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# GAIN Report

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**Approved By:**

Stan Phillips

**Prepared By:**

Steve Knight

**Report Highlights:**

Following good planting conditions in the fall and a mild winter across the EU28, the current outlook for the MY2016/17 EU28 grain crop is positive. If there is any concern it is that the EU28 grain crop is ahead of normal and could be susceptible to damage from a cold snap. Spring planting is now under way. Total feed grain consumption in MY2016/17 is forecast marginally down on the high levels seen in the previous two seasons but with a partial reversal of the switch away from corn to wheat being seen in MY2015/16. Following a slight, against trend, decline in industrial grain usage in MY2015/16, it is again forecast to rise in MY2016/17. With exports currently down year-on-year in MY2015/16, ending stocks high, and another large crop forecast for MY2016/17, the EU28 is currently forecast to remain a significant player on export markets next season.

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## **Introduction**

This report presents the first outlook for grain and feed, and Production, Supply and Demand (PS&D) forecasts for the Marketing Year (MY) 2016/17. 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.

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

Xavier Audran, FAS/Paris covering France  
Ornella Bettini, FAS/Rome covering Italy  
Mila Boshnakova, FAS/Sofia covering Bulgaria  
Monica Dobrescu, FAS/Bucharest covering Romania  
Dimosthenis Faniadis, FAS/Rome covering Greece  
Bob Flach, FAS/The Hague covering the Netherlands, Finland, Denmark, and Sweden  
Gellert Golya, FAS/Budapest covering Hungary  
Marta Guerrero, FAS/Madrid covering Spain and Portugal  
Mira Kobuszynska, FAS/Warsaw covering Poland, Lithuania, Latvia, and Estonia  
Steve Knight, FAS/London covering the United Kingdom and Ireland  
Roswitha Krautgartner, FAS/Vienna covering Austria and Slovenia  
Sabine Lieberz, FAS/Berlin covering Germany  
Jana Mikulasova, FAS/Prague covering the Czech Republic and Slovakia  
Andreja Misir, FAS/Zagreb covering Croatia  
Marcela Rondon, FAS/USEU/Brussels covering Belgium and Luxembourg  
Barrie Williams, FAS/USEU/Brussels covering policy

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

## **Executive Summary**

In MY2016/17, and for the second consecutive season, EU28 farmers are expecting a grain crop of around 310 MMT. However, following a weather related rise in wheat yields and significant decline in corn yields in MY2015/16, this headline figure hides a much improved corn production number and reduced year-on-year wheat production. Indeed, if realized, the forecast EU28 grain crop will be just 800,000 MT smaller than in MY2015/16 and, following the record 327 MMT grain crop in MY2014/15, will be the fifth EU28 crop to surpass 300 MMT in a decade.

The record EU28 wheat crop in MY2015/16 at a time of increased global grain supplies has weighed on the EU28 wheat market this season. Despite low prices, and an improved pace in recent weeks, a slow start to the season means wheat exports are lagging behind the record set in MY2014/15, and are currently forecast to reach 31.5 MMT. The much reduced domestically available supply of corn has supported a switch to wheat in animal feed rations. However, even with industrial use of grain down 650,000 MT in MY2015/16, total Food, Seed & Industrial (FSI) use is only marginally lower year-on-year. This means total EU28 grain ending stocks in MY2015/16 are currently forecast to rise 3.5 MMT to over 36 MMT.

With total domestic consumption forecast down just 800,000 MT in MY2016/17, a decline in feed demand expected to be largely offset by increased FSI usage, it is only a combination of a slight decline in production and a marginally improved outlook for wheat exports that sees stocks falling just under 1 MMT through the year. Indeed, much will ultimately depend on the size and quality of the EU28 crop; the export situation in Ukraine, both a key supplier to the EU28 market as well as competitor on third country export markets, and in Russia, where an export tax on wheat currently remains in place; and the pricing of the EU28 crop versus Black Sea Origins.

Prospects are currently positive for the MY2016/17 harvest, both in terms of size and quality. Plantings of the winter crops went very well across the EU28 in good conditions. November and December was unusually dry in some parts of the EU and generally the winter has been mild. The only countries reporting winterkill of any note are Poland and Lithuania where a lack of snow cover left the crop exposed to a sudden drop in temperature in January. In Poland, total losses were around 10 percent of the planted area, mainly in wheat, but it is expected the overall loss will be offset by spring plantings of barley and wheat, albeit the latter yielding lower than its winter counterpart. Overall, total Polish production of grain is forecast to rise around 1.7 MMT, a combination of an increased planted area and much improved yields - MY2015/16 yields were detrimentally affected by the drought in the summer, this especially being the case for corn.

