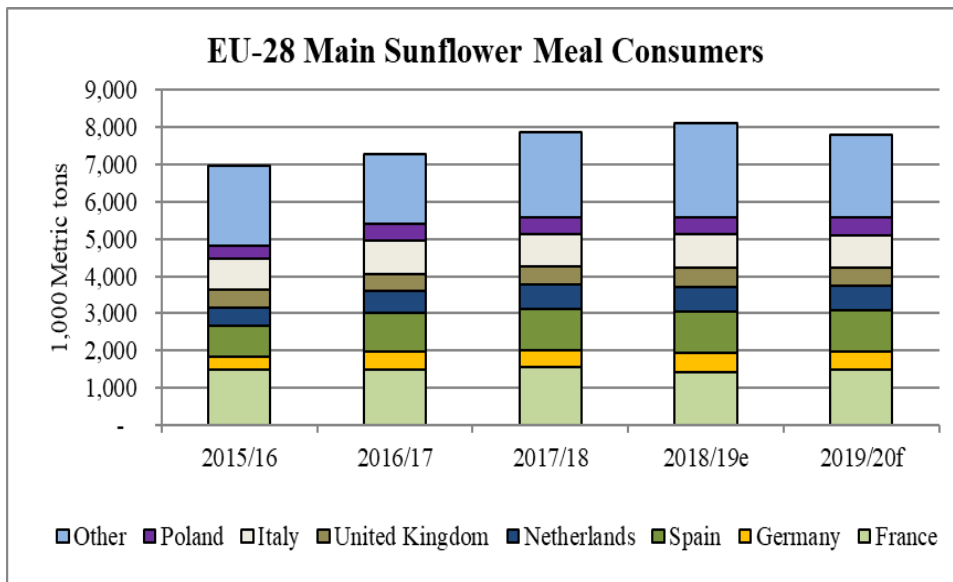
Crush demand in the EU this season is very favorable supported by higher demand for meals including competitive sunflower meal, shorter supply of rapeseed, and strong demand for sunflower oil. Crush margins, have been attractive and higher to date compared to the previous year. All member-states report steady or higher crush this season led by Hungary, Spain, Romania, Bulgaria, the Netherlands, Italy, and Germany. France is the only exception, with a decline. Some of the major EU crushers opted to exclude rapeseed and instead crush soybeans and sunflower seeds. Current estimates for the EU crush are at a new record, about two percent above MY 2017/18 and also above USDA official data.

Sunflower use for food purposes sees a promising consumer demand driven mainly by snack, confectionary and baking industries. Within the EU, major producers of this type of sunflower have registered consistent growth in volumes of de-hulling/shelling sunflower seeds as well as in production of confectionary sunflower.

The EU ending stocks are estimated to decrease by 27 percent due to lower availability. The stocks-to-use ratio is below that in the last season but the balance still remains relatively comfortable.



Source: FAS Posts



Source: FAS Posts

MY 2018/19

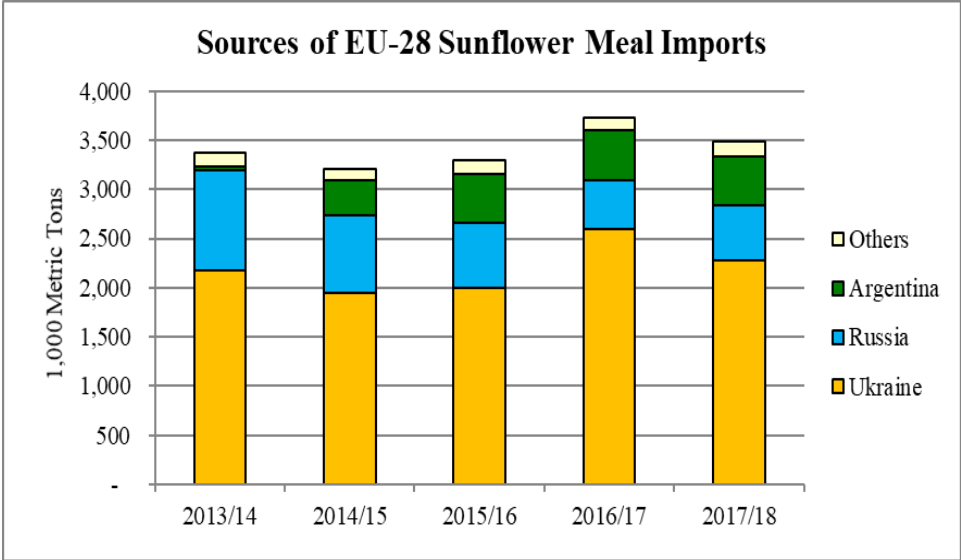
The EU is estimated to produce record high volume of sunflower meal, two percent over last season, due to higher crush. Growth in production is reported by Hungary, Bulgaria, Spain, Germany, Belgium, Portugal, Czech Republic and Greece, followed by steady supply in Romania, Italy, and the Netherlands. The exception is France due to a decline in crush.

Although imports of sunflower meal were nine percent less in the first quarter of the marketing year, domestic demand has been favorable to date. Higher imports are expected in the second half of the year provided that the sunflower meal maintains its competitiveness versus other meals. Leading importers are the Netherlands, France and Spain.

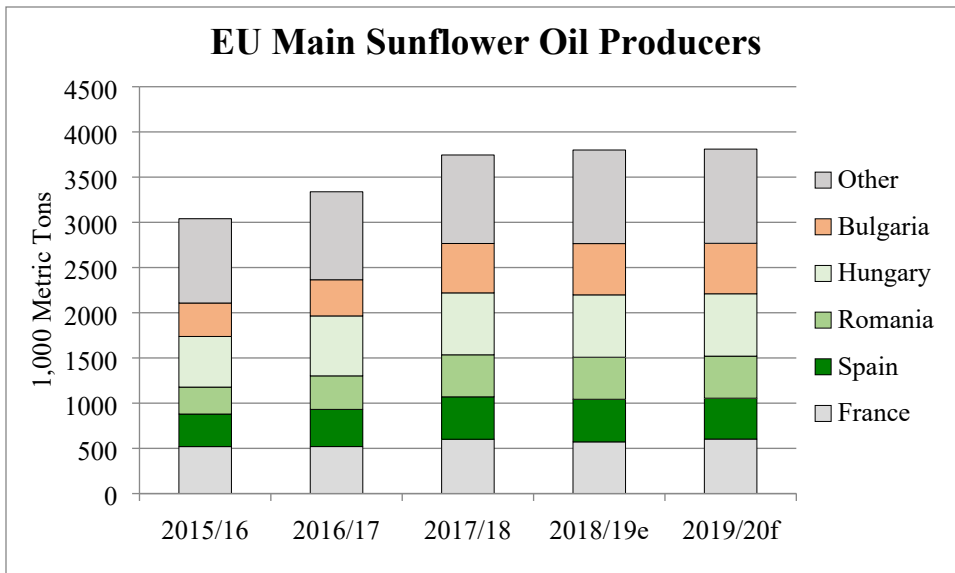
Sunflower meal has been more price competitive than rapeseed meal but much less competitive than soybean meal. It has been increasingly attractive due to lower level of phosphorous in cattle manure in countries already implementing EC environmental regulations to reduce phosphate emissions (e.g. Germany, the Netherlands). The demand for sustainable milk and meat produced from animals fed by non-genetically engineered feed is also on a rise in the EU. This motivates higher incorporation rates in feed for sunflower meal. Finally, the use of high-protein sunflower meal manufactured in bigger volumes this year in Hungary and Bulgaria and suitable for poultry feed as a partial substitute of soybean meal also contributes to improved demand for sunflower meal. As a result, EU use of sunflower meal is projected to reach a new record, about three percent over MY 2017/18 and above USDA official estimate. Steady to growing use is reported in most member-states with the notable exceptions of France and Spain where soybean meal use has been in higher consumption than in the previous season.

