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Report Highlights:

The EU28's grain harvest in MY2018/19 is forecast to be the sixth to surpass 300 MMT in a decade. A slight reduction in area is forecast to be more than offset by a second successive year of improved yields, meaning a small increase in production. After a mild winter and cold snap in February, the crop is reported to be in a good condition. Wet weather has caused some delays to spring planting but it is now well under way. EU28 wheat exports have faced stiff competition in MY2017/18. They are currently forecast to improve in MY2018/19, but not to pre-MY2016/17 levels.

Introduction

This report presents the first outlook for grain and feed, and Production, Supply and Demand (PS&D) forecasts for the Marketing Year (MY) 2018/19. Unless stated otherwise, data in this report is based on the views of Foreign Agricultural Service analysts in the EU28 and is not official USDA data.

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HA = Hectares

MT = Metric Tonne

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

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

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Executive Summary

The MY2018/19 EU28 grain crop is currently forecast to reach 305.7 MMT, just over 1 MMT up on a year earlier. If realized, this will be the sixth EU28 crop to surpass 300 MMT in a decade but over 21 MMT shy of the record grain crop of MY2014/15. Forecast planted area in MY2018/19 is little changed on MY2017/18, what little decline there is being in wheat in France and Germany and, to a lesser extent, Spain. A wet fall and mild winter was cause for some concern but the late February cold snap has been generally positive for the EU28 crop outlook, both in terms of size and quality. The recent cold and wet weather has delayed the start to spring plantings in a number of Member States. If the producers are unable to catch up or there are further delays, this may lead to an increased corn area at the expense of other crops.

MY2017/18 can largely be considered a return to normal in terms of production after the significant decline in the wheat crop in France, the EU's largest exporter of grain, in MY2016/17. However, the same cannot be said for exports. The EU28 has faced significant competition on export markets, notably from Russia and Black Seas Origins (BSO), as well as currency pressure. Indeed, EU28 wheat exports are currently expected to be lower year-on-year as well as below previous expectations. This would be the lowest wheat export volume for five years. Increased exports of both barley and corn in MY2017/18 limit the expected year-on-year fall in overall EU28 grain exports to just over 1.5 MMT.

The increased availability of wheat on the domestic market has seen its usage as feed increase while poor crops in Spain have reduced the total amount of barley fed and increased that of corn, both domestically produced and imported. Overall, this means a year-on-year increase of over 2 MMT in total EU28 feed grain use in MY2017/18 is now expected. Total Food, Seed & Industrial (FSI) usage in MY2017/18 is also expected up, both year-on-year and as compared to previously forecast. The increase is a combination of increased food use of wheat in France and increased industrial use of corn, mainly in the Austrian, Hungarian, Spanish and UK biofuels sectors. Overall, total consumption is expected to rise around 3.5 MMT but the year-on-year production increase and decline in exports means total EU28 grain ending stocks in MY2017/18 are still forecast to rise, albeit not as significantly as previously suggested.

For MY2018/19, total domestic consumption is forecast to rise just 500,000 MT. Total grain feed use is forecast unchanged, masking a switch back to barley from other grains. In fact, the entire rise is forecast to be accounted for by increased industrial use of corn in Austria, Hungary and, to a lesser extent, Spain. The forecast rise in production but measured increase in exports, mainly wheat, means stocks are once again forecast to decline. However, as was demonstrated in MY2016/17, much will ultimately depend on the size and quality of the EU28 crop. Other factors at play include the export situation in Ukraine, both a key supplier to the EU28 market as well as competitor on third country export markets; in Russia; and the pricing of the EU28 crop versus Black Sea Origin grains.

Harvest outlook

A wet fall hampered plantings and a mild winter increased concerns for plant susceptibility to pests and disease. It also increased the focus on the likely impact of the late February cold snap which was felt across much of the EU28 and, to a lesser extent, a second spell of colder weather in mid-March. In many instances, the cold weather was welcomed and the sentiment for the MY2018/19 harvest has improved, both in terms of size and quality. While there were some country-specific challenges at planting of the winter crops, the general consensus is that the crop was given a good start. While the winter was mild, where it was needed snow cover was reported to be sufficient to protect the crop. The recent cold and wet weather has delayed the start to spring plantings in a number of Member States. In combination with some concerns regarding seed availability in the likes of Germany, this may affect the spring crop balance.

Given the significance of the French grain crop for the overall EU28 balance, especially trade, the much smaller and lower quality grain crop in France in MY2016/17 has increased attention on the development of its MY2018/19 crop. This is despite MY2017/18 seeing a return to more typical yields and quality. France experienced a dry fall, which was good for winter plantings, but then a very mild and wet winter. While this was generally good for crop development, the root systems will be less developed which could lead to susceptibility to any prolonged dry weather later in the season. The over winter conditions were also good for pests and disease which has led to some concerns for damage to the crop and a possible increase in spring plantings of other grains. The cold weather in late February and, to a lesser extent, in mid-March has therefore been welcomed, especially as it is thought to have had little impact on the quality of the crop. If concerns remain, it is that fields are wet, limiting access for crop assessment and management. These same conditions have also caused some delays to spring barley plantings which would normally be well under way by now. While France has a relatively large window for getting this crop in the ground, producers are keen to proceed and, unless there is a prolonged dry spell, could start to look to switch to later planted spring crops, such as corn. This all said the mood is generally optimistic with no serious causes for alarm.

In contrast to France, Germany experienced a wet fall and this detrimentally affected plantings and early management of the crop. It is expected to lead to increased planting of spring wheat, barley and oats. While the late February weather was particularly cold in Germany, it was relatively short lived and a good covering of snow is reported to have protected the crop in most of the country except parts of Eastern Germany. Where winterkill has occurred, this will further increase spring plantings. Germany does face similar challenges to France with regards wet fields and whether this will hamper the aforementioned spring plantings. Should the fields continue to be too wet for planting or a shortage of summer seed occurs, the corn area could benefit later in the year.

The UK crop is reported to be in good condition. The cold weather is not thought to have damaged the winter crops. In fact, it has been good for pest control and soil moisture. The only real concern is that recent wet weather has delayed the start of spring plantings.

Poland experienced some delays to its winter plantings but they ultimately proceeded well and the winter dormancy rate was rated as the same as in MY2017/18. Like France, Poland experienced a mild winter. Combined with wet soils, this created excellent conditions for crop development but the cold weather in late February and mid-March was generally welcomed by producers. While there was some reported damage where the snow cover was insufficient to protect the crop, particularly to winter barley, overall it is expected to have been good for the crops, boding well for future development.

For Hungary, the winter crops are reported to be in good condition, albeit the mild winter has increased disease pressure and the overly wet weather affected crop development. Unlike other Member States, temperatures in late February and into March, while cold, remained above average and have not impacted the crop. If there are any real concerns, it is that wet fields are expected to reduce access for crop management in the coming weeks.

Bulgaria's crop is currently in excellent condition following a wet and mild winter. While the crop was protected from the worst of the cold weather in February by snow, this has now melted. The crop is not considered to have developed resilience to the cold weather, as it would have done in a more normal winter, so is susceptible to future damage.

Romania experienced excellent planting conditions and the cold spell is unlikely to have had any significant impact on winter crops due to snow cover.

Prior to the cold snap, the mild winter saw the crops in the Czech Republic in good condition, with sufficient moisture in the soils. However, limited snow cover, particularly in the north, means there is some expectation of winterkill, albeit limited.

It is a similarly positive story in Italy where the crop was reported to be developing very well. February brought snow and with it some uncertainty but the sentiment remains very positive, not least as snow means moisture for the soils even if there are some isolated losses.

Spain and Portugal experienced a very dry fall which reduced the planted area. These conditions continued through the winter meaning plants are somewhat behind in their development but have grown extensive root systems. The cold weather elsewhere in the EU28 presented itself as rain in the Iberian Peninsula and this has continued into March and bodes well for spring plantings and winter crop development. With no concerns regarding water reserves, the outlook is positive as we approach the key determining months for the Iberian Peninsula - April and May.