In the EU's two largest producers of grain, France and Germany, prospects for both countries' grain crops are currently good. The total area planted to wheat in France is forecast to increase by 90,000 hectares (HA), much of it planted to durum wheat due to market prices, while the barley area is also forecast marginally higher. In Germany, the overall planted area is forecast little changed, albeit

masking a price driven increase in the area planted to barley at the expense of rye and triticale. With the aforementioned favorable winter conditions, the focus is now on the weather over the coming months, both for spring plantings and crop development, but the mood is upbeat. It is a similar story in the UK where little change in the area planted to the major grains, a mild and favorable winter and good prospects for spring plantings means the focus is very much on what could go wrong, rather than what has gone wrong, for the crop.

Bulgaria, Romania, the Czech Republic and Hungary also all report good winter planting conditions and a mild winter but good snow cover which protected the crop. Indeed, good snow cover was also reported in Estonia and Latvia. Only in Hungary is there any real concern, this being over excess water which could hinder the application of fertilizer and potentially reduce yields but, as elsewhere, the outlook is generally good.

Spain's grain planted area is little changed year-on-year and the crop is reported to be ahead of normal, a combination of a dry fall, mild winter and recent rains in the northern half of the country. It is still a little dry in the south. Additionally, while reduced snowfall has negatively impacted reservoir water supplies, a sufficient amount of water for irrigation purposes is reported. Although the story is a generally positive one, the warmer than normal temperatures have accelerated plant development, increased the risk of pest infestation, weeds, and susceptibility to a late frost.

Finally, as with France, the area planted to durum wheat in Italy is up year-on-year and the crop is reported to be in good condition. Soft wheat plantings are little changed and the condition is more variable. In the north of the country, dry conditions through the winter have reduced pest incidence but were becoming a concern until recent and significant rains reduced water stress. While overall conditions are currently described as satisfactory, more rains are needed for crop development as groundwater reserves are not currently replenished.

Turning to the corn crop, with the record production and record yields achieved in MY2014/15 being followed by an 18 MMT decline in production in MY2015/16 and the smallest crop in five years, there is much interest in the corn crop in MY2016/17. While it was the dry, hot weather across much of the central and southern EU28 in the months leading up to harvest in 2015 that so reduced the average yield, and remains a significant risk factor in any crop year, there is still a strong focus on the planted area. Forecast to decline 200,000 HA in total across the EU28 in MY2016/17, over 150,000 HA of this fall can be attributed to Romania. While the previous producer concerns regarding the European Commission's decision to restrict the use of three pesticides from the neonicotinoid family have been abated by a country specific derogation received in February, the area planted to corn is forecast to fall in favor of plantings of potentially more profitable sunflower and rapeseed. It should be noted that the ban on neonicotinoids also presents pest control problems for other Member States, particularly those in the south east. There is no viable technical solution at this time. A further reduction in plantings of 50,000 HA can be attributed to both Poland and Hungary, partially offset by an increase in the total planted area recorded in the other Member States. In France, the EU28's second largest producer of corn, the planted area is forecast unchanged.

MY2015/16 has been characterized by a record wheat crop, the size of which has become increasingly evident as the season progressed and countries confirmed higher than previously forecast yields, and a drought affected corn crop which hit a five year low immediately after a record high. Despite the latter,

the domestic EU28 grain market was well supplied and, with global grain markets also buoyant, this has weighed on EU28 prices. This has seen some farmers reluctant to bring grain, particularly wheat but also corn, to market. While this supported third country corn imports for feed use in the early part of the season and saw wheat exports get off to a relatively slow start compared to recent years, the pace of the latter has accelerated in recent months. With demand for feed in the livestock sector remaining strong in MY2015/16, and feed grain prices low, total feed consumption of grain is forecast to remain high, just 500,000 MMT down year-on-year. Increased feed consumption of wheat is forecast to just be outweighed by declines in the other grains, mainly corn. With another large total grain crop forecast for MY2016/17, production is currently forecast to exceed domestic consumption by nearly 26 MMT, all but the same as in MY2015/16. The difference is that feed grain consumption is forecast to decline 1.7 MMT, in part due to improved pasture grazing but also reduced overall demand, with FSI use rising by 900,000 MT. Unusually, FSI consumption is expected to fall in MY2015/16. While food use continues to rise with population growth and seed use remains fairly static, industrial use is going against trend and is expected to finish the season 650,000 MT down year-on-year, in the main due to a decline in corn use.

Third country imports, principally corn, while up in MY2015/16 have been tempered by the increased availability of domestic wheat, and steady supplies of barley, for feed use. With producers, particularly in France but also in Germany and elsewhere, reluctant to sell grain in late 2015, this supported corn imports in the early part of the season, particularly from Ukraine. However, this import pull has eased in recent months with domestic supplies becoming more available, Ukraine increasingly exporting to China, and transport related supply issues from South America. Total grain imports are currently forecast to decline in MY2016/17, in large part due to the ample supplies of grain expected in the EU28. The reluctance of farmers to market their grain also saw wheat exports get off to a slow start in MY2015/16 but these have increased in recent months and are now forecast to reach 31.5 MMT by year end due to ongoing demand, principally from North Africa. If realized, this will be 3.9 MMT lower than the record volume seen in MY2014/15 but only 500,000 MT below MY2013/14 and the third biggest export volume on record. Indeed, the ample supplies means MY2016/17 wheat exports are currently forecast to rise once more, by 1.5 MMT, confirming the EU28 as a significant and ongoing supplier of wheat on third country markets.