Export demand for sunflower meal has been steady to marginally higher with three percent growth in the first quarter of the marketing year mainly to traditional markets such as Turkey, Morocco, and Israel.

Ending stocks are forecast to decrease slightly due to record use. Stocks-to-use ratio is estimated to be lower than in the previous season which makes the EU balance at a very comfortable level.



Source: Global Trade Atlas



Source: FAS Posts

MY 2018/19

Sunflower oil output is estimated to achieve a new record in line with crush and grow by 1.5 percent over the previous season. Stable or growing sunflower oil output is reported by all member-states except France.

Due to very good domestic availability, imports of sunflower oil have declined in the first quarter of the marketing year by 23 percent. Strong domestic demand is forecast to encourage increasing imports in the second half of the year provided that sunflower oil maintains its competitiveness. Major EU importers are the Netherlands, Italy, and Spain. The expectation is that MY 2018/19 annual imports will be stagnant compared to MY 2017/18 and at the same level as USDA official estimates.

Food consumption of sunflower oil is projected to grow by more than two percent over MY 2017/18 driven by sunflower oil price competitiveness, food manufacturing and food service industries development, and consumer preferences. All member states (with the exceptions of Belgium and Germany) report steady or higher sunflower oil food consumption.

This favorable domestic food demand led to softened exports of sunflower oil despite improved availabilities. Since the beginning of 2019, exports have due to an uptick in demand in the traditional markets such as South Africa and Morocco. Exports in MY 2018/19 are anticipated to surpass the previous year's level by about five percent, marginally above USDA official data.

Industrial and biodiesel use of sunflower oil is likely to be flat. Ending stocks are predicted to increase due to higher supply but this will not lead to any change in stocks-to-use ratio compared to MY 2017/18, supporting comfortable EU balance in the current season.

Breakout of EU Industrial Uses for Sunflower Oil (1,000 MT)

	MY 2017/18	MY 2018/19	MY 2019/20
Biofuels Use	230	240	240
Other Industrial Uses	100	90	90
Total Industrial Use	330	330	330

5. Palm Kernel Complex

Coordinator: Bob Flach, FAS/The Hague

Meal, Palm Kernel Market Begin Year	2017/2018		2018/2019		2019/2020	
	Jan 2018		Jan 2019		Jan 2020	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
European Union						
Crush	0	0	0	0	0	0
Extr. Rate, 999.9999	0	0	0	0	0	0
Beginning Stocks	0	0	0	0	0	0
Production	0	0	0	0	0	0
MY Imports	2125	2125	2150	2050	0	2100
Total Supply	2125	2125	2150	2050	0	2100
MY Exports	0	0	0	0	0	0
Industrial Dom. Cons.	525	500	525	500	0	500
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	1600	1625	1625	1550	0	1600
Total Dom. Cons.	2125	2125	2150	2050	0	2100
Ending Stocks	0	0	0	0	0	0
Total Distribution	2125	2125	2150	2050	0	2100
(1000 MT) ,(PERCENT)						

Oil, Palm Kernel Market Begin Year	2017/2018		2018/2019		2019/2020	
	Jan 2018		Jan 2019		Jan 2020	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
European Union						
Crush	0	0	0	0	0	0
Extr. Rate, 999.9999	0	0	0	0	0	0
Beginning Stocks	163	163	147	152	0	142
Production	0	0	0	0	0	0
MY Imports	679	679	700	700	0	720
Total Supply	842	842	847	852	0	862
MY Exports	5	5	5	5	0	5
Industrial Dom. Cons.	280	280	300	290	0	300
Food Use Dom. Cons.	400	400	400	410	0	420
Feed Waste Dom. Cons.	10	5	10	5	0	5
Total Dom. Cons.	690	685	710	705	0	725
Ending Stocks	147	152	132	142	0	132
Total Distribution	842	842	847	852	0	862
(1000 MT) ,(PERCENT)						

In 2019 and 2020, EU imports of palm kernel meal are forecast to decline slightly based on the increased domestic supply of fodders, feed grains, and oilseed meals (in particular sunflower seed meal). Another factor for the reduced demand is the shrinking cattle sector in the EU. Palm kernel meal use in cattle feed has historically (past five years) been about twenty-five percent. About half of the palm kernel meal is used in the Netherlands. Germany, the United Kingdom and Ireland also use palm kernel meal in livestock feed. The import and use of palm kernel oil is anticipated to increase during 2019 and 2020 as a result of expanding global production.

6. Palm Oil

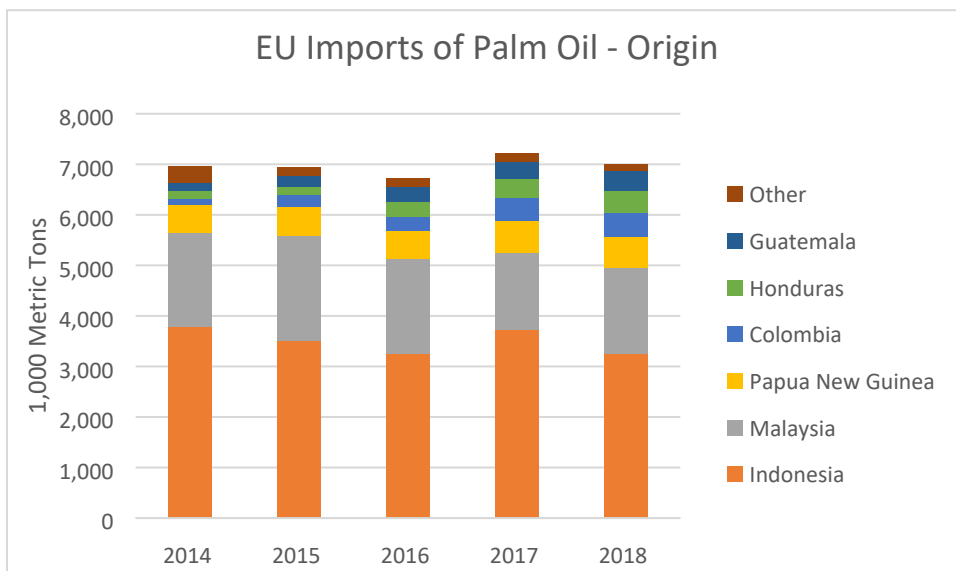
Coordinator: Bob Flach, FAS/The Hague

Oil, Palm Market Begin Year	2017/2018		2018/2019		2019/2020	
	Jan 2018		Jan 2019		Jan 2020	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
European Union						
Area Planted	0	0	0	0	0	0
Area Harvested	0	0	0	0	0	0
Trees	0	0	0	0	0	0
Beginning Stocks	710	710	762	632	0	522
Production	0	0	0	0	0	0
MY Imports	6941	6941	6800	7000	0	7150
Total Supply	7651	7651	7562	7632	0	7672
MY Exports	139	139	140	140	0	140
Industrial Dom. Cons.	3650	3830	3600	3900	0	3970
Food Use Dom. Cons.	2900	2850	2900	2870	0	2870
Feed Waste Dom. Cons.	200	200	200	200	0	200
Total Dom. Cons.	6750	6880	6700	6970	0	7040
Ending Stocks	762	632	722	522	0	492
Total Distribution	7651	7651	7562	7632	0	7672