Austria reports good planting conditions, increased sowing of winter grains at the expense of spring plantings, good moisture levels and timely snow cover. The latter protected the crop in February, the cold weather also reducing pest and disease occurrence, but with the snow now melted it is considered susceptible to any further cold weather. Overall though, the outlook is very positive in Austria. The area planted to organic grain, currently around 17 percent of the crop, is still rising year-on-year.

Finland, Sweden and Denmark saw winter plantings delayed due to the late harvest in 2017. This is expected to marginally lower wheat production and increase spring barley and oat production in MY2018/19. If there are real concerns for the crop anywhere in the EU28, it is in the Baltics (Estonia, Latvia and Lithuania). They also experienced a late harvest in 2017, delaying winter wheat plantings at a time when the weather conditions were particularly unfavorable. With fields difficult to access due to the wet conditions, the winter wheat acreage is diminished but is expected to be compensated by increased spring wheat sowing. The cold weather was particularly harsh but it is too early to ascertain winterkill on an already small crop. Like in some other Member States, the weather is expected to have increased the plants' resilience, reduced insect incidence and increased plant growth potential.

Looking forward to the corn crop specifically, the planted area is currently forecast unchanged. As has been mentioned, however, much could depend on the progress of spring plantings of other crops. After a delayed start, if they do not go well, this could lead to an increase in the area planted to corn, especially in Germany. With three pesticides from the neonicotinoid family remaining prohibited across the EU28, for the fifth year Romania requested, and was granted, European Commission approval to allow farmers to use seeds treated with insecticides from the affected family of chemicals this year. It should be noted that the ban on neonicotinoids also presents pest control problems, mainly in the form of rootworm, for other Member States, particularly those in the south east. There is no viable technical solution available in the EU28 at this time.

Crop specific

Wheat

Wheat Market Begin Year	2016/2017		2017/2018		2018/2019	
	Jul 2016		Jul 2017		Jul 2018	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
European Union						
Area Harvested	27260	27225	26398	26275	0	25950
Beginning Stocks	15557	15557	10772	10786	0	12936
Production	145248	145350	151600	151550	0	151200
MY Imports	5286	5297	5500	5500	0	5250
TY Imports	5286	5297	5500	5500	0	5250

TY Imp. from U.S.	708	742	0	0	0	0
Total Supply	166091	166204	167872	167836	0	169386
MY Exports	27319	27418	24000	24000	0	26500
TY Exports	27319	27418	24000	24000	0	26500
Feed and Residual	56000	56000	58500	58500	0	58000
FSI Consumption	72000	72000	72400	72400	0	72500
Total Consumption	128000	128000	130900	130900	0	130500
Ending Stocks	10772	10786	12972	12936	0	12386
Total Distribution	166091	166204	167872	167836	0	169386
Yield	5.3282	5.3388	5.7429	5.7678	0	5.8266
(1000 HA) ,(1000 MT) ,(MT/HA)						

EU28 wheat area and production are both currently forecast marginally lower year-on-year in MY2018/19. If realized, while this will be over 9 MMT down on the record crop of MY2015/16 it will still be the fourth largest crop on record and will offer further stability following the tumultuous MY2016/17. That year was characterized by a significant weather related decline in production in the EU28's largest wheat producer and exporter, France, as well as in Belgium. The wheat yield in France fell back to a level last experienced in the 1980's; there was a 30 percent decline in total French wheat production year-on-year; and a significant proportion of the durum wheat crop was of feed quality. In contrast, French and Belgian wheat yields returned to near average in MY2017/18, quality was much improved and the disruption to markets the previous year has increasingly become just a memory. Returning to the current outlook for MY2018/19, the lower planted area, and with the wheat crop currently reported to be in overall good condition, average yield is forecast. While there is no expectation of a repeat of the MY2016/17 French situation, that experience serves as a reminder that the final size and quality of the EU28 wheat crop still depends heavily on the weather from now through harvest.

A wet fall across much of the EU28 saw some disruption to winter plantings, exacerbated in some northern Member States by a late preceding harvest. However, a mild winter saw the crop develop generally well. A cold snap in late February was broadly welcomed and bodes well for reducing pest occurrence and disease incidence, albeit with limited winterkill. If there is a concern in some Member States, it is that wet fields will limit access and the ability to manage the developing crop as well as commence spring plantings.

Having planted a record area to wheat in MY2017/18, the French planted area is reduced in MY2018/19 but is forecast to sit almost exactly on the ten year average of 5.4 MHA. Planting conditions were good with low rainfall making for ideal sowing conditions. However, precipitation was high in early 2018, leading to some waterlogged fields. It is not thought that the cold spell at the end of February induced much winter kill. Instead, it reduced the pest and disease pressure on plants. Market sentiments are positive and production is forecast little changed year-on-year.

In Germany, the wet weather saw the area planted to winter wheat fall nearly 5 percent as compared to the area harvested in 2017, and 5 percent below the five year average. However, assuming higher spring

plantings and five year average yields, production is forecast virtually unchanged as compared to MY2017/18.

In the UK, the area planted to wheat is forecast slightly lower year-on-year. A very mild winter means the outlook is positive. This is despite the cold snap in late February and, to a lesser extent in mid-March. If anything, these weather events were a positive for the development of the UK winter wheat crop.

Wheat production in Poland is forecast down in MY2017/18. The planted area is slightly lower year-on-year and there is a concern that the winter wheat yield in the north of the country will be below average due to difficult planting conditions in the fall of 2017 - a combination of excessive soil moisture and delays due to a prolonged corn harvest.

The area sown to winter wheat in Romania in the fall of 2017 is unchanged as compared to the previous year. The long and mild fall allowed the winter crops to develop well before the snow, which arrived at the end of February and the beginning of March, brought the necessary cover for the crops to protect them from the low temperatures. The snow melt will increase soil moisture throughout the country and the prospects look positive for the Romanian wheat crop. However, with yields forecast to decline slightly, but stay close to the 5 year average, production is forecast down year-on-year.

In the Czech Republic, the wheat area is also down due to increased plantings of rapeseed. The crop is reported to be in a good condition, with sufficient moisture in the soil, although some winterkill is expected to have occurred in February in areas without sufficient snow cover. With yields forecast to recover after the five year low in MY2017/18, wheat production is currently forecast up in MY2018/19.

The area planted to wheat in Bulgaria is forecast very little changed in MY2018/19. What decline there is will be planted with protein crops (mainly chickpeas and peas) in early spring. Most planting was completed in a timely fashion despite some early fall dryness in September. The winter was very mild, with above normal temperatures and average rainfall, until mid-February when there was a heavy snow and low temperatures. Winterkill was limited but there are reports of some frost damage. While soil moisture levels are good they are making field access challenging, reducing fertilizer applications, and the overall mild winter has led to premature development and some disease issues (rust). Yields are forecast to be slightly below the record achieved in 2017 but above the five year average due to improved genetics.

In MY2018/19, the Hungarian wheat area is expected to remain unchanged year-on-year but a lower, but still good, yield means production is forecast to fall slightly. So far, the weather has been very mild in Hungary this winter. Despite a week-long cold snap at the end of February, temperatures remained above average for the season, and the country received some snowfall. Given these conditions, there are no reports of winterkill damage. Winter wheat is reported to be in a generally good condition but pest

and disease pressure is likely to be higher than normal in the spring, as a result of the mild winter. Soil moisture levels are high, good for plant development but, as has been mentioned in other Member States, excess water in fields are already presenting challenges for crop management.

Finland, Sweden and Denmark saw winter plantings delayed due to the late harvest in 2017. This is expected to marginally lower wheat production in MY2018/19. Estonia, Latvia and Lithuania also experienced a late harvest in 2017, delaying winter wheat plantings at a time when the weather conditions were particularly unfavorable. With fields difficult to access due to the wet conditions, the winter wheat acreage is diminished but is expected to be compensated by increased spring wheat sowing. The February cold weather was particularly harsh but it is too early to ascertain winterkill on an already small crop. Like in some other Member States, the weather is expected to have been good for plant resilience, reduced insect incidence and increased plant growth potential.