Total grain stocks are currently expected to end MY2015/16 up 3.5 MMT meaning a heavy supply situation in MY2016/17 should the current grain harvest forecast be achieved. That said, they will also provide a buffer to any supply shock, be it domestic or otherwise.

## Crop specific

### Wheat

Wheat	2014/2015	2015/2016	2016/2017
Market Begin Year	Jul 2014	May 2015	May 2016

European Union	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
<b>Area Harvested</b>	26783	26716	26846	26750	0	26800
<b>Beginning Stocks</b>	9940	9940	13653	13800	0	19500
<b>Production</b>	156656	156803	158457	160000	0	152500
<b>MY Imports</b>	5975	5975	6300	6000	0	5500
<b>TY Imports</b>	5975	5975	6300	6000	0	5500
<b>TY Imp. from U.S.</b>	0	717	0	664	0	0
<b>Total Supply</b>	172571	172718	178410	179800	0	177500
<b>MY Exports</b>	35418	35418	32500	31500	0	33000
<b>TY Exports</b>	35418	35418	32500	31500	0	33000
<b>Feed and Residual</b>	54500	54000	57000	59000	0	56500
<b>FSI Consumption</b>	69000	69500	68750	69800	0	70300
<b>Total Consumption</b>	123500	123500	125750	128800	0	126800
<b>Ending Stocks</b>	13653	13800	20160	19500	0	17700
<b>Total Distribution</b>	172571	172718	178410	179800	0	177500
(1000 HA) ,(1000 MT)						

EU28 wheat production is currently forecast to reach 152.5 MMT in MY2016/17. If realized, this will be 7.5 MMT down on the record crop of MY2015/16 but still the third largest crop on record. This season, the MY2015/16 crop has continually surpassed expectations as the season has progressed, most recently with upward revisions to both the area and yield in Latvia and Estonia, and to the yield in Romania, Spain, Belgium and Poland. Returning to the outlook for MY2016/17, the area planted including spring plantings is forecast to be 26.8 MHA, little changed on the previous two years. Like MY2015/16, the MY2016/17 wheat crop has thus far experienced good planting conditions and a mild winter and the outlook is positive. Whether the yields in MY2016/17, currently forecast average, can match those in MY2015/16 will very much depend on the weather from now through harvest which was particularly favorable for the record crop.

A mild fall across the EU28 saw winter plantings get off to a good start and a generally mild winter bodes well for winterkill, albeit with an increased risk of pests, weeds and disease occurrence. In the EU's largest producer and exporter of wheat, France, a record area is forecast to be planted to wheat, buoyed by a price-driven increase in the durum area. In Austria, Germany and the UK, the wheat planted area is forecast unchanged year-on-year and, like France, the crop is currently reported to be developing well in good conditions.

In Poland, the mild weather has been more of a concern for the winter wheat crop. While plantings went well, a lack of snow cover and then a cold snap in January means the crop is not looking as healthy as it did this time last year. Further, winterkill will reduce the winter wheat crop. While this land is expected to be replanted, mainly to barley and spring wheat, the latter yields lower than its winter counterpart. The overall wheat area in Poland is forecast down 50,000 HA. Similarly, in Hungary, despite good planting conditions and limited winterkill, the crop is not without its concerns with excess water in some regions expected to hinder fertilizer application and reduce potential yields. The total planted area is also forecast to be down 120,000 HA year-on-year. Lithuania has also seen some winterkill whereas Estonia and Latvia saw good snow cover protect the crop.

In Romania and Bulgaria, both countries are forecasting a small increase in the planted area, good snow cover limited winterkill and the outlook is good. That said, both are wary of the possibility of a late frost. It is a similar story for the Czech Republic.

Like France, Italy and Spain have both reported increased durum wheat plantings. While this has been at the expense of soft wheat in Spain where the price differential outweighs the higher crop costs, in Italy this trend has contributed to a year-on-year increase of 110,000 HA in the area planted to wheat. The crops in both countries are reported to be in good condition with recent rains and mild temperatures meaning both countries' crops are ahead of normal development. With the mild winters in both countries have come some concerns regarding pest infestation and disease but, thus far, these have proved unfounded. At the moment, water reservoirs in Spain are below previous year levels, but still slightly over the 10-year average. A sufficient amount of water for irrigation purposes is reported.

In summary, the sentiment is generally good but with the EU28 entering a critical yield and quality determining weather period, producers are cautious to assume a positive outlook given it could yet be undermined.

Regarding the current season, and as mentioned previously, as the months have passed it has become increasingly evident that MY2015/16 has, for the second year running, been a record year in terms of both yield and production in the EU28. Wheat production is now expected to be 160 MMT, up 3 MMT on the MY2014/15 crop. The most recent upward revisions have been to both the area and yield in Latvia and Estonia, and to the yield in Romania, Spain, Belgium and Poland. Warm, dry weather in the run up to, and through, harvest boosted yields but did create some variations in quality. The Baltic States are also reported to have particularly benefitted from the use of improved seeds.