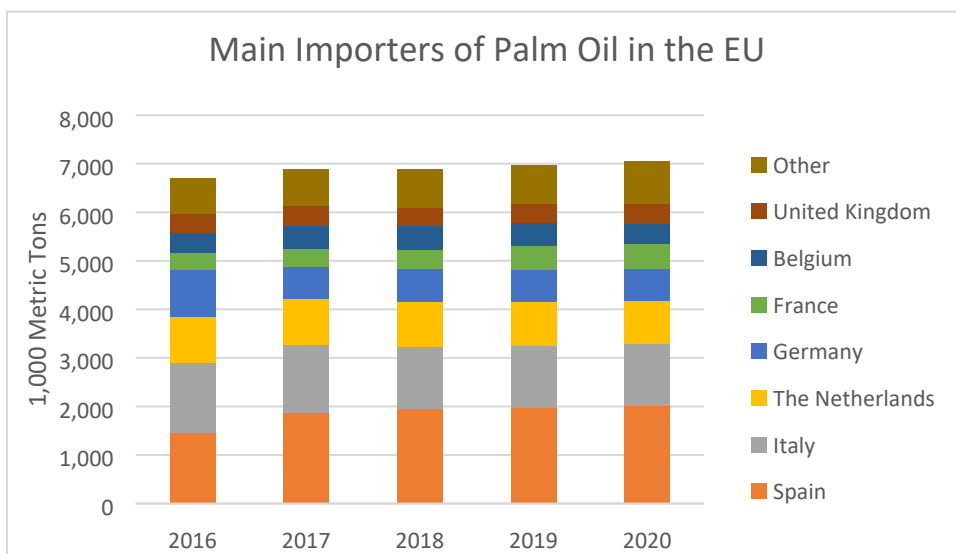
(1000 HA) ,(1000 TREES) ,(1000 MT) ,(MT/HA)

During 2018 – 2020, the industrial use of EU palm oil is forecast to increase from 3.8 MMT to nearly 4.0 MMT solely driven by the increased utilization for the production of biofuels. The imports of biodiesel from Argentina are not anticipated to significantly affect the use for biofuels production as palm oil is mainly used for the production of HVO fuels. Increased use of palm oil for biofuel production is expected in France, Spain, and potentially Italy. The French Government gave the green light to the main producer to use 300,000 MT of crude vegetable oil, of which palm oil, for the production of HVO. However, after January 1, 2020, palm oil will be excluded from the list of raw materials eligible to fuel tax exemption. Spain is forecast to increase the use of palm oil for HVO production driven by the rising mandates for blending with fossil transport fuels. Virtually all HVO fuel in Spain is produced out of palm oil. In contrast, in the Netherlands and Belgium the use of palm oil for biofuel production is expected to remain stagnant or gradually decline because of company policies to reduce the use of virgin vegetable oils in their feedstock mix. In the Netherlands, the use of palm oil for HVO production is being phased out and replaced by waste fats and oils such as used cooking oil and palm fatty acid distillate (PFAD), which is the by-product of palm oil refining. PFAD is being both imported and sourced domestically from palm oil refining plants. In Italy, consumption of palm oil could gradually increase based on the opening of a new biofuels plant in 2019. This plant has the capacity to process 750,000 MT of virgin vegetable oils and waste fats and oils per year.

Under the RED, if palm oil is used for the production of biofuels it must be certified as sustainable. Sustainability certification is also an important factor for acceptance in the food market. For more information about the policy and regulatory developments affecting the EU palm oil market see the Policy Section of this report. Negative NGO campaigns about the environmental impact of palm oil production potentially hinder the further penetration in the food sector. Due to the favorable price, the physical characteristics, and non-GE content, the replacement of palm oil in food preparations is expected to be limited. The private sectors of the Netherlands, Belgium, the United Kingdom, Germany, Italy, France, Denmark and Sweden agreed to ensure a fully sustainable palm oil supply in Europe by 2020. The governments of the Netherlands, United Kingdom, Germany, France, Denmark, Norway and Italy declared governmental support for this initiative. A [monitoring report](#) by the European Sustainable Palm Oil project, an initiative of Netherlands Oils and Fats Industry and the Sustainable Trade Initiative states that 74 percent of the palm oil imported by the EU for food use was certified sustainable in 2017. The EU food use of palm oil is forecast to slightly increase during 2018 – 2020. In some EU Member States, an increased food use is anticipated based on the gained trust of the sustainability of the commodity.



Source: Global Trade Atlas and FAS Posts



Source: Global Trade Atlas and FAS Posts

Breakout of EU Industrial Uses for Palm Oil (1,000 MT)

	MY 2017/18	MY 2018/19	MY 2019/20
Biofuels Use	2,510	2,580	2,650
Other Industrial Uses	1,320	1,320	1,320
Total Industrial Use	3,830	3,900	3,970

Source: FAS Posts

7. Peanut Complex

Coordinator Jennifer Wilson, FAS/London

Peanuts

Oilseed, Peanut Market Begin Year	2017/2018		2018/2019		2019/2020	
	MY		MY		MY	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
European Union						
Area Planted	0	0	0	0	0	0
Area Harvested	0	0	0	0	0	0
Beginning Stocks	27	27	31	31	0	33
Production	0	0	0	0	0	0
MY Imports	945	957	980	970	0	980
Total Supply	972	984	1011	1001	0	1013
MY Exports	28	36	30	38	0	38
Crush	35	35	35	35	0	35
Food Use Dom. Cons.	875	879	910	892	0	907
Feed Waste Dom. Cons.	3	3	3	3	0	3
Total Dom. Cons.	913	917	948	930	0	945
Ending Stocks	31	31	33	33	0	30
Total Distribution	972	984	1011	1001	0	1013
(1000 HA) ,(1000 MT) ,(MT/HA)						

Source: FAS Posts

The EU is the largest importer of peanut and peanut products in the world. One percent additional imports are forecast for 2019/2020 to reflect carry-over in global availability. The longer term outlook for supply is more challenging given reductions in plantings in both Argentina and the US, together with drought in Brazil that will likely affect yield and quality in 2019 harvests.

Imports of ready-shelled peanuts have increased by over twelve percent in the last decade. In-shell peanut imports into the EU have declined by six percent in the same time period. The latter now comprises less than 10 percent of total tonnage. China and the US lead exports of in-shell to the EU, while Argentina dominates the shelled peanut trade. Argentina typically has 50-60 percent market share of the shelled peanut supply, and these are predominantly directed to the EU snack and confectionery markets. In general, U.S. shelled peanut trade with the EU is price-driven but trade is also dependent on the ease with which U.S. suppliers can meet EU requirements for pesticide residues, aflatoxin levels, phytosanitary certificates, and private industry standards. After years of consolidation, the EU peanut kernel market is dominated by very few large multi-national processors.

Peanut Meal

Meal, Peanut Market Begin Year	2017/2018		2018/2019		2019/2020	
	MY		MY		MY	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
European Union						
Crush	35	35	35	35	0	35
Extr. Rate, 999.9999	0.429	0.429	0.429	0.429	0	0.429
Beginning Stocks	0	0	0	0	0	0
Production	15	15	15	15	0	15
MY Imports	1	1	1	1	0	1
Total Supply	16	15	16	15	0	15
MY Exports	0	0	0	0	0	0
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	16	15	16	15	0	15
Total Dom. Cons.	16	15	16	15	0	15
Ending Stocks	0	0	0	0	0	0
Total Distribution	16	15	16	15	0	15

(1000 MT) ,(PERCENT)

Source: FAS Posts

Peanuts for confectionery, snacks, and other further processed product uses remain the focal point for trade. Peanut crushing within the EU has not increased in recent years. Senegal shipped significant quantities of peanut meal to the EU until 2015. However, exports from West Africa are erratic and intrinsically linked to political levers as well as extreme weather events. As a result, the long term outlook for EU imports of peanut meal is not clear and there is currently a preference for other meals.