Finally, turning to the south, a very small increase in the planted area in Italy – soft wheat replacing corn and more than offsetting a decline in the area planted to durum – and a benign winter means wheat production is currently forecast little changed year-on-year. In Spain, the total area planted to wheat is forecast to continue to decline marginally due to the steady increase of olive groves and tree nuts plantings. Dry conditions in the fall delayed plantings as the soil was too dry. There followed a mild winter and while there were concerns over a continued lack of rain, these have abated in recent weeks with rain falling in late February and into March, replenishing reservoir supplies. After the extremely poor yields in MY2017/18, yields are forecast to return to average level. If realized, and much will depend on continued rain in the spring, production is forecast to rise over 1 MMT, one of the few Member States currently forecasting an increase in MY2017/18 and largely offsetting the reductions elsewhere.

In summary, the sentiment is generally good but with the EU28 entering a critical yield and quality determining period all eyes remain on the weather.

Regarding the current MY2017/18 season, after the production and quality shock of MY2016/17, wheat production recovered, albeit on a reduced area following the record area planted the previous year. Unsurprisingly, the largest year-on-year increase, over 9MMT, is for France which experienced average yield and production following the disastrous and poor quality, MY2016/17 crop. Romanian yields were higher than initially forecast, although the quality was variable, poorest in the areas affected by rains close to harvest. Germany also saw its wheat harvest interrupted by frequent rains, which caused delays and created some quality issues. Poland experienced much improved yields on an unchanged area, boosting production by nearly 1 MMT, but quality was also poor with wet grain requiring significant drying. Latvia, Estonia and Lithuania all harvested larger wheat crops but quality was affected by wet weather. Producers in all three countries adopted improved genetics, adapted to the local conditions, with Latvia experiencing yields only second to the record achieved in MY2015/16. Bulgaria experienced record high production due to favorable weather and the wider adoption of high

yielding genetics. Quality was also very good. While Hungary had an excellent crop in MY2016/17, the average yield was even higher in MY2017/18 reaching a level not seen since 1988 and 15 percent above the five year average. Despite this, production was lower year-on-year due to a smaller acreage. Italy and Greece both experienced lower area, yields and production and the wheat area and production were both below average in Croatia. This was as expected due to a new price setting system based on protein content, a system to which Croatian farmers have struggled to adjust.

Total EU28 domestic wheat consumption in MY2017/18 is expected rise nearly 3 MMT year-on-year. Within this total, both Food, Seed and Industrial (FSI) and feed use are expected to rise, the latter by 2.5 MMT supported by its good availability and competitive price as compared to other grains. With regards FSI use, the increase is largely due to increased food and non-biofuel industrial uses in France. Total industrial use is marginally lower year-on-year, a decline in use in the United Kingdom, following a four month closure of one of its two bioethanol facilities, is partially offset by increased use in Poland.

The EU28 has faced significant competition on export markets in MY2017/18, notably from Russia and Black Seas Origins (BSO), and currency pressure. Export licenses through mid-March amount to 15.2 MMT, 4.4 MMT lower than the same time in MY2016/17, and total year exports are currently expected to be significantly lower year-on-year as well as below previous expectations. This is despite MY2016/17 recording the lowest wheat export volume for four years due to the French situation that saw it lose its crown as principal wheat exporter not just to Germany but also to Romania. Albeit the export pace has been somewhat sluggish this season, France will regain its title in MY2017/18, and by a wide margin. This is not just due to the inevitable, but partial, recovery in French exports. German exports are expected to more than halve in MY2017/18, notably to South Africa, Algeria, Saudi Arabia and Turkey. These are all countries that recorded an increase in MY2016/17 when German exports benefitted from the lower availability of French wheat. MY2017/18 is also seeing lower German imports from both the Czech Republic and the Baltics which are often re-exported. Romanian exports are expected to decline around 1 MMT, in large part due to the regional competition. Exports from Poland are also expected to be nearly 1 MMT lower in MY2017/18. This is largely due to reduced exports to Saudi Arabia due to lower quality but also the strong competition from Russia. The main recipients for EU28 wheat are traditionally North Africa and the Middle East, principally Algeria, Morocco, Saudi Arabia and Egypt. The EU28 lost market share in these markets in MY2016/17. While the aforementioned increased competition has tempered the recovery in MY2017/18, these markets remain the principal destinations with substantive exports also being reported to the likes of Nigeria, Jordan and South Africa.

Imports are expected to reach 5.5 MMT in MY2017/18, marginally higher year-on-year. This is due to increases in import demand by the two principal EU28 wheat importers, Italy and Spain, following their smaller domestic crops. The slow export pace and steady FSI use means that, despite increased feed wheat consumption, stocks are now forecast to rise 2 MMT through MY2017/18.

The year-on-year rise in carry in stocks, while lower than previously forecast, will mean increased availability of supplies in MY2018/19 despite the forecast marginal decline in EU28 production. Imports are forecast to fall slightly, in the main to Spain due to reduced import demand following their improved wheat crop outlook. While exports are forecast to continue to face stiff competition, especially from Russia, they are currently forecast to increase by 2.5 MMT from their expected five year low in MY2017/18. FSI use is forecast little changed, a forecast increase in industrial use in the UK, following the anticipated reopening of the second bioethanol facility, largely offset by reduced food consumption overall. With feed wheat use currently forecast to decline marginally, largely due to increased availability of feed barley, stocks are forecast to decline once more, albeit only slightly.

Corn

Corn Market Begin Year	2016/2017		2017/2018		2018/2019	
	Oct 2016		Oct 2017		Oct 2018	
European Union	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	8562	8560	8478	8400	0	8400
Beginning Stocks	6719	6719	7542	8022	0	7222
Production	61453	61750	61139	62000	0	61000
MY Imports	15241	15243	16200	16000	0	16000
TY Imports	15241	15243	16200	16000	0	16000
TY Imp. from U.S.	869	1012	0	0	0	0
Total Supply	83413	83712	84881	86022	0	84222
MY Exports	2171	2190	2000	2500	0	2500
TY Exports	2171	2190	2000	2500	0	2500
Feed and Residual	55000	54500	56300	56500	0	55000
FSI Consumption	18700	19000	19500	19800	0	20250
Total Consumption	73700	73500	75800	76300	0	75250
Ending Stocks	7542	8022	7081	7222	0	6472
Total Distribution	83413	83712	84881	86022	0	84222
Yield	7.1774	7.2138	7.2115	7.381	0	7.2619

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

Production in MY2017/18 is expected little changed year-on-year, a small decline in area being offset by increased yield. In France, the EU28's largest corn producer, the corn crop area is unchanged but production is expected up over 2.5 MMT due to yield exceeding 10 MT per HA. The crop was planted in good conditions and there was then excellent weather throughout the growing season, with ample rains but a dry harvest period. Romanian corn also enjoyed very favorable growing conditions, particularly in terms of soil moisture and warmth. Improved inputs, including high quality seeds, irrigation and increasingly modern agricultural equipment are also important factors leading to significantly higher than average yields , albeit just below 5 MT per HA. Farmers in the south of the

country fared particularly well. In contrast, after an outstanding corn yield the previous year, heat waves and drought reduced the average yield in Hungary. Planted area also declined meaning Hungarian production fell over 20 percent (or just under 2 MMT) in MY2017/18. Bulgaria's crop also suffered following late summer dryness and heat at the end of July and into August but improved genetics and new investment in irrigation limited the damage. Yields and production rose marginally year-on-year. German corn production was up over 10 percent in MY2017/18, albeit 3 percent below the 5 year average. Area was at the second lowest level in 10 years but yields benefitted from wet conditions in the late summer and early fall, reaching their second highest level in the last 10 years. These same rains were less than beneficial for Poland. Indeed, heavy rains in September flooded fields and disrupted the harvest, especially in the north of the country. Some corn was abandoned in the fields. What was harvested had to be dried and production fell overall due to reduced area and yield. Italy and Spain both recorded reduced production year-on-year on reduced areas, Spain seeing a sixth year in succession of lower area due to poor margins, and to a lesser extent, crop diversification prompted by greening and water restrictions.