Total EU28 domestic wheat consumption in MY2015/16 is forecast to rise 5.3 MMT year-on-year. Within this total, FSI use is expected to rise just 300,000 MT. This rise would be higher were it not for the continued closure of one of the UK's bioethanol facilities. The real story is the significant rise in wheat consumption in the feed industry, up 5 MMT as compared to MY2014/15. In large part this has been driven by the combined ample and competitively priced domestic supplies of wheat versus other grains, including imported corn, and the much reduced domestic corn crop.

The low wheat price in MY2015/16 has seen producers, particularly in France and Germany, reluctant to come to market in the hope that prices will rise. In fact, for some this is still the case. This was a contributory factor to the slower start to wheat exports and supported early season third country corn imports. However, the wheat export pace has subsequently accelerated and export licenses through mid-March amount to nearly 21 MMT, less than 3 MMT behind MY2014/15 when a record total of 35.4 MMT was exported. The principal exporter, as always, is France, with Algeria and Morocco being the main recipients in the first half of MY2015/16. French wheat exports to Egypt also picked up towards the end of 2015 and into 2016. Germany is also a significant third country exporter and has seen good export volumes to African and Middle Eastern countries in the first half of MY2015/16. Iran took 450,000 MT in the first six months of the season, followed by Ethiopia, Saudi Arabia, and South Africa who took roughly 190,000 to 200,000 MT each. Considerable tonnages have also been exported to Saudi Arabia by the Baltic States this season, supported by their increased exportable surplus. Romania has also captured good export market share, recording 1.6 MMT of wheat exports in the first six months of the season to destinations including Egypt and Jordan. Main overall destinations for EU28 wheat thus far this season, in rank order, have been Algeria, Saudi Arabia and Egypt, followed by Indonesia, Morocco, Ethiopia and Iran.

Imports are expected to reach 6 MMT in MY2015/16, little changed year-on-year, with Italy remaining a significant importer of high protein durum wheat from Canada for blending and Spain importing feed wheat from Ukraine. The heavy supply means that despite strong usage numbers, ending stocks are currently forecast to end MY2015/16 up nearly 6 MMT year-on-year and nearly double what they were two years previously.

These large carry in stocks will weigh heavy on the MY2016/17 balance, especially with production forecast at 152.5 MMT. Even so, imports are forecast to be fairly resilient and fall just 500,000 MT. With increased competition from other grains, principally corn, feed use is forecast to fall, but only by 2.5 MMT. FSI usage is forecast up but only by 500,000 MT - food use creeps upwards and seed is static meaning any significant change is driven by the industrial sector. This sector is currently lacking impetus although MY2016/17 is forecast to see the UK process more wheat into bioethanol, albeit nowhere near the combined full capacity of its two facilities, both capable of processing up to 1.1 MMT of wheat per year. Consequently, there will be a very strong focus on exports and the implications for ending stocks.

EU28 wheat exports in MY2016/17 are currently forecast to increase once more, to 33 MMT, supported by North African demand, such as from Morocco, and an anticipated reduction in competition from Ukraine. Another factor will be the availability of Russian supplies and whether it removes or extends its export tax. If this export number is achieved, stock levels are currently forecast to decline marginally in MY2016/17.

## Corn

Corn Market Begin Year	2014/2015		2015/2016		2016/2017	
	Oct 2014		Oct 2015		Oct 2016	
European Union	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	9530	9500	9287	9200	0	9000
Beginning Stocks	6829	6829	9352	9400	0	6900
Production	75793	75500	57751	57500	0	64000
MY Imports	8756	8646	16000	14000	0	12000
TY Imports	8756	8646	16000	14000	0	12000
TY Imp. from U.S.	286	413	0	0	0	0
Total Supply	91378	90975	83103	80900	0	82900
MY Exports	4026	4025	1100	1500	0	3000
TY Exports	4026	4025	1100	1500	0	3000
Feed and Residual	59500	59500	57500	55000	0	56000
FSI Consumption	18500	18050	18500	17500	0	17800
Total Consumption	78000	77550	76000	72500	0	73800
Ending Stocks	9352	9400	6003	6900	0	6100
Total Distribution	91378	90975	83103	80900	0	82900

(1000 HA) ,(1000 MT)

Following the record 75.5 MMT corn crop of MY2014/15, production in MY2015/16 is estimated to be just 57.5 MMT. The decline of 18 MMT follows a significant weather-related drop in yields across much of the EU28 and a reduction in the area harvested for grain in favor of silage. The summer 2015 drought was very challenging for most EU28 producing countries, reducing yields and squeezing margins. Production in France alone is expected to have fallen nearly 5MMT year-on-year and Romanian production by over 3 MMT after two successive record crops. Hungarian corn production was down nearly 3 MMT, Italy and Germany by over 1.5 MMT and 1 MMT, respectively, while most other Member States also reported significant year-on-year reductions.