Peanut Oil

Oil, Oilseed Market Begin Year	2017/2018		2018/2019		2019/2020	
	MY		MY		MY	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
European Union						
Crush	32	35	32	35	0	35
Extr. Rate, 999.9999	0.375	0.3714	0.375	0.3714	0	0.3714
Beginning Stocks	5	5	5	5	0	5
Production	13	13	13	13	0	13
MY Imports	70	72	70	70	0	68
Total Supply	88	90	88	88	0	86
MY Exports	4	4	4	4	0	4
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	79	79	79	79	0	78
Feed Waste Dom. Cons.	0	0	0	0	0	0
Total Dom. Cons.	79	81	79	79	0	78
Ending Stocks	5	5	5	5	0	4
Total Distribution	88	90	88	88	0	86
(1000 MT) ,(PERCENT)						

Source: FAS Posts

Although it undergoes further refinement after crushing, peanut oil must be labeled on EU food packaging as an allergen. This deters its widespread use in food applications. EU peanut oil consumption has declined in the last ten years, and is increasingly substituted by other oils (such as sunflower oil). Brazil is typically the leading supplier; other suppliers include Argentina, Senegal and Nicaragua.

8. Fish Meal

Coordinator: Bob Flach, FAS/The Hague

Meal, Fish Market Begin Year	2017/2018		2018/2019		2019/2020	
	Jan 2018		Jan 2019		Jan 2020	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
European Union						
Catch For Reduction	1630	0	1680	0	0	0
Extr. Rate, 999.9999	0.3067	0	0.3095	0	0	0
Beginning Stocks	0	0	0	0	0	0
Production	500	500	520	510	0	520
MY Imports	267	267	250	250	0	230
Total Supply	767	767	770	760	0	750
MY Exports	137	137	140	150	0	150
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	630	630	630	610	0	600
Total Dom. Cons.	630	630	630	610	0	600
Ending Stocks	0	0	0	0	0	0
Total Distribution	767	767	770	760	0	750

(1000 MT) ,(PERCENT)

EU fishmeal production traditionally fluctuates between 300,000 -500,000 MT, but is gradually increasing. Despite this production expansion, the EU remains dependent on fishmeal imports to fulfill domestic demand. In 2018, imports and use increased significantly as a result of the elevated global supply of fishmeal and rising demand for imports by the EU animal feed sector. High global stocks are forecast to support EU imports throughout 2019. Northern European countries, such as Norway, Iceland, and the Faroe Islands are the main suppliers. In 2018, the United States shipped a record volume of about 20,000 MT of fishmeal to the EU. Germany and Denmark are the biggest markets for fishmeal in the EU. Together these countries account for about 85 percent of total EU imports. Denmark is also the main fishmeal producer in the EU, with an annual production generally fluctuating between 150,000 – 200,000 MT.

9. Copra Complex

Coordinator: Leif Erik Rehder, FAS/Berlin

Meal, Copra Market Begin Year	2017/2018		2018/2019		2019/2020	
	Jan 2018		Jan 2019		Jan 2020	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
European Union						
Crush	0	0	0	0	0	0
Extr. Rate, 999.9999	0	0	0	0	0	0
Beginning Stocks	0	0	0	0	0	0
Production	0	0	0	0	0	0
MY Imports	2	2	2	2	0	2
Total Supply	2	2	2	2	0	2
MY Exports	0	0	0	0	0	0
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	2	2	3	3	0	3
Total Dom. Cons.	2	2	3	3	0	3
Ending Stocks	0	0	0	0	0	0
Total Distribution	2	2	3	3	0	3

(1000 MT) ,(PERCENT)

Copra is not produced and no longer processed in the EU. The EU satisfies all its copra meal and coconut oil demand with imports. Copra meal imports have dropped to being nearly non-existent. Supply and demand are fairly balanced. Depending on price and availability there might be some recovery in 2019 and 2020.

Oil, Coconut Market Begin Year	2017/2018		2018/2019		2019/2020	
	Jan 2018		Jan 2019		Jan 2020	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
European Union						
Crush	0	0	0	0	0	0
Extr. Rate, 999.9999	0	0	0	0	0	0
Beginning Stocks	51	51	76	63	0	65
Production	0	0	0	0	0	0
MY Imports	550	630	500	650	0	650
Total Supply	601	681	576	713	0	715
MY Exports	10	13	10	13	0	13
Industrial Dom. Cons.	220	260	220	260	0	260
Food Use Dom. Cons.	290	350	280	370	0	370
Feed Waste Dom. Cons.	5	5	5	5	0	5
Total Dom. Cons.	515	615	505	635	0	635
Ending Stocks	76	63	61	65	0	67
Total Distribution	601	691	576	713	0	715

(1000 MT) ,(PERCENT)

In 2018 EU imports of coconut oil have increased due to steep decline of prices to multi-year lows. This led to higher industrial consumption and food use of coconut oil. There is further room for growth in 2019 and 2020 since market situation remain bearish. This mostly depends on price and availability from the two major suppliers Indonesia and Philippines.

10. Cottonseed

Coordinator: Dimosthenis Faniadis, FAS/Rome

Cottonseed

Oilseed, Cottonseed Market Begin Year	2017/2018		2018/2019		2019/2020	
	Oct 2017		Oct 2018		Oct 2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
European Union						
Area Planted (Cotton)	320	0	317	0	0	0
Area Harvested (Cotton)	295	293	317	310	0	310
Seed to Lint Ratio	0	0	0	0	0	0
Beginning Stocks	45	45	77	77	0	90
Production	493	496	538	540	0	532
MY Imports	12	12	10	10	0	10
Total Supply	550	553	625	627	0	632
MY Exports	8	8	55	60	0	63
Crush	290	285	290	293	0	293
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	175	175	180	184	0	182
Total Dom. Cons.	465	468	470	477	0	475
Ending Stocks	77	77	100	90	0	94
Total Distribution	550	553	625	627	0	632
(1000 HA) ,(RATIO) ,(1000 MT) ,(MT/HA)						

Source: FAS EU

Production

There are two basic types of cottonseeds: dried cottonseed and the non-dried (so called fresh cotton seed). Their main difference is on humidity level as the dried one usually ranges at 9-10 percent moisture while the fresh one may be 15 percent. Oil and protein content depending on the season is about 18 percent. Once produced the seeds are stored in ventilated warehouses so that quality will not be downgraded.

The EU is a minor producer of cotton, representing approximately 1.5 percent of the global production. Cotton production in the EU has declined by more than 50 percent following 2006 CAP reforms that decoupled payments and reduced support and market barriers for a number of crops including cotton. The EU does not permit farmers to cultivate modern biotech cotton varieties further hurting competitiveness. Only Greece and Spain grow significant amounts of cotton commercially. Cottonseed production in MY 2019/20 is forecast to slightly decrease 1.5 percent compared to the previous year. Yields in both Greece and Spain are expected to be good.

Crush

In Greece, about 55 percent of cottonseed production is crushed for oil (and oilseed cake) or retained for seed. In Spain, there is no domestic crushing of cottonseed. In 2018, Greece crushed approximately 293,000 MT of cottonseeds to produce 49,000 MT of cottonseed oil. The company Karagiorgos S.A., one of the biggest ginners in Greece, announced an investment of €17.5 million for a new plant producing biofuels from vegetable oils. The planned investment will be operational, expected, in 2020 and will include: 1) new cottonseed crushing equipment; 2) biofuel production from vegetable oils (approximate capacity of 8,000 MT); 3) biomass production of 10,000 MT; and 4) electricity production from the biomass (1 MWe). Cottonseed oil has traditionally been used in foods and the snack-food manufacturing industries. Cottonseed oil is also popular frying oil for the restaurants.

Trade

In MY 2017/18, the EU cottonseed exports decreased 62 percent compared to the previous year to reach the lowest volume in the last decade; exports are forecasted to rebound in MY 2018/19 driven by higher production. Saudi Arabia, the United States, and United Arab Emirates are the leading destinations for EU cottonseed exports. In Greece, small amounts of cotton are imported for blending in the domestic industry. Spanish cottonseed domestic demand is also satisfied by imports.