EU28 planted area is forecast unchanged in MY2018/19, an increase in Hungary offset by a fall in Romania, the latter due to reduced plantings in the areas affected by drought the previous year, and a switch to sunflowers. Production is therefore forecast down in Romania and up in Hungary, based on average yields. On an unchanged area, French production is unsurprisingly forecast to decline from the high in MY2017/18. When this is combined with the forecast changes in the other two main producers, and given minimal changes are forecast elsewhere, total EU28 production is currently forecast to fall 1 MMT. One factor that could change this is German plantings which could rise substantially if the current wet conditions impede the spring plantings of other crops or winter kill proves to be worse than currently thought. With three pesticides from the neonicotinoid family remaining prohibited across the EU28, for the fifth year Romania requested, and was granted, European Commission approval to allow farmers to use seeds treated with insecticides from the affected family of chemicals this year. It should be noted that the ban on neonicotinoids also presents pest control problems, mainly in the form of rootworm, for other Member States, particularly those in the south east. There is no viable technical solution available in the EU28 at this time.

Returning to MY2017/18, on the demand side, the main story is increased use in the feed sector, principally in Spain where increased imports are compensating for the domestic crop shortfall. Indeed, Spanish feed consumption of corn is expected to reach a record level in MY2017/18, supported by strong pork export demand. The main origin of corn imports thus far this season has been Brazil, which has displaced U.S. corn, but more Ukrainian imports are expected as the season progresses. Imports from Argentina are limited by pesticide issues. Third country corn imports are still expected to reach 16 MMT – while import licenses to mid-March are nearing 12 MMT, these are on a July-June year. MY2018/19 is forecast to see improved availability of barley within the EU28 and increased incorporation in the feed ration. That said, corn import volumes are forecast to remain robust and are currently forecast unchanged year-on-year.

Also offering support to import volumes is FSI use which is expected to rise in MY2017/18 with a further rise forecast for MY2018/19. Both rises are because of increased industrial use of corn. The most significant industrial user of corn is Hungary which has two of the EU28's largest corn processing factories following the completion of a KALL-Ingredients Ltd facility in Tiszapüspöki in October, 2017. With this plant alone having an annual processing capacity of 530,000 MT, the industrial use of corn in Hungary is expected to progressively increase to 2.7 million MT in the next two years – Hungarian corn processors are also important players in the starch, isosugar, dextrose, gluten, distillers dried grain and corn gluten feed markets. Spain's largest grain-based in-land bioethanol plant reopened just prior to the MY2017/18 season meaning an expected rise in consumption. A further increase is forecast for MY2018/19, corn anticipated to be the preferred and most likely sole feedstock for the Spanish grain-bioethanol industry. Corn consumption in Germany and Italy, both significant consumers, is expected little changed in MY2017/18 and into MY2018/19. Instead, it is increased incorporation in the bioethanol mix in Austria and the UK that is further buoying the year-on-year increase in consumption in MY2017/18. Overall, industrial use is expected up about 700,000 MT in MY2017/18 with a further 450,000 MT forecast for MY 2018/19. Together these changes account for the majority of the shift in FSI use.

Corn export licenses to mid-March totaled just 800,000 MT, again on a July-June year but less than half of that recorded at this time last year. However, producers in the main exporter, Romania, where supplies are plentiful following the bumper crop, are reported to be waiting on higher prices. Whether these come or not, export pace is expected to increase in the coming months due to storage limitations. Indeed, an expected rise in year-on-year Romanian exports means EU28 exports in MY2017/18 are now expected to be 2.5 MMT. With Romanian exports also forecast strong in MY2018/19, total EU28 corn exports are currently forecast unchanged in the out year.

Barley

Barley Market Begin Year	2016/2017		2017/2018		2018/2019	
	Jul 2016		Jul 2017		Jul 2018	
European Union	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	12291	12300	12313	12125	0	12175
Beginning Stocks	6060	6060	5649	5542	0	4792
Production	59860	59950	58728	59000	0	61500
MY Imports	398	399	500	450	0	250
TY Imports	447	447	500	500	0	250
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	66318	66409	64877	64992	0	66542
MY Exports	5669	5667	6200	7000	0	7250
TY Exports	5683	5683	6200	7000	0	7250
Feed and Residual	40100	40100	38600	38000	0	39500
FSI Consumption	14900	15100	14900	15200	0	15250
Total Consumption	55000	55200	53500	53200	0	54750
Ending Stocks	5649	5542	5177	4792	0	4542

Total Distribution	66318	66409	64877	64992	0	66542
Yield	4.8702	4.874	4.7696	4.866	0	5.0513
(1000 HA) ,(1000 MT) ,(MT/HA)						

Like wheat, the wet fall across much of the EU28 caused some disruption to winter plantings but the mild winter saw the crop develop generally well, albeit it was a little wet in parts of France and Germany. The cold snap in late February bodes well for reducing pest occurrence and disease incidence, and while there may have been some winterkill it is expected to be limited. If there is a concern in some Member States, it is that wet fields will limit access and the ability to manage the developing crop as well as commence spring plantings which might be reduced as a consequence. Currently though, with the total planted area forecast little changed year-on-year and yields forecast upwards in the key producers of France, Germany, Spain and the UK, production is forecast to increase by 2.5 MMT in MY2018/19.

Returning to the current season, total EU28 planted barley area and production declined in MY2017/18, overall yields being unchanged. Increased production in France, the EU28's largest barley producer, was more than offset by a significant decline in Spain. As was the case for wheat, France suffered a much diminished barley crop in MY2016/17 so, while sizeable, the MY2017/18 crop was actually planted on a slightly reduced area. In a further change to MY2016/17, it is also of good quality. The second largest EU28 barley producer is Germany, where production is little changed in MY2017/18. An increase in yield, albeit significantly less than the increase in France, has offset a reduction in the area. Improved yields in Bulgaria and Hungary limited the impact of reduced planted areas in those countries while both Poland the UK experienced larger crops and higher yields on increased planted areas. With production either up or little changed in most other Member States, it is the aforementioned Spanish barley crop that has seen overall EU28 production decline by around 1 MMT. Spain alone has seen a 3 MMT year-on-year decline in barley production, albeit from an eight year high in MY2016/17, due to extremely poor yields.

The tighter barley supply situation in the EU28 has not constrained exports. Strong demand in the Middle East has seen 3.9 MMT of export licenses, excluding malting barley, granted up to the middle of March, slightly ahead of the same point in MY2016/17. News of a 1 MMT Saudi Arabia barley tender in late March, for delivery up to June, has provided further support to the market and with EU28 barley priced competitively on third country markets, full season exports are currently forecast to reach 7 MMT. Of the 2.7 MMT exported through end-December, some of which was exported using licenses obtained in MY2016/17, nearly 1.2 MMT has been exported to Saudi Arabia. The main exporters remain France, Germany and Romania, the latter two seeing a 30 and 40 percent increase, respectively, in third country exports over this period as compared to MY2016/17.

The reduced crop in Spain in MY2017/18 translates directly into increased imports, both third country and intra-EU, but still means decreased feed use in that country along with a decline in stocks. Consumption of feed barley in France is lower year-on-year due to the good export pace and increased

consumption of wheat and corn. It is a similar story in the Netherlands, in its case the good pace of exports reducing intra-community availability. When the French and Dutch situations are combined, they more than offset an increase in feed barley consumption in Poland - due to the lower quality of its crop - and, to a lesser extent, elsewhere. Overall, expected feed barley use is further lowered in MY2017/18. With FSI usage expected unchanged, ending stocks are also lowered further.

With exports in MY2018/19 currently forecast to maintain a similar volume to those in MY2017/18, in the main to Saudi Arabia, and no change anticipated for FSI use, the forecast year-on-year increase in the size of the barley harvest will increase the availability for feed use. At the current time, it is forecast to rise 1.5 MMT while stocks are forecast to decline marginally.