Based on more typical yields, MY2016/17 production is currently forecast to recover to 64 MMT on a planted area forecast to fall a further 200,000 HA. Previous producer concerns in Romania, regarding the European Commission's decision to restrict the use of three pesticides from the neonicotinoid family, have once again been abated. For the third 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. That said, the planted area is forecast 155,000 HA down year-on-year in favor of potentially more profitable sunflower and rapeseed plantings. A 50,000 HA decline in planted area is also forecast for both Poland and Hungary while the planted area in Croatia and Bulgaria is forecast only marginally lower despite the challenges of MY2015/16 which have seen some producers in the latter also switch some area to sunflowers. Only Austria, Germany and the Czech Republic are forecasting an increase in planted area and only by a combined 50,000 HA. 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. The area planted to corn in France, the EU28's largest producer, is forecast unchanged.

Returning to MY2015/16, on the demand side, the main story is reduced use in the feed sector, driven by the reduced domestic supplies of corn but ample domestic supplies of wheat. Availability of both was initially reduced by a reluctance of producers, especially in France and Germany but also elsewhere, to bring their grain to market in the hope that prices would rise. This initially supported third country corn imports. However, the availability of domestic supplies has improved as the season has progressed. Corn imports are now expected to reach 14 MMT - while import licenses to mid-March exceed 10 MMT these are on a July-June year and compare to 6.5 MMT at the same time last year. Overall, the competitiveness of wheat means that feed use of corn is forecast to fall 4.5 MMT in MY2015/16. MY2016/17 is currently forecast to see EU28 feed use of corn up marginally, any increase tempered by an overall reduction in feed demand in the livestock sector.

Interestingly, FSI use is also forecast to fall in MY2015/16. While food and seed use are comparatively stable, the change is not because of a switch from industrial use of corn to wheat. While corn use in the sector is down in a number of Member States, bioethanol producers prefer corn to wheat as the DDGS have a higher value. The main challenge for the EU28 in MY2015/16, in addition to the economics of industrial use of corn, is that Abengoa, one of Spain's main engineering and renewable energy companies, announced the sale of all non-core assets (such as the first generation biofuels business units) as part of a debt-restructuring plan. Abengoa facilities include five bioethanol plants in Europe, three of which are located in Spain, one in the Netherlands and one in France. The situation, along with competition with other grains, means that industrial consumption of corn is expected to fall in MY2015/16, principally in Spain and the Netherlands, contributing to an overall decline of 700,000 MT.

On a more positive note, by the end of 2015, a 33 million Euro investment for more processing capacity was finished in Hungary at one of the largest bioethanol plants in the EU28. However, while capacity was increased, usage in the industrial sector in Hungary is expected to be unchanged in MY2015/16 and marginally up in MY2016/17. Usage is limited to 1.3 MMT by a blending mandate which has been extended through December 2018. MY2016/17 is expected to see corn use increase again in the biofuels sector.

Corn export licenses to mid-March total just over 1.1 MMT, again on a July-June year, and compare to 2.1 MMT at this time last year. EU28 exports in MY2015/16 are now expected to be 1.5 MMT. In the first three months of the season, of the 500,000 MT already exported, Romania accounted for nearly 370,000 MT of the total. Destinations included Turkey, Lebanon, Egypt and Israel. In line with the forecast increase in production, total EU28 corn exports are currently forecast to rise to 3 MMT in MY2016/17.

The tight supply situation in MY2015/16 is expected to see a 2.5 MMT drawdown in stocks and they are forecast to remain low in MY2016/17.

## Barley

Barley Market Begin Year	2014/2015		2015/2016		2016/2017	
	Jul 2014		May 2015		May 2016	
European Union	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	12394	12395	12327	12125	0	12350
Beginning Stocks	5648	5648	5649	5957	0	7307
Production	60460	60568	60962	61300	0	60400
MY Imports	88	88	300	300	0	100
TY Imports	268	268	100	100	0	100
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	66196	66304	66911	67557	0	67807
MY Exports	9547	9547	8600	9500	0	8000
TY Exports	10642	10642	9000	9000	0	8000
Feed and Residual	35500	35500	37500	35500	0	35500
FSI Consumption	15500	15300	15600	15250	0	15200
Total Consumption	51000	50800	53100	50750	0	50700
Ending Stocks	5649	5957	5211	7307	0	9107
Total Distribution	66196	66304	66911	67557	0	67807

(1000 HA) ,(1000 MT)

After a drop in MY2015/16, the total EU28 planted barley area in MY2016/17 is forecast to largely recover to the level seen in MY2014/15. The increased planted area in most Member States combined with a reduction in average yields, after the highs seen in MY2015/16, means the EU28 barley crop in MY2016/17 is currently forecast to decrease by 900,000 MT. Combined production in the three largest barley producers - France, Germany and the UK - is forecast to fall over 1.5 MMT despite an increase in

their combined planted area, but the decline is offset by production increases in Austria, Poland, Romania and Spain. Indeed, production in Spain alone is forecast to increase by 650,000 MT. In contrast to most Member States, Spain experienced a lower yield in MY2014/15 and the increase in production in MY2015/16 is despite a small fall in area (itself due to lower prices), mandatory crop rotation introduced by greening and, to some extent, competition from new tree nut plantings. As previously indicated, conditions over the winter have been generally good but with a larger proportion of the EU28 barley crop being spring sown there are more unknowns at this time than for wheat. Generally, the prospects for the 2016 harvest are currently good.