11. Olive Oil

Coordinator: Marta Guerrero, FAS/Madrid

Oil, Olive Market Begin Year	2017/2018		2018/2019		2019/2020	
	Nov 2017		Nov 2018		Nov 2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
European Union						
Area Planted	0	0	0	0	0	0
Area Harvested	0	0	0	0	0	0
Trees	6850	0	6900	0	0	0
Beginning Stocks	173	173	369	367	0	517
Production	2200	2186	2240	2260	0	2450
MY Imports	211	185	150	100	0	70
Total Supply	2584	2544	2759	2727	0	3037
MY Exp. to EU	0	0	0	0	0	0
Industrial Dom. Cons.	20	20	20	20	0	20
Food Use Dom. Cons.	1550	1585	1700	1575	0	1740
Feed Waste Dom. Cons.	0	0	0	0	0	0
Total Dom. Cons.	1570	1605	1720	1595	0	1760
Ending Stocks	369	367	369	517	0	647
Total Distribution	2584	2544	2759	2727	0	3037

(1000 HA) ,(1000 TREES) ,(1000 MT)

N.B.: Post trade and production data include only HS Code 1509. USDA official data are based on HS codes 1509 and 1510.

The EU is the world largest olive oil producer, accounting for 70 percent of the global olive oil output. Within the EU, olive oil production and consumption is concentrated in the Mediterranean countries. Investments in modernization are expanding the EU's olive oil sector and reducing fluctuations in production.

MY 2019/20

Early spring growing conditions have been positive in the majority of the EU olive growing areas. Estimates for MY 2019/20 indicate that olive oil production in the EU may register a slight increase compared to MY 2018/19. According to the [EU Medium Term Agricultural Outlook 2018 – 2030](#), new plantations, improved agronomic practices (irrigation, harvesting operations), and modernization of milling industry, are expected to be the main drivers behind an increase in EU production anticipated increase by 1.3 percent per year by 2030.

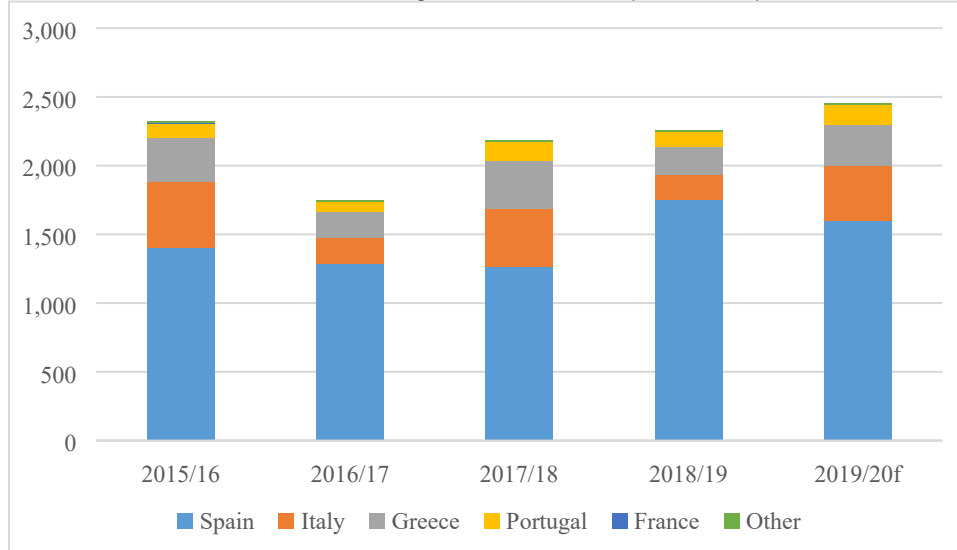
MY 2018/19

Production

Spain, (averaging for nearly 70 percent of the EU olive oil production), Italy, Greece, and Portugal are the main EU olive oil producers, accounting for nearly 99 percent of the EU's total olive oil output.

On the phytosanitary side, *Xylella fastidiosa* continues to threaten EU olive groves. Affected countries are putting in place contingency plans to limit the expansion of the outbreaks of this bacterium. *Xylella fastidiosa* can devastate fruit trees plantations, including olive groves, and negatively affects output levels.

Olive Oil Production in the EU by Member State (1,000 MT)



Source: FAS Madrid based on International Olive Oil Council data and FAS offices in Europe estimates.

Current estimates indicate that MY 2018/19 olive oil production levels in the EU should be higher than in MY 2017/18. Higher, though delayed, olive oil production in Spain would largely offset the reduction projected for Italy, Greece, and Portugal. In Spain, abundant rains in the fall delayed harvest operations. Despite the slow start, Spanish olive oil production is back on schedule and anticipated to reach record levels in MY 2018/19. Industry sources estimate Spain's olive oil production at 1.75 million MT, which would set a new production record, exceeding the bumper crop achieved in MY 2013/14.

For MY 2018/19, olive oil production in Italy, the EU's second largest producer, is estimated to drop nearly 60 percent from the previous marketing year. Severe frosts that during flowering in the leading production region of Puglia along with the spread of the harmful plant bacterium *Xylella Fastidiosa* have contributed to the projected decline.

Industry sources peg Greece's MY 2018/19 olive oil production at approximately 40 percent less (at 200,000 MT) from the previous year's abundant campaign. The production decline is attributed to an incidence of olive fruit fly and dry conditions prevailing in September.

Olives for olive oil production in Portugal was reportedly uneven and the harvest was delayed. Official estimates peg production at 109,000 MT (well below previous season's bumper crop) because of the alternative bearing influence. Despite Portugal's investments in irrigated intensive and semi-intensive olive plantations, the majority of the land devoted to olive trees is cultivated under traditional system with no irrigation.

Consumption

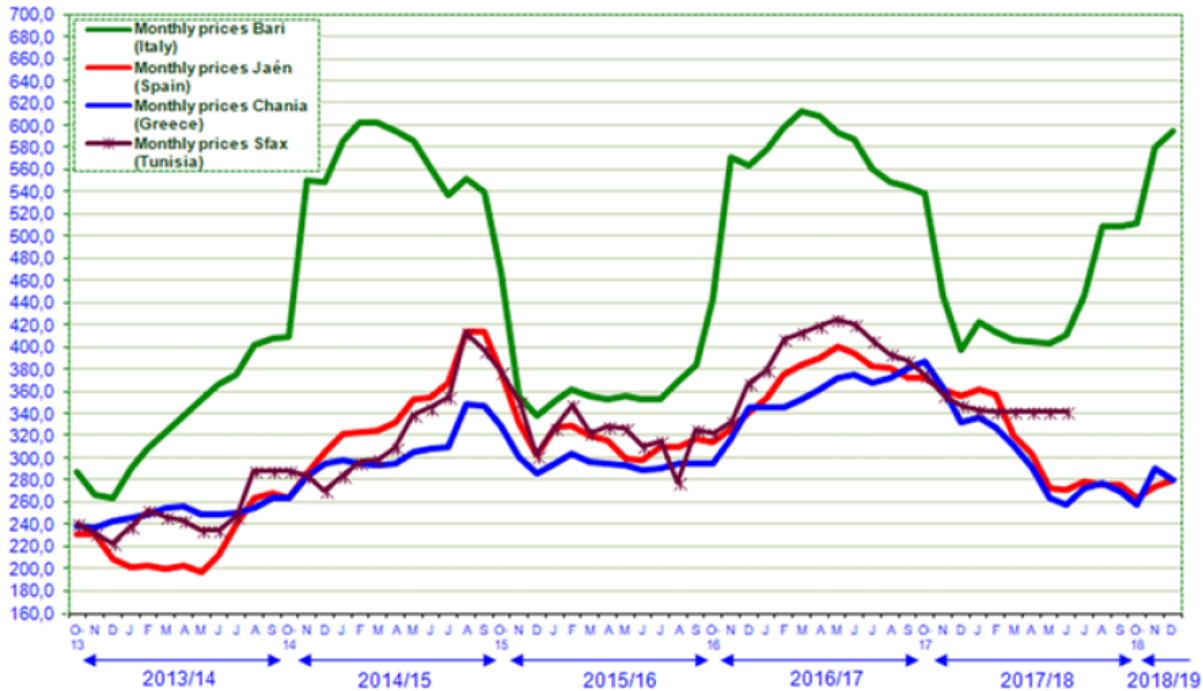
In the EU, olive oil is mainly consumed within the producer countries. On average years, only Spain and Greece, and more recently Portugal, consistently produce olive oil above their respective domestic consumption needs. At approximately eleven liters per capita, Italy is a leading olive oil consumer and relies on imports to supply its demand.