Rye

Rye Market Begin Year	2016/2017		2017/2018		2018/2019	
	Jul 2016		Jul 2017		Jul 2018	
European Union	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1900	1900	1963	1950	0	1985
Beginning Stocks	1084	1084	817	844	0	894
Production	7493	7420	7484	7500	0	7800
MY Imports	16	16	50	50	0	50
TY Imports	16	16	50	50	0	50
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	8593	8520	8351	8394	0	8744
MY Exports	76	76	100	100	0	100
TY Exports	139	139	100	100	0	100
Feed and Residual	3900	4000	3900	3700	0	4000
FSI Consumption	3800	3600	3700	3700	0	3700
Total Consumption	7700	7600	7600	7400	0	7700
Ending Stocks	817	844	651	894	0	944
Total Distribution	8593	8520	8351	8394	0	8744
Yield	3.9437	3.9053	3.8125	3.8462	0	3.9295

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

Rye is predominantly planted in less fertile sandy regions. The main producing and consuming countries for rye in the EU28 are Germany and Poland, which account for about three quarters of the total EU28 rye market. The German planted area fell for the fourth consecutive year in MY2017/18 but is forecast to stabilize in MY2018/19. In contrast, the Polish planted area recovered significantly, by nearly 20 percent, in MY2017/18 following a very difficult year in MY2016/17. In combination with improved yields, Polish production is expected to increase by over 25 percent year-on-year. Most of this increase is offset by the smaller German crop meaning total EU28 production is only up marginally in MY2017/18. Like Germany, no change is forecast for the area planted to rye in Poland in MY2018/19. This will mean both area and production in Poland remain much lower than the level seen pre-MY2013/14 despite higher production year-on-year due to very good development of the crop thus far - high levels of soil moisture, a mild winter, with a short period of frost in late February created good

weather conditions for rye vegetation. Overall, improved forecast yields mean total EU28 rye production is forecast to rise 300,000 MT in MY2018/19.

Around half of the rye production is used in animal feeds and MY2017/18 is expected to be no exception. While food use is relatively steady, MY2017/18 saw increased demand for alcohol production in Poland and industrial use of rye is therefore estimated higher than in the previous year. This demand is forecast to continue in MY2018/19. The slightly heavier forecast balance in MY2018/19 due to increased production is forecast to see increased feed use of rye and a marginal increase in stocks.

Sorghum

Sorghum Market Begin Year	2016/2017		2017/2018		2018/2019	
	Jul 2016		Jul 2017		Jul 2018	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
European Union						
Area Harvested	118	120	117	125	0	121
Beginning Stocks	16	16	31	14	0	15
Production	639	655	659	675	0	650
MY Imports	168	168	150	200	0	200
TY Imports	194	194	150	200	0	200
TY Imp. from U.S.	2	2	0	0	0	0
Total Supply	823	839	840	889	0	865
MY Exports	2	2	5	2	0	2
TY Exports	2	2	5	2	0	2
Feed and Residual	770	800	780	850	0	825
FSI Consumption	20	23	20	22	0	22
Total Consumption	790	823	800	872	0	847
Ending Stocks	31	14	35	15	0	16
Total Distribution	823	839	840	889	0	865
Yield	5.4153	5.4583	5.6325	5.4	0	5.3719
(1000 HA) ,(1000 MT) ,(MT/HA)						

MY2007/08 saw significant interest in the sorghum market when tight global supplies of feed grains prompted EU28 importers - mainly in Spain, the Benelux and France – to dramatically increase their purchases of mainly U.S. sorghum to nearly 6 MMT. This opened the market’s eyes to the possibility of utilizing sorghum in the EU28 feed ration and has seen sporadic, but much smaller, imports in subsequent years. Recent years have seen low volumes of sorghum from Ukraine into Spain. MY2017/18 has also seen Spain importing duty free sorghum from Sudan under a preferential agreement, again in relatively low volumes but a trade, like that from Ukraine, which is forecast to continue. Should the EU28 experience a very tight feed grain supply in the future then increased sorghum imports should be expected.

Oats

Oats Market Begin Year	2016/2017		2017/2018		2018/2019	
	Jul 2016		Jul 2017		Jul 2018	
European Union	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2562	2570	2622	2680	0	2680
Beginning Stocks	690	690	579	636	0	646
Production	8036	8050	8029	8100	0	8225
MY Imports	4	4	5	5	0	5
TY Imports	3	3	5	5	0	5
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	8730	8744	8613	8741	0	8876
MY Exports	151	148	200	175	0	175
TY Exports	179	179	200	175	0	175
Feed and Residual	6300	6200	6100	6100	0	6150
FSI Consumption	1700	1760	1700	1820	0	1850
Total Consumption	8000	7960	7800	7920	0	8000
Ending Stocks	579	636	613	646	0	701
Total Distribution	8730	8744	8613	8741	0	8876
Yield	3.1366	3.1323	3.0622	3.0224	0	3.069
(1000 HA) ,(1000 MT) ,(MT/HA)						

The six main producers of oats in the EU28 are Poland, the UK, Finland, Spain, Germany and Sweden, traditionally accounting for around 70 percent of production, although production is now on the increase in France.

Oats can be planted late, seed is inexpensive and readily available, and planted area is influenced by the prices of other grains, this especially being the case in the largest EU28 oats producer, Poland, where the price of rye and triticale is a major driving factor. Following a period of steady decline in the planted area in the EU28, MY2016/17 saw a change of direction. This upward trend in plantings is expected to continue in MY2017/18, buoyed by increased plantings in Spain, the UK, Poland and Germany and, as mentioned previously, in France. The oats planted area is currently forecast unchanged in MY2018/19. While the high average yield seen in MY2016/17 is expected to be followed by a below average yield in MY2017/18, any decline is more than offset by the increased overall area and a rise in yield in Poland, meaning total EU28 production is expected to rise year-on-year. With no current reason to expect anything other than average yields in MY2018/19, production is forecast to rise again in the out year. The EU28 market remains underpinned by the organic industry which still has an interest in oats for crop rotation purposes and demand for food and feed use.

Trade in oats is traditionally almost exclusively intra-EU with a minor export volume to non-EU28 countries originating from Finland and Sweden. Third country destinations are mainly Switzerland and the United States, the latter mainly destined for horse feed.

Total annual FSI use was buoyed by increased food use, predominantly in the UK and Germany, in MY2016/17. This trend is expected to continue in both MY2017/18 and MY2018/19. Elsewhere within the total FSI number, usage for the production of bioethanol and biogas is forecast to remain steady at around 75,000 MT. The remaining production, accounting for over 75 percent of usage, is fed to animals. The forecast increase in oats production in MY2018/19 will support a building of ending stocks.

Mixed Grain

Mixed Grain Market Begin Year	2016/2017		2017/2018		2018/2019	
	Jul 2016		Jul 2017		Jul 2018	
European Union	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	3971	3970	3979	3975	0	3960
Beginning Stocks	883	883	493	483	0	608
Production	15110	15000	15605	15600	0	15300
MY Imports	0	0	0	0	0	0
TY Imports	0	0	0	0	0	0
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	15993	15883	16098	16083	0	15908
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Feed and Residual	14000	13750	14000	13750	0	13750
FSI Consumption	1500	1650	1500	1725	0	1725
Total Consumption	15500	15400	15500	15475	0	15475
Ending Stocks	493	483	598	608	0	433
Total Distribution	15993	15883	16098	16083	0	15908
Yield	3.8051	3.7783	3.9218	3.9245	0	3.8636

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

Mixed grain numbers include triticale and the threshed, dry seeds of wheat, barley, corn, oats, rye and sorghum grown and harvested in the same field. The main producing countries are Poland, Germany and France, together accounting for around 80 percent of the production.

In Poland, following a number of years of successive reduction in the area planted to mixed grain, MY2017/18 saw an increase back to the level seen in MY2015/16, albeit below historic levels due to smaller hog production and reduced on farm use – nearly all Polish produced mixed grain is fed-on-farm. Improved yield meant production is expected nearly 800,000 MT, or 10 percent, up year-on-year. The area planted to mixed grains is forecast unchanged in Poland in MY2018/19, albeit within this total the proportion planted to triticale is forecast to continue to increase, it increasingly being the preferred choice for feed use. Only a very small percentage of the Polish mixed grain crop is used in the

bioethanol sector, up in MY2017/18 but demand in this sector is unstable, while a small volume is exported within the EU, mainly to Germany, for feed.