In the current season, production is estimated at 61.3 MMT, marginally up on MY2014/15 which included large harvests in both France and Germany. Over 7.5 MMT of export licenses have been granted up to the middle of March and full season exports are currently forecast to reach 9.5 MMT – on a par with MY2014/15. Of the 5.8 MMT exported through end-December, some of which was exported using licenses obtained in MY2014/15, over 2.2 MMT has been to China with another 1.8 MMT to Saudi Arabia. The main exporters are France, Germany and Romania.

Total consumption of barley in MY2015/16 is expected to be little changed in terms of both feed and FSI usage. Ending stocks are therefore forecast up 1.3 MMT.

With exports in MY2016/17 currently forecast to reach 8 MMT, in the main to Saudi Arabia, and no change anticipated for FSI use, any downside to the outlook for this year's barley harvest will increase the focus on the feed number and ending stocks. At the current time, both are forecast unchanged but any supply tightness is likely to be reflected in lower ending stocks.

## Rye

Rye Market Begin Year	2014/2015		2015/2016		2016/2017	
	Jul 2014		May 2015		May 2016	
European Union	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2114	2108	2014	1925	0	2110
Beginning Stocks	1204	1204	1080	1355	0	955
Production	8858	8833	7960	7780	0	8025
MY Imports	102	102	70	70	0	70
TY Imports	96	96	70	70	0	70
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	10164	10139	9110	9205	0	9050
MY Exports	184	184	150	150	0	125
TY Exports	167	167	150	150	0	125
Feed and Residual	4500	4500	3450	4100	0	4000
FSI Consumption	4400	4100	4400	4000	0	4150
Total Consumption	8900	8600	7850	8100	0	8150
Ending Stocks	1080	1355	1110	955	0	775
Total Distribution	10164	10139	9110	9205	0	9050

(1000 HA) ,(1000 MT)

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. MY2015/16 was characterized by a significant reduction in the Polish planted area. As with the other grains, the current crop is reported to be progressing well but Germany has planted the lowest forecast rye area in ten years, meaning production in Germany alone is forecast to fall by 300,000 MT. Despite a 200,000 HA increase in planted area in Poland supporting total production, the EU28 average yield is forecast to fall, limiting the rise in production to just 250,000 MT in MY2016/17.

Around half of the rye production is used in animal feeds and MY2015/16 is expected to be no exception. With food use relatively steady, the tighter supplies in MY2015/16 is seeing a slight reduction in the volume of rye being converted into bio-ethanol and in the form of rye-whole-plant silage in biogas digesters. The slightly heavier balance in MY2016/17 is forecast to see this usage rise once more.

## Sorghum

Sorghum Market Begin Year	2014/2015		2015/2016		2016/2017	
	Jul 2014		May 2015		May 2016	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
European Union						
Area Harvested	146	149	145	141	0	138
Beginning Stocks	18	18	20	21	0	10
Production	880	890	797	775	0	780
MY Imports	134	134	80	150	0	150
TY Imports	131	131	80	150	0	150
TY Imp. from U.S.	2	2	0	0	0	0
Total Supply	1032	1042	897	946	0	940
MY Exports	17	17	5	2	0	2
TY Exports	1	1	2	2	0	2
Feed and Residual	975	980	860	910	0	890
FSI Consumption	20	24	20	24	0	24
Total Consumption	995	1004	880	934	0	914
Ending Stocks	20	21	12	10	0	24
Total Distribution	1032	1042	897	946	0	940
(1000 HA),(1000 MT)						

MY2007/08 saw significant interest in the sorghum market when tight global supplies of feed grains saw EU28 importers - mainly in Spain, the Benelux and France – 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 in years of tight feed grain supply and so has increased the possibility of future imports. With both MY2015/16 and MY2016/17 characterized by ample supplies of feed grains, it is not currently expected to see any such trade and import volumes are forecast to remain at a very low level.