In most representative markets, olive oil prices in MY 2017/18 were lower compared to the previous season. A larger crop in the EU, and elsewhere, allowed for a recovery in consumption. The price spike that started in MY

2018/19 may have forced price sensitive consumers to switch from olive oil to other less expensive types of oil, like rapeseed oil and sunflower oil, reducing consumption volumes.

Extra Virgin Olive Oil Average Monthly Prices in Representative Markets

Euros/100 kg



Source: International Olive Oil Council February 2019 Newsletter.

Trade

As the EU olive oil production continues to increase, exports are critical to maintain a healthy market balance. The EU is a net exporter of olive oil, with olive oil exports largely exceeding imports. The United States followed by the United Kingdom are the largest markets for EU olive oil exports. The lower output anticipated in MY 2018/19 in non-EU production countries, such as Tunisia and Turkey, would allow for further growth in exports.

Stocks

The MY 2018/19 harvest delay in Spain, the expectation of a sizeable anticipated crop along with the steady pace of exports has resulted in a downwards revision of ending stocks in MY 2017/18. Despite favorable export estimates, an increase in ending stocks is projected for MY 2018/19 because of the abundant supply.

Policy

The European Commission can provide private storage aid if there are serious disturbances to the olive oil market in a certain region or if the average price for one or more of the following products is recorded on the market during a two-week period:

- € 1,779/ton for extra virgin olive oil
- € 1,710/ton for virgin olive oil

•€ 1,524/ton for pomace olive oil

[Regulation \(EC\) 1918/2006](#) as amended by [Regulation \(EC\) 605/2016](#) opened a two-year additional of tariff quota for olive oil originating in Tunisia. In particular, the EC granted Tunisia with an annual quota of 35,000 MT of olive oil duty free to the EU until the end of 2017, in addition to the 56,700 MT referred to in the Association Agreement between the two parties.

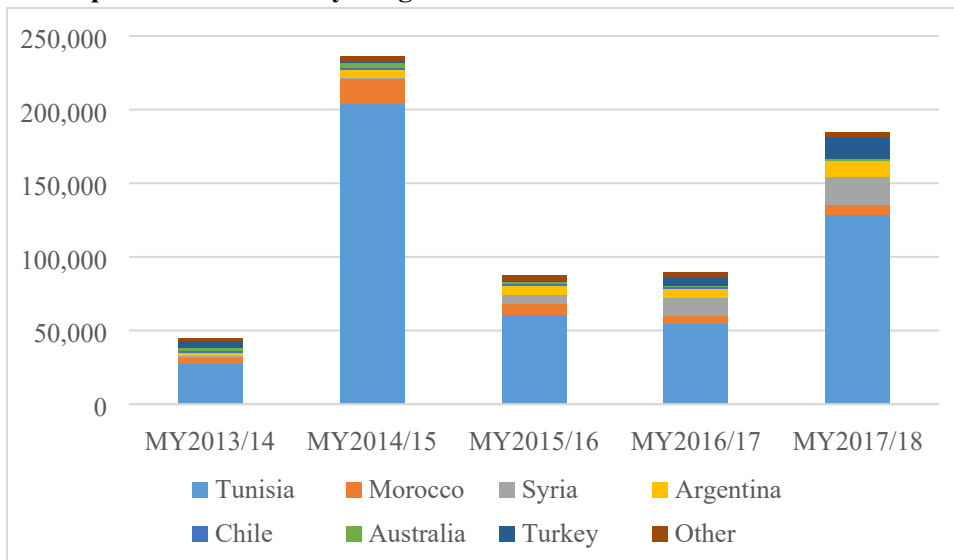
Additional information on the EU olive oil market situation and policy can be found at the [European Commission website](#).

MY 2017/18

In MY 2017/18, olive oil production in the EU registered a recovery compared to MY 2016/17, when very poor yields were achieved. Dry conditions prevailing in Spain prevented the bloc from achieving full yielding potential. September rains allowing higher production in Italy, an increased production in Greece and the historically record olive crop registered in Portugal were not sufficient to make up for the decline in the EU's largest producer.

In MY 2017/18 EU olive oil imports registered grew compared to the previous marketing year driven by a rebound in imports from Turkey, Argentina and Tunisia. Third countries' imports under Inward Processing Regime, which allows avoiding import duties on the condition that the incoming oil is re-exported to third countries, contributed to meet the growing exports commitments. Actually, the 56,700 MT of duty free quota of Tunisian olive oil (See Policy Section for additional details) was fully allocated in 2018 first [tender](#).

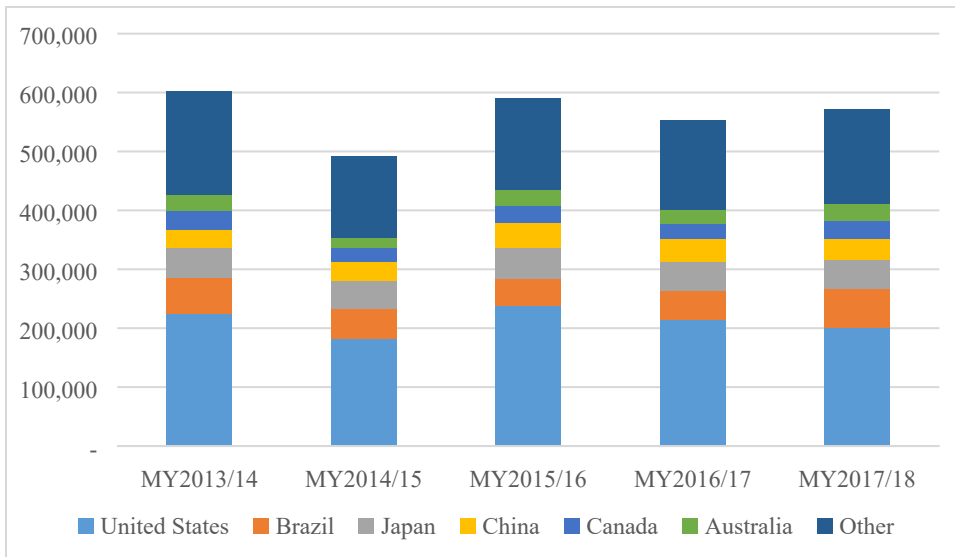
EU Imports of Olive Oil by Origin in MT



Source: GTA.

In MY 2017/18 olive oil exports grew by three percent. Significant import increases in Brazil, Canada and Australia managed to offset the ten percent reduction in olive oil exports to the United States.

EU Exports of Olive Oil by Destination in MT



Source: GTA.

Spain, followed by Italy, leads the EU olive oil exports to the United States and Japan. Portugal is Brazil's largest supplier of olive oil. Spain dominates the Chinese and Australian market, whereas Italy is the largest supplier to Canada.

12. Policy

Coordinator: Sophie Bolla and Jennifer Lappin, FAS/USEU Brussels

Common Agricultural Policy

The CAP funds agricultural and rural development support throughout the EU and represents a significant portion of the total EU budget—38 percent. Most of the current CAP's programs entered into force in January 2014, with the exception of a new direct payments structure, which included "green" payments—discussed below, and additional support for young farmers; these two measures entered into force in 2015. The EU's Multiannual Financial Framework funds the CAP in six-year increments. The CAP categorizes thematic programming into two main "pillars," the first oriented towards market measures and direct payments to farmers and the second pillar oriented towards rural development.