The French planted area is little changed in MY2017/18 but the yield is expected to recover after the significant fall in MY2016/17. As such, French production is expected to rise over 350,000 MT in MY2017/18 with all of this increase being used as feed, as is the case for nearly all French mixed grain. German production is expected to be down marginally due to lower yields unchanged along with other grains, it is nearly all used as feed. In Germany, a marginally lower planted area and slight decline in yield means production is down around 100,000 MT. Demand for mixed grain as a bioethanol feedstock in Germany fluctuates around 400,000 MT and is expected to show a slight year-on-year decline in MY2017/18.

With the overall EU28 mixed grain area forecast unchanged in MY2018/19, a marginal decline in production and steady FSI and feed use means stocks are currently forecast to fall back below MY2016/17 following an expected rise in MY2017/18.

Rice

Rice, Milled Market Begin Year	2016/2017		2017/2018		2018/2019	
	Sep 2016		Sep 2017		Sep 2018	
European Union	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	439	440	438	430	0	420
Beginning Stocks	1183	1183	1115	1175	0	1162
Milled Production	2068	2078	2090	2037	0	2003
Rough Production	2980	3035	3012	2974	0	2925
Milling Rate (.9999)	6940	6847	6940	6849	0	6848
MY Imports	1833	1834	1900	1900	0	1950
TY Imports	1875	1980	1900	1900	0	1950
TY Imp. from U.S.	58	51	0	0	0	0
Total Supply	5084	5095	5105	5112	0	5115
MY Exports	319	320	280	300	0	300
TY Exports	369	369	280	300	0	300
Consumption and Residual	3650	3600	3750	3650	0	3700
Ending Stocks	1115	1175	1075	1162	0	1115
Total Distribution	5084	5095	5105	5112	0	5115
Yield (Rough)	6.7882	6.8977	6.8767	6.9163	0	6.9643

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

EU28 rice production is concentrated in the Southern Member States, namely Italy, Spain, Greece, Portugal, France, Romania, Bulgaria and Hungary. Rice cultivation is input intensive as it needs high initial investments for land preparation and a significant amount of working capital to cover input costs.

Italy is by far the largest rice producer in the EU28, accounting for about 50 per cent of production. Rice cultivation is mostly located in the north (Piemonte, Lombardia and Veneto regions) where water is relatively abundant and the rice crop can be raised in flooded fields. Approximately 80 per cent of rice

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

Italy's MY 2017/18 paddy rice production is forecast to fall over 5 percent to 1.46 MMT, a combination of a 2 percent year-on-year decline in planted area due to reduced profitability in the sector and reduced yields due to the summer drought in 2017. Following a previous decline in the long grain *Indica* variety planted area – industry sources citing increasing long grain imports from Cambodia, Myanmar, Guyana, and Surinam which enjoy duty free market access under 'Everything But Arms' (EBA) agreements – MY 2017/18 is expected to see a large increase in this planted area, by over 35 percent, despite third country imports remaining a firm feature. Indeed, the overall area decline is due to reduced round and long grain japonica plantings as the medium grain japonica area is also expected higher. Overall, quality is good but lower than in MY2016/17. The total Italian area planted to rice, along with production, is forecast to fall slightly in MY2018/19 in a continuation of the MY2017/18 trend.

The second largest rice producer in the EU28, accounting for around 30 per cent of the total, is Spain with the main producing regions being Andalucia, Extremadura, Comunidad Valencia, Cataluna, Aragon and Navarra. The planted area has been in decline since 2011 but is now stabilizing, there being no viable alternatives in the traditional growing areas. Low market prices, the aforementioned ongoing competition from third countries, high input costs and limited active matters available for rice cultivation are seen as the main drivers for the area reduction. Improved yields mean production is expected up in MY2017/18 with little change forecast for MY2018/19.

The third largest rice producer is Greece, accounting for around 9 percent of the total. The main rice producing areas are Thessaloniki, Serres (northern Greece), Lamia (central Greece), and Etoloakarnania (western Greece). Approximately 60 percent of rice varieties grown in Greece are *Japonica*, while the remainder are *Indica*. Low prices have seen many farmers storing production, in the hope of improved market conditions. Despite this, area and production is forecast little changed in MY2018/19, there being few alternate crops.

EU28 consumption is trending upwards but at a slower rate than previously forecast. There is a traditional affinity for *Japonica* varieties, in rice producing Member States in particular, due to its cooking characteristics, namely its capacity to absorb flavors. *Indica* consumption, which is more popular in non-producing Member States, along with other non-traditional varieties (ie Basmati, wild rice blends, brown rice, glutinous rice or starchy rice) and ready-to-eat rice portions continue to grow. While this could be linked in part to immigration, the more significant factor is consumers continuing to evolve their eating habits and adopt non-traditional dishes.

India is the key rice supplier to the EU28 but, as mentioned, duty free access for EBA countries, has seen a surge in imports from the likes of Cambodia, Guyana and Myanmar with the latter challenging

India for largest supplier in MY2016/17. The lowering of the tricyclozole MRL as of January 1, 2018 saw an increase in the pace of basmati imports into Spain prior to this date. After implementation, this pace has slowed with Pakistan gaining from some of the market lost by India. Italy is reported to have been unaffected by the change, in large part due to its production of 1.5 MMT of rough rice in MY2017/18 despite the summer drought. While the United States is not among the main suppliers of rice to the EU28, ten years on from the discovery of LL601 in commercial channels, a variety unapproved for food use, and following considerable work by the U.S. rice industry, imports are now on the rise, in the main to the United Kingdom. Indeed, the United States holds good potential as a supplier in certain market niches such as specialty rice (Calrose, Jupiter, Wild Rice).

Most rice exports are intra-EU28 but competition from third countries is making this increasingly challenging. Turkey is the largest recipient of EU28 rice, followed by Switzerland, both due to their proximity.

Policy

EU Import Policy

The EU limits the entry of lower priced grains from non-EU countries through a system of import duties and quotas.

Under the WTO Uruguay Round Agreement, all import quotas and variable levies applied to EU imports of grains and processed cereals were fixed or 'tariffed' and subsequently reduced by 36 percent over the six year period of July 1, 1995 to June 30, 2001. However, under the Blair House Accord concluded between the United States and the EU in 1993, it was agreed that the difference between the grains import price (cost insurance freight [cif] duty paid in Rotterdam) and the EU's intervention price could not be greater than 55 percent. The EU then developed a system where duties were set on the basis of separate reference prices for six grain types, and applied to imports of high quality wheat, durum wheat (high quality), durum wheat (medium quality), maize (corn), flint maize, rye and sorghum. The resulting duty has been set at Euro 0/Metric Ton (MT) for durum wheat and high quality wheat since the July 1, 2010 (beginning of the 2010/11 marketing year.) The duty for corn had been set at Euro 0/MT since August 17, 2010 and the duty for sorghum and rye at Euro 0/MT since October 19, 2010. Duties of Euro 5.16/MT were introduced for corn, sorghum and rye from August 8, 2017. A rally in U.S. corn prices driven by strong demand resulted in duties for corn, sorghum and rye being reduced to Euro 0.56/MT with effect from March 2, 2018.

From November 6, 2016 both import and export licenses have only been required ([Commission Delegated Regulation \(EU\) 2016/1237](#) and [Commission Implementing Regulation \(EU\) 2016/1239](#)) for trade subject to Tariff Rate Quotas (TRQs). Actual quantities of grain traded, based on the European Commission's DG TAXUD surveillance, have been published on [the Europa website](#) on a weekly basis

on Thursdays at 16:00 Brussels time) since July 2016. Import licenses applying to grains subject to TRQs are valid for the current month plus two.

Reference grains for calculating import duties

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

Theoretical example illustrating method of calculating EU import duties

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

In January 2003, the EU discontinued this system for low and medium quality wheat and barley and introduced a system of quotas to protect EU producers from lower priced Black Sea imports, the duty for which had been calculated on the basis of higher U.S. prices. As such, imports entered the EU at very competitive rates.