## Oats

Oats	2014/2015	2015/2016	2016/2017
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Market Begin Year	Jul 2014		May 2015		May 2016	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
European Union						
Area Harvested	2542	2511	2627	2525	0	2575
Beginning Stocks	894	894	849	809	0	609
Production	7845	7854	7640	7525	0	7900
MY Imports	4	5	5	5	0	5
TY Imports	4	4	5	5	0	5
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	8743	8753	8494	8339	0	8514
MY Exports	219	219	230	230	0	200
TY Exports	231	231	230	230	0	200
Feed and Residual	6000	6050	6000	5800	0	5950
FSI Consumption	1675	1675	1675	1700	0	1700
Total Consumption	7675	7725	7675	7500	0	7650
Ending Stocks	849	809	589	609	0	664
Total Distribution	8743	8753	8494	8339	0	8514
(1000 HA) ,(1000 MT)						

The five main producers of oats in the EU28 are Poland, Finland, Sweden, Spain and the UK, traditionally accounting for around 60 percent of production. Oats can be planted late and seed is inexpensive and readily available. In MY2015/16, a reduced planted area in Finland was more than offset by a large increase in Spain, a consequence of the mandatory crop rotation introduced by greening. However, the latter is a lower yielding crop and some of the Finnish crop was unable to be harvested due to wet conditions. Combined, this exacerbated an already reduced average yield meaning oat production is expected to have fallen by over 300,000 MT in MY2015/16. Current expectations are for MY2016/17 to see a recovery in overall yields, a slight recovery in the Finnish planted area and a 400,000 MT increase in production. The increase in area is tempered by two relatively new CAP regulations - the rule to plant a minimum of three crops on each farm and the regulations regarding the ecological focus areas. Despite the long-term downward trend in oat production, 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, but this market has been more limited in MY2015/16 due to higher production in North America. In late 2015, Finnish exports to South Africa and Switzerland increased significantly. Total EU28 exports have the potential to rise in MY2016/17 as global production may reduce due to prices and Finland has the ability to sow additional acreage very late in the spring.

Total annual FSI use has stabilized in recent years. Within the total, usage for the production of bioethanol and biogas is forecast to remain steady at around 75,000 MT. The remaining production is fed to animals, a forecast 5.8 MMT in MY2015/16 which was supported by a slight decline in stocks. With stocks forecast unchanged in MY2016/17 and ample feed grain supplies expected, feed use is forecast to rise only marginally next season.

## Mixed Grain

Mixed Grain	2014/2015		2015/2016		2016/2017	
	Jul 2014		May 2015		May 2016	
Market Begin Year	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
European Union						

<b>Area Harvested</b>	4035	3997	4144	4090	0	4120
<b>Beginning Stocks</b>	937	937	1045	1238	0	788
<b>Production</b>	16808	16701	15869	15750	0	16000
<b>MY Imports</b>	0	0	0	0	0	0
<b>TY Imports</b>	0	0	0	0	0	0
<b>TY Imp. from U.S.</b>	0	0	0	0	0	0
<b>Total Supply</b>	17745	17638	16914	16988	0	16788
<b>MY Exports</b>	0	0	0	0	0	0
<b>TY Exports</b>	0	0	0	0	0	0
<b>Feed and Residual</b>	15000	14850	14300	14550	0	14350
<b>FSI Consumption</b>	1700	1550	1700	1650	0	1625
<b>Total Consumption</b>	16700	16400	16000	16200	0	15975
<b>Ending Stocks</b>	1045	1238	914	788	0	813
<b>Total Distribution</b>	17745	17638	16914	16988	0	16788
(1000 HA) ,(1000 MT)						

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, within the mixed grain total, plantings of triticale have been rising faster than plantings of other mixed grains have been falling. As such, the total planted area in Poland rose in MY2015/16 but is forecast unchanged in MY2016/17. Low yields in MY2015/16 saw Polish production fall sharply but a partial recovery is currently forecast in MY2016/17. Only a very small percentage of the Polish mixed grain crop is used in the bioethanol sector, with the vast majority used for on-farm feed.

The French planted area remains in long term decline, again the majority being used as feed. While the planted area is also in decline in Germany and year-on-year production is falling, demand for mixed grain as a bioethanol feedstock remains static.

With overall EU28 mixed grain production down sharply, by almost 1 MMT, in MY2015/16 due to the fall in yield, it is to be expected that some recovery in production will be seen in MY2016/17, supported by the overall increase in planted area. That said, the increasing proportion of lower yielding grains will limit the production increase which is currently forecast to be just 250,000 MT. Indeed, with MY2015/16 supplies buoyed by large beginning stocks, MY2016/17 is currently forecast to see little change to feed use and stocks, as well as the aforementioned industrial use in Germany.