At present, EU decision makers are looking back at the CAP performance to date and considering those results to shape programming for the CAP post-2020. Beyond the questions of program design, policy makers are also considering how various political developments such as Brexit, migration, and security issues, may shrink the available budget for the CAP. The European Commission released its legislative proposal for CAP post-2020 on June, 1, 2018. The co-legislators in the European Parliament and Council are considering the proposal and they will likely reach an agreement in the second part of 2020.

The proposal allows Member States to develop individual Strategic Plans covering the 2021 – 2027 period, setting out how they intend to meet nine EU-wide economic, environmental and social objectives. Commission wants to strengthen the environmental aspect of CAP transforming the current "green" payment in a series of environmental obligations for farmers decided by each Member States. Moreover, the Commission introduced the concept of eco-schemes, an incentive payment scheme for care of the environment and climate.

Additionally, EU policy makers are discussing increasing production of plant-based proteins in the EU, which would be of consequence for the oilseeds sector and may figure into CAP programming. See below for more information.

A notable CAP 2014-2020 development is that the European Commission and the Court of Auditors have released studies evaluating the first two years of implementation of the greening measures. See: [Evaluation study of the payment for agricultural practices beneficial for the climate and the environment](#). The “greening component” is part of CAP Pillar 1, whereby for farmers to receive the full amount of direct payments available, farmers had to fully comply with three greening components. These greening measures are tied to 30 percent of the direct payments budget in the CAP and comprise 8 percent of the total CAP budget today. The measures focus on crop diversification and rotation, protection for permanent grasslands, and setting land aside (Ecological Focus Areas – EFAs) for ecological uses such as field margins, landscape features, nitrogen-fixing crops, buffer strips, etc. EFAs and crop diversification requirements created incentives for farmers to plant more soybeans and pulses. Indeed, of the various land uses permitted in the EFAs, nitrogen-fixing crops proved to be the most implemented measure thus far. In 2017, the EU banned the use of pesticides for nitrogen fixing crops in EFAs ([Regulation 2017/1155](#)); it is still unclear how this has affected areas planted with soy and pulses as this ban entered into force on January 1, 2018.

The Commission and the European Court of Auditors have released studies showing that most of the greening measures would have been undertaken anyway without these direct payments. Both reports concluded that the greening measures are not helping the EU achieve its environmental and climate change goals.

Protein Deficiency and the Quest for Self Sufficiency

The EU continues to discuss a goal of “protein independence” and reduce reliance of plant protein imports. The EU imports more than 75 percent of its protein supply, including 95 percent of its soy cake consumption, from third countries, mainly from Brazil, the United States, and Argentina.¹ On November 22, 2018, the Commission published [its report](#) on “The Development of Plant Proteins in the European Union.” This builds on the Commission’s previous work of publishing an [EU Protein Balance Sheets](#) to direct future efforts for increased planting areas. To encourage the production of plant protein by European farmers, the Commission’s report indicates a positioning of European feed as “premium” feed. Premium is not defined by higher protein content or enhanced nutrition but appears to be a feed that would be non-genetically modified (GM) and not linked to deforested areas. For more information about the report, please see [GAIN Report 18070: “European Union Unveils Its Protein Plan.”](#)

Aid System for Oilseeds

Farmers do not receive specific payments for growing oilseeds. With the exception of the olive sector, there is no intervention - buying, export subsidy or other market support programs - available for oilseeds in the EU. See olive oil section for additional information.

Blair House Agreement

The 1992 Blair House Memorandum of Understanding on Oilseeds (or Blair House Agreement (BHA)) between the United States and the EU was included in the EU WTO schedule of commitments and resolved a General Agreement on Tariffs and Trade dispute over EU domestic support programs that impaired U.S. access to the EU oilseeds market. As noted earlier, there are no crop specific payments for oilseeds, the BHA is maintained but not in use.

Sustainability

As in the United States, the interest for sustainability, sustainable production, and environmental issues are growing among EU consumers, industry and policymakers. The theme of sustainability is well established in the

¹ EC Report on “The Development of Plant Proteins in the European Union”

EU marketplace and major food retailers in EU are increasingly using it as a competitive tool. It is a formal part of retailer business and marketing plans and it is being reinforced by significant investment throughout the production chain, including the growing use of private certification bodies.

The EU's path to greater sustainability for the agricultural sector touches upon major issues such as [climate change](#) and minimizing [indirect land use changes](#) (ILUCs), reducing [water use](#), [food waste](#) and [the circular economy](#), and [biodiversity](#). The EU is also investing in research to facilitate achieving these goals in the agricultural sector. In June 2018, the European Commission presented the EU's new research and innovation program called "[Horizon Europe](#)" for the period 2021-2027 and a budget of 100 billion Euros with 35 billion earmarked for tackling climate change and 10 billion dedicated to food and natural resources.

EU Climate and Energy Package

The Council adopted the current EU Energy and Climate Change Package on April 6, 2009. The Renewable Energy Directive (RED), which is part of this package, entered into force on June 25, 2009, and needed to be transposed into national legislation in the Member States (MS) by December 5, 2010.

The EU Energy and Climate Change Package include the "20/20/20" goals for 2020:

- A 20 percent reduction in greenhouse gas (GHG) emissions compared to 1990.
- A 20 percent improvement in energy efficiency compared to forecasts for 2020.
- A 20 percent share for renewable energy in the EU total energy mix. Part of this 20 percent share is a 10 percent minimum target for renewable energy consumed in transport to be achieved by all Member States.

The goal for 20 percent renewable energy in total energy consumption is an overall EU goal. The RED then sets different targets for different MS within this overall target, based on each Member States' capacity. Therefore, some Member States will have to reach much higher targets than the 20 percent, whereas other Member States will have much lower targets. In contrast to the 20 percent overall EU target, the 10 percent target for renewable energy in transport is mandatory for all Member States. Every two years, the European Commission publishes [progress reports](#) on the achievements of MS and the most recent is for 2015/2016. Eurostat also publishes an annual report about the share of renewable energy in the EU; please see [here](#) for the 2019 edition, which found that the share of renewables in the EU is up to 17.5 percent in 2017.

RED also introduced sustainability criteria for biofuels to count toward the mandatory national renewable targets for transport fuels. The criteria include greenhouse gas savings, exclusion for land with high biodiversity value and high carbon stock, and measures to mitigate ILUC. RED requires all biofuel used in the EU, whether produced in the EU or a third country, to demonstrably meet this criteria through compliance certification. In January 2019, the European Commission [recognized](#) the U.S. soy industry's scheme certifying U.S. soybeans compliance. With this recognition, U.S. soybeans can now be used for biofuel production in the EU and count towards RED targets. There are currently a dozen other certification schemes [recognized](#) by the EU.

The Fuel Quality Directive (FQD) complements the RED and mirrors some of the RED's content such as the sustainability criteria. A key requirement of the FQD is that all fuel suppliers (oil companies) must meet a 6 percent cut in GHG emissions by 2020 across all fuel categories supplied to the market. In addition, the FQD limits ethanol blends to 10 percent or less when ethanol is used as an oxygenate. This creates a blend wall in some MS that potentially risks future growth in ethanol consumption. Fuel specifications for biodiesel place limits on the palm oil and soy oil content of biodiesel.