More specifically, for medium and low quality wheat, a maximum annual TRQ of 3,112,030 MT was opened in 2003 for medium and low quality wheat. A country specific quota of 572,000 MT was allocated for imports originating in the United States and 38,853 MT for those originating in Canada. The remaining 2.378 million MT is split into four equal tranches of 594,000 MT each on a quarterly basis, and is open to other non-EU countries on a first come first served basis. All of these TRQs remain operational today. From April 2017, the Canadian duty free TRQ for wheat increased to 100,000 MT

per annum with the implementation of the EU-Canada Comprehensive Economic and Trade Agreement (CETA).

In addition to these TRQs, from January 1, 2012, there has been an *ergo omnes* (open to all) quota consisting of one tranche of 122,790 MT for medium and low quality wheat. This was opened to take account of market loss arising from the accession of Bulgaria and Romania to the EU in 2007. The duty for imports under the quota is set at Euro 12/MT, while imports outside the quota are subject to a duty of Euro 95/MT.

For barley, the quota of 50,890 MT applies to malting barley at a duty of Euro 8/MT and a separate quota of 307,105 MT applies for other types of barley at Euro 16/MT. Barley outside the quota faces duties of Euro 93/MT.

The European Commission's Cereals Management Committee which met in November 2012 voted to suspend import duties on low and medium quality soft wheat and feed barley imported into the EU from January 2013 until the end of June 2013. The move was aimed at easing the pressure on the EU market, especially for animal feed. The suspension relates to existing tariff rate quotas, where preferential tariffs of Euro 12/MT and Euro 16/MT respectively were reduced to zero for the volumes permitted under the quota.

In addition, the Commission introduced an autonomous tariff measure (ATM) introducing zero import duty for 950,000 MT of wheat, 400,000 MT of corn and 250,000 MT of barley from Ukraine to apply from the end of April until October 31, 2014. This measure was prolonged to apply from January 1, 2015 until the end of December 2015, and has been a TRQ since January 1, 2016, ([Commission Implementing Regulation \(EU\) 2015/2081](#)) of November 18, 2015 additionally providing for an annual increase in the quantity of corn subject to zero import duty from 400,000 MT from January 1, 2016 to 650,000 MT from 2021). In November 2017, [Commission Implementing Regulation \(EU\) 2017/2200](#) opened 0 duty TRQs for Ukraine, the details of which are as follows: common wheat, spelt and meslin, flour, groats, meal and pellets – 65,000 MT *per annum*; corn, other than seed, flour, groats, meal, pellets and grains – 625,000 MT *per annum*; barley, other than seed, flour and pellets – 325,000 MT *per annum*. The TRQs are open annually from January 1, 2018 to December 31, 2020.

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

The accession of Spain to the EU resulted in the application of common EU tariff barriers to Spanish imports and the loss of competitiveness for imports from non-EU countries. An agreement between the EU and the United States allows for the import of a fixed quantity of non-EU corn and sorghum at a

preferential import duty as compensation for the loss of the Spanish market. The current agreement applies to 2 million MT of corn and 0.3 million MT of sorghum.

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

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

The Commission has proposed an amended system of managing the scheme whereby the current bidding system would be replaced by the automatic fixation of “0” duty from May 1 each year (i.e. the normal import regime would apply from January 1 until April 31). Spain and Portugal prefer the automatic fixation of “0” duty to be applied from an earlier date. At the time of writing, discussions on the Commission’s proposal are ongoing.

EU Export Policy

The EU’s ability to grant export subsidies, especially on wheat, became limited by WTO export subsidy limit commitments with the implementation of the WTO Uruguay Round Agreement on Agriculture.

As a part of that Agreement, GATT signatories committed to reduce the level of budgetary expenditure on export subsidies by 36 percent and the volume of subsidized exports by 21 percent over the six year period between July 1, 1995 and June 30, 2001. At the WTO Ministerial meeting in Hong Kong in December 2005, it was agreed that all forms of agricultural export subsidy should be phased out by the end of 2013, with a substantial part already realized by 2010. The WTO Nairobi Agreement provides that developed WTO Members must eliminate their remaining scheduled export subsidy entitlements from the date of adoption of the Ministerial Decision.

Within these constraints, the European Commission may fix refunds which enable EU exporters to compete on the lower priced world market. These may also to be fixed by tender. No export refunds have been granted on grains since September 2006 and grain-based processed products since 2007.

From November 6, 2016 export licenses have no longer been required. Actual quantities of grain traded, based on the European Commission’s DG TAXUD surveillance, have been published on the Europa website on a weekly basis (on Thursdays at 16:00 Brussels time) since July 2016 ([Commission Delegated Regulation \(EU\) 2016/1237](#) and [Commission Implementing Regulation \(EU\) 2016/1239](#)).

Intervention Mechanism

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

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

Special Support Measures

EU legislation allows for special measures in addition to intervention to be taken to support the market for grains in time of crisis. These measures would take place on an *ad hoc* basis and be proposed by the European Commission and decided by the Member States at the Management Committee.

Promotion of Sorghum

Further to calls made by the French National Federation of maize and sorghum seed producers (FNPSMS), the European Commission cleared Euro 1.17 million, Euro 870,000 of which will be spread over a three year period from spring 2017 to promote sorghum. The promotion programs will be concentrated on two geographical regions: five EU Member States (France, Spain, Italy, Bulgaria and Romania) and two Eastern European countries (Russia and Ukraine).

Biotechnology

Authorization of GE 1507 corn for cultivation

On September 26, 2013, the European Court of Justice (ECJ) found that the European Commission had failed to forward an application for GE 1507 corn cultivation, submitted by Pioneer Hi-Bred in 2001, in a timely manner. After not being able to reach an agreement in 2009 at the Commission's 2001/18 Standing Committee, the Commission failed to put the matter to vote in Council "without delay. "

The ECJ also criticized the Commission for unnecessarily resubmitting the Pioneer application to the European Food Safety Authority (EFSA) seven times. On March 3, 2014, the application was put to the General Affairs Council which gave no opinion. As pre-Lisbon rules apply in this case, the Commission is obliged to adopt the proposal. To date, the Commission has not adopted its proposal.

Member States allowed to "opt out" of cultivating approved biotech crops

The Commission has asserted that the approval of another biotech crop for cultivation necessitates the introduction of a system for Member States (MS) to opt out of cultivating approved biotech crops for non-scientific reasons. EU legislation governing plant biotechnology currently allows MS to ban the cultivation of biotech crops in their territories if new scientific evidence suggests that such cultivation could be harmful to the environment, or human or animal health. Since many MS have historically used spurious science to invoke this "safeguard clause," in 2010 the Commission proposed an amendment to the legislation that would allow MS to "opt out" of cultivating approved biotech crops for non-scientific reasons. This proposal failed to achieve a consensus at Council. In March 2014, the Greek Presidency of the Council tabled a compromise proposal which includes elements that both pro- and anti-biotech Member States could accept. The proposal was agreed by the Parliament and Council in January 2015 and entered into force in spring 2015.

To date, nineteen MS have "opted out" of genetically engineered (GE) crop cultivation for all or part of their territories.

Only one biotech product, MON 810 corn, has been approved for cultivation in the EU by the Commission.

Cultivation of MON 810 corn

The only GE plant approved for cultivation in the EU is MON810 corn. It is a *Bacillus thuringensis* (Bt) corn resistant to the European corn borer (a pest). In 2016, four Member States grew MON810 corn (Spain, Portugal, the Czech Republic, and Slovakia). However, in 2017 only Spain and Portugal continue to cultivate GE corn. MON810 is only grown by farmers in areas where the corn borer represents a problem. It is used locally as animal feed and for biogas production.