Revision of the RED and FQD

[Directive 2015/1513](#), covering indirect land use change (ILUC), entered into force on October 5, 2015, and amends both the RED and the Fuel Quality Directive (FQD). There was concern that the climate change benefits of using crop-based biofuels were potentially negated from ILUC whereby carbon sinks of grasslands and forests would be converted to farmland. The ILUC Directive includes the following key elements:

- Fuel suppliers are required to include ILUC emissions in their reports;
- A seven percent cap (energy basis) to the contribution of food crop based biofuels to the 10 percent target for renewable energy in transport by 2020, leaving three percent to be covered by non-food crop based biofuels. MS are free to set lower caps;
- Double counting of the energy contribution of advanced biofuels towards the 10 percent blending target for 2020.

The ILUC issue continues to be a major point of discussion for policy makers developing the RED II legislation.

RED II

In December 2018, the EU published the new Renewable Energy Directive, RED II, in the Official Journal ([Directive 2018/2001](#)) after more than two years of negotiations. It is part of the [Clean Energy for All Europeans package](#), proposed by the European Commission in 2016 and tackling electricity markets, energy efficiency and eco-design.

RED II sets out a 32 percent binding renewable energy target for the EU for 2030, with an upward revision clause to be revisited in 2023. The target for the transport sector was set at 14 percent and the Directive also sets out a binding 3.5 percent target on non-crop based advanced biofuels by 2030. The EU capped crop-based biofuels at the level consumed in each Member State in 2020, with an additional 1 percent point allowed over present consumption up to an overall cap of 7 percent.

RED II also puts in place freeze on the use of high-risk indirect land use change (ILUC) biofuels at the 2019 levels to phase them out completely by 2030. On February 8, 2019, the European Commission proposed a [Delegated Regulation](#) setting out specific criteria on what the EU considers a high-risk ILUC biofuel. The Commission determined that high ILUC-risk biofuel feedstock are feedstock for which the share of expansion of the production into land with high carbon stock is higher than 10 percent since 2008 with an annual expansion of more than 1 percent. Given the calculations of the Commission, only palm oil falls under this definition and will need to be phased out by 2030. Soy, rapeseed, and sunflower do not fall under this definition. However, the Delegated Act gives the possibility for producers, including palm producers, to certify their feedstock as low-risk ILUC through additional measures. At the time of writing, the Council of the EU and the European Parliament still need to approve this Delegated Regulation.

Biotechnology

Asynchronous Rate of Approvals on Soybeans

The EU livestock industry relies on imports of genetically engineered (GE) feed with soy products being the single largest agricultural import into the European Union. However, the EU's slow and costly approval of GE events restricts U.S. exports. The EU system for approving GE plants for use as food and feed is broken since the EU routinely disregards set regulatory timelines. This has led to a widening gap between GE products deregulated and grown in the United States and elsewhere and those approved in the EU, resulting in the partial or complete disruption of trade in affected commodities and processed products. Although the legally prescribed approval time is 12 months (6 months for European Food Safety Authority, 6 months for the comitology review process), for GE events approved in 2017, it took nearly seven years (industry estimate) for the approval of a GE product. Commission [Implementing Regulation \(EU\) No 503/2013](#) establishes requirements for applications for GE approvals.

Low Level Presence

The EU does not have a commercially-viable low level presence policy (LLP). In 2009, shipments of around 180,000 metric tons of U.S. soy were denied entry into the EU because of the detection of dust from GE corn not yet approved in the EU. As a result of the situation, the EU quickly approved several GE corn products that were stuck in the EU approval process, so that soybean trade could resume.

In response to this incident, the EU announced a “technical solution” in 2011 in an attempt to minimize trade disruptions due to LLP of unapproved GE events in feed imports. The Regulation, [Commission Regulation \(EU\) No 619/2011](#) which entered into force on July 20, 2011, permits the inadvertent presence in feed shipments of up to 0.1 percent of a GE product unapproved in the EU, if the product is approved in the country of export and it has been three months since EFSA concluded its completeness check.

In effect with this “technical solution”, the EU chose not to introduce a commercially-viable policy to address the issue of LLP, but to maintain its zero tolerance position. Although the adoption of the “technical solution” demonstrates that the EC is aware of the problems caused by asynchronous approvals, the fact that the measure is limited to 0.1 percent renders it commercially unviable.

Pesticides

There are new developments underway changing the availability of crop protection products permitted for EU farmers and, by extension, agricultural exporters to the EU. [Commission Regulation 2018/605](#), identifying endocrine disrupting properties under [Regulation 1107/2009](#) on plant protection products, is valid since November 10, 2018. The criteria to identify endocrine disruptors will apply to all on-going and future evaluations of active substances used in plant protection products. The U.S. advocates for risk-based criteria for assessing these active substances.

The use of three neonicotinoids, clothianidin, imidacloprid and thiametoxam, has been restricted since December 1, 2013 on crops attractive to honeybees such as rapeseed, sunflowers, and soybeans (by Commission Implementing Regulation (EU) No 485/2013). In May 2018, the published three Commission implementing regulations further restricting the use of neonicotinoids since these will ban all uses for Clothianidin, Imidacloprid and Thiamethoxam except for the application in permanent greenhouses in the EU. The European Commission deems these measures necessary to address alleged risks to bees following the updated risk assessment by the European Food Safety Authority (EFSA) in early 2018. The restrictions are in place since June 2018 (for seeds since December 2018) and all authorizations are withdrawn since September 2018. There are no implications expected for the import tolerances for these substances.

13. Pesticides

Coordinator: Tania De Belder and Lisa Allen, FAS/USEU Brussels

Upcoming reviews for MRLs on soybeans, sunflower and rapeseed

Plant protection products (PPPs) along with maximum residue levels (MRLs) and import tolerances are an increasingly important issue in the EU, since there is a significant reduction in the number of active substances that are available for use. Regulation (EC) No 1107/2009 and Regulation (EC) No 396/2005 regulate PPPs and MRLs respectively. There is a consistent review of active substances for which the approval is up for renewal, as well as their associated MRLs. Additionally, existing MRLs are also being reviewed through a process known as an Article 12 review. The first list below indicates the upcoming MRL reviews for the main oilseed commodities under this Article 12 process. The second list includes the active substances which are, or will be, up for renewal. It is important to note that these lists are not all-inclusive. Due to the complexity of the renewal process and the importance of the issue, stakeholders should actively engage early in these review processes by reaching out to the applicant. Together with the applicant, they can ensure that the necessary data are already available for the review or if trials for data collection are in progress or should be initiated, especially if the substance is not used or authorized in the EU. It is highly recommended to contact the assigned "Rapporteur Member State" (RMS) which will carry out the first evaluation of the active substance and existing EU pesticide MRLs. Stakeholders are encouraged to engage with FAS on substances and MRLs of importance to their commodities.

1) Article 12 review

Active substances with MRLs	Soy-beans	Rape seed	Cotton seed	Sunflower seed	RMS**	Start of Data Collection	Expected date of RO***
Chlorantraniliprole	x	x	x	x	IE	12/15/2017	17/06/2019
Clethodim*	x	x	x	x	NL	3/8/2017	02/07/2019
Fluopyram		x	x	x	DE(AT)	10/13/2017	06/14/2019
Fluxapyroxad		x	x	x	UK(FR)	06/15/2018	06/17/2019
Etridiazole			x		NL	02/14/2018	---
Flubendiamide			x		EL	09/15/2018	09/09/2019
Spirotetramat	x		x		AT	07/15/2018	07/19/2019
Sodium hypochlorite	x				NL	15/03/2018	---

*this is the only substance we tracked for peanuts

**RMS: Rapporteur Member State

***Expected date of Reasoned Opinion by the European Food Safety Authority (EFSA)

2) Active substances up for review next

Active Substances	Last date of application
Metam (incl. -potassium and -sodium)	06/30/2019
Flumetralin	12/11/2019
Glyphosate	12/15/2019
Esfenvalerate	12/30/2019
Fenpyrazamine	12/30/2019

Related Reports

For related reports please search the USDA/FAS GAIN database:

<https://gain.fas.usda.gov/Pages/Default.aspx>

Attachments:

No Attachments