Cultivation of MON 810 corn in the EU

in hectares	2012	2013	2014 (updated)	2015 (updated)	2016 (updated)	2017 (estimate)
Spain	116,307	136,962	131,538	107,749	129,081	124,227
Portugal	7,700	8,202	8,542	8,017	7,069	7,036
Czech Republic	3,050	2,560	1,754	997	75	0
Romania	217	834	771	2.5	0	0
Slovakia	189	100	411	400	112	0
Poland	4,000	0	0	0	0	0
Total Bt corn area	131,463	148,658	143,016	117,166	136,337	131,263
Total corn area planted in the EU	9,720,000	9,660,000	9,564,000	9,250,000	8,590,000	8,570,000
Share of Bt corn in total corn area	1.35%	1.54%	1.50%	1.27%	1.59%	1.53%

Source: FAS offices in the EU28

For more information on biotechnology in the EU, see [SP1743 “Agricultural Biotechnology Annual”](#).

Rice

Import and export licenses

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

- Husked rice under heading 1006 20: period of validity is until the end of the second month following that of application. Security is Euro 30/MT. Current rate of duty is Euro 30/MT
- Milled rice under heading 1006 30: period of validity is until the end of the second month following that of application. Security is Euro 30/MT. Current rate of duty is Euro 175/MT
- Broken rice under heading 1006 40 00: period of validity is until the end of the second month following that of application. Security is Euro 1/MT. Current rate of duty is Euro 65/MT

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

Tariff Rate Quotas

Various Tariff Rate Quotas (TRQs) following international agreements under WTO or bilateral negotiations allow rice imports at a lower or zero duty.

Total quantities of rice subject to TRQs are as follows:

Rice type	Quantity (MT)

Husked	28,819
Milled/semi milled	247,165
Broken	225,530

Most of these quantities are imported at 0 duty.

WTO Quotas

The annual tariff quotas in respect of rice and broken rice imports listed below are linked to the 1996 GATT Agreement and are opened on January 1 each year. Full details of the application of these quotas are given in [Commission Implementing Regulation \(EU\) No 1273/2011](#).

Rice Type	Quantity (MT)	Duty
Wholly milled or semi-milled rice (CN code 1006 30)	63,000 (of which 38,721 MT is allocated to the United States)	0
Husked rice (CN code 1006 20)	1,634	15 % <i>ad valorem</i>
Broken rice (CN code 1006 40 00)	100,000 (of which 9,000 MT is allocated to the United States)	Reduction of 30.77 %
Wholly milled or semi-milled rice (CN code 1006 30)	40,216 (of which 2,388 MT is allocated to the United States)	0
Broken rice (CN code 1006 40 00)	31,788	0

Investigation into rice imports from Cambodia and Myanmar

Following a request from Italy, on March 16, 2018 the European Commission initiated a formal investigation into duty-free rice imports from Cambodia and Myanmar. Italy has called for safeguard measures for rice of the *Indica* variety originating in these two countries on the grounds that it is imported in volumes and prices which cause serious difficulties to EU28 producers of similar or directly competing products:

http://trade.ec.europa.eu/doclib/docs/2018/march/tradoc_156652.init-safe.en.C100-2018.pdf

CAP Reform

The last CAP Reform package was approved by the European Parliament in November 2013 and the Council in December 2013. All aspects of the reform were applicable as from January 2014 with the exception of the new direct payments structure (including “green” payments and additional support for young farmers) which applied from 2015. Further to the CAP Reform, sorghum no longer has the potential to be subject to intervention. Additionally, sectors in difficulty may also receive Voluntary Coupled Support (VCS) to maintain typical production levels. Durum wheat is the only grain receiving VCS based on MS’ decisions.

In February 2017 the European Commission launched a three month public consultation on the post-2020 CAP. The online consultation asks stakeholders questions on how to simplify and modernize the CAP with a view to achieving Agriculture Commissioner Hogan’s priorities of increased sustainable production, generational renewal, and market resilience. The Commission published a Communication on modernizing and simplifying the CAP entitled [The Future of Food and Farming](#) in November 2017 ahead of formal legislative proposals expected on May 29, 2018. The Multiannual Financial Framework (MFF) proposal, setting *inter alia* the budget allocated to the CAP, should be published before the CAP legislative proposals on May 2, 2018. The new CAP should be applicable from 2020.

For more information on CAP Reform, see [E1710 “Post-2020 CAP consultation launched”](#) , and [E17071 “Deal reached on simplification of Common Agricultural Policy could strengthen farming sector’s role in supply chain”](#).

Pesticides

Plant protection products (PPPs) along with maximum residue levels (MRLs) and import tolerances (ITs) are an increasingly important issue in the EU. EU regulations allow for the banning of certain pesticides (carcinogens, mutagens, reproductive toxins, and endocrine disruptors) based solely on hazard identification, rather than on the basis of scientific risk assessments. It is expected that a large number of pesticides commonly used in the United States will be classified as hazards and banned in the EU. Although a separate regulation requires the EU to establish MRLs and ITs through risk assessments, the Commission has indicated that it does not intend to establish MRLs or ITs for banned substances. Consequently, MRLs for substances banned in the EU may be lowered to trade-restrictive default levels.

Under the EU’s renewal process, there are ongoing reviews of active substances and their associated MRLs. Additionally, existing MRLs are also being reviewed through a process known as the Article 12 review. The first list below indicates substances undergoing MRL review under this Article 12 process.

The second list includes active substances, which are, or will soon 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 substance manufacturer (i.e., 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.

Upcoming reviews for MRLs on Barley, Corn, Oats, Rice, Sorghum, Rye and Wheat

1) Article 12 review

Active substances with MRLs	Barley	Corn	Oats	Rice	Sorghum	Rye	Wheat	RMS*	Start of Data Collection	Expected date of RO**
Ampelomyces quisqualis	x		x		x	x		FR	Statement	04/21/2016
Bispyribac		x		x				IT	07/21/2017	12/15/2017
Chlorantraniliprole	x	x	x	x	x	x	x	IE	12/15/2017	10/30/2018
Chlorsulfuron	x		x				x	EL(PL)	07/15/2018	---
Diclofop	x						x	FR(PT)	03/15/2018	---
Flubendiamide		x			x			EL	09/15/2018	---
Fluopyram	x	x	x		x	x	x	DE(AT)	10/13/2017	11/27/2018
Fluxapyroxad	x	x	x	x	x	x	x	UK(FR)	06/15/2018	---
Halauxifen-methyl	x							UK	Statement	11/22/2017
Hexythiazox		x			x		x	FI	12/21/2016	07/06/2018
Imidacloprid	x	x	x		x		x	DE	05/02/2016	06/05/2018

Active substances with MRLs	Barley	Corn	Oats	Rice	Sorghum	Rye	Wheat	RMS*	Start of Data Collection	Expected date of RO**
Laminarin		x	x	x	x	x	x	BE	Statement	04/21/2016
Penflufen	x	x	x	x	x	x	x	UK (PL)	01/15/2018	12/25/2018
Prochloraz					x	x		IE	05/23/2016	05/15/2018
Sedaxane	x		x	x	x	x	x	FR	11/15/2017	11/05/2018
Sodium Hypochlorite	x	x	x	x	x	x	x	NL(IE)	03/15/2018	---
Sulfoxaflor	x				x		x	IE	Statement	11/22/2017
Spiromesifen		x						UK(IT)	12/10/2017	10/26/2018
Tembotrione		x						AT	09/25/2017	06/20/2018

*RMS: Rapporteur Member State

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

2) Active substances up for review

Last day of application 04/31/2018	
Fenbuconazole	SI/UK
Pyridaben	CZ/BE
Zinc phosphide	AT/DE
Last day of application 05/31/2018	
Carboxin	HR / LV
Cyproconazole	IE/EE
Diclofop	PT/FR

Flutriafol	SK/UK
Hexythiazox	FI/SE
Metaldehyde	PL/DE
Myclobutanil	UK/ES
Tebufenozide	ES/DE
Last day of application 07/31/2018	
Bispyribac	IT/PT
Last day of application 12/31/2018	
Azoxystrobin	UK / NO
Fluazifop-P	FR / IT
Fluquinconazole	UK / SK
Fluroxypyr	SE / SI
Imazalil (aka enilconazole)	NL / BE
Kresoxim-methyl	SE / FR
Oxyfluorfen	ES / HU
Prochloraz	BE / DE
Tefluthrin	HU / DK