## Rice

Rice, Milled Market Begin Year	2014/2015		2015/2016		2016/2017	
	Sep 2014		Sep 2015		Sep 2016	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
European Union						
<b>Area Harvested</b>	426	430	431	430	0	430
<b>Beginning Stocks</b>	1163	1163	1231	1190	0	1215
<b>Milled Production</b>	1902	1963	2005	2055	0	2026
<b>Rough Production</b>	2739	2863	2900	3003	0	2958
<b>Milling Rate (.9999)</b>	6944	6856	6914	6843	0	6849
<b>MY Imports</b>	1703	1712	1500	1650	0	1650

<b>TY Imports</b>	1750	1785	1500	1500	0	1650
<b>TY Imp. from U.S.</b>	53	46	0	0	0	0
<b>Total Supply</b>	4768	4838	4736	4895	0	4891
<b>MY Exports</b>	272	273	280	280	0	280
<b>TY Exports</b>	250	250	270	270	0	280
<b>Consumption and Residual</b>	3265	3375	3280	3400	0	3425
<b>Ending Stocks</b>	1231	1190	1176	1215	0	1186
<b>Total Distribution</b>	4768	4838	4736	4895	0	4891
(1000 HA) ,(1000 MT)						

Italy is by far the largest rice producer in the EU28. Rice cultivation is mostly located in the north where water is relatively abundant and the rice crop can be raised in flooded fields. Approximately 70 per cent of rice varieties grown in Italy are Indica (i.e. Ariete, Drago, Arborio, Baldo, S.Andrea, and Carnaroli), while the remainder are Japonica ones. Except for rough (unmilled) rice exports and domestic seed sales, virtually all the Italian rice is marketed as a whole-kernel milled product.

Italy's MY 2015/16 paddy rice production is forecast up 7.5 percent at 1.5 MMT, in part due to an increased planted area but also improved yields. Within this total, Long-A, Long-B, and Round paddy production are expected to be about 820,000 MT, 250,000 MT, and 400,000 MTT, respectively. The Long Grain Indica planted area is in decline due to increasing competition from rice imports from Cambodia, Myanmar, Guyana, and Surinam which enjoy duty-free market access under 'Everything But Arms' (EBA) agreements. However, this decline is likely to be offset by the increased area forecasted for the Long Grain Japonica variety. The total Italian rice planted area is forecast marginally up in MY2015/16 as production.

The second largest rice producer in the EU28 is Spain but the planted area is in long term decline. While rice production has remained fairly stable in traditional growing areas as there are no viable alternatives, it has continuously declined in non-traditional growing areas. This is in part due to difficult crop management, largely a result of a lack of crop specific authorized treatments, but also low market prices and high input costs. Rice also has a high irrigation need and some additional area reduction is forecast for MY2016/17 as reduced reservoir supplies encourage farmers to switch from rice to less water demanding crops. The main alternatives to rice are corn or tomatoes for processing. In some areas, a switch to high quality wheat is also another option.

## 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. All duties are at zero levels. More specifically, the resulting duty has been set at Euro zero/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 has been set at Euro zero/MT since August 17, 2010 and the duty for sorghum and rye at Euro zero/MT since October 19, 2010.

Import licenses are valid for the current month plus two.

Reference grains for calculating import duties

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

Theoretical example illustrating method of calculating EU import duties

<i>(Euro/MT)</i>	<i>Representative world standard</i>	<i>EU Reference price (a)</i>	<i>World price (b)</i>	<i>FOB premium (c)</i>	<i>Freight (d)</i>	<i>Representative world price (e) = (b)+(c)+(d)</i>	<i>EU duty (a)-(e)</i>
<i>Maize (corn)</i>	<i>Chicago yellow corn No. 3</i>	<i>157.03</i>	<i>68.46</i>	<i>16.20</i>	<i>15.56</i>	<i>100.22</i>	<i>56.81</i>

*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 tariff rate quota (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.

In addition to these TRQs, from January 1, 2012, there has been a new *ergo omnes* (open to all) quota consisting of one tranche of 122,790 MT for medium and low quality wheat. This has been 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).

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

The accession of Spain and Portugal to the EU resulted in the application of common EU tariff barriers to Spanish and Portuguese 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.

## **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 be fixed by tender. No export refunds have been granted on grains since September 2006 and grain-based processed products since 2007.

Export licenses are mostly valid for 60 days, with some applying to more specialized items being valid for the current month plus four – see Commission Regulations (EC) Nos [1129/2007](#) and [1555/2007](#).

Worthy of note is the Commission's recent proposal to abolish import and export licenses for trade excluding that subject to TRQs within the framework of "simplification". Trade impacted by the proposal would be monitored by DG TAXUD's (Taxation and Customs Union) "surveillance" system using the Single Administrative Document. Trade data may be expected to be more accurate under the proposed system as trade actually undertaken would be recorded as opposed to intended trade. A degree of market management would, in theory at least, be lost however. The proposal has yet to be discussed at Council and European Parliament level. If the co-legislators were to vote favorably, the new system could apply from the 2016/17 marketing year (beginning from July 1, 2016).

## **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, sorghum 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 is 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, corn and sorghum starting from MY 2010/11.

### **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.

### **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.

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

### **Cultivation of MON 810 corn**

Monsanto’s MON 810 received its original approval for cultivation in the EU in 1998, and is currently undergoing the approval renewal process. Since 2007, the area sown with MON 810 in the EU has remained fairly stable at between 89,000 hectares and 129,000 hectares, the most significant increase taking place in Spain in 2011 and 2012. International Service for the Acquisition of Agri-biotech Applications (ISAAA) data shows that MON 810 is largely grown in Spain, Portugal, the Czech Republic, Portugal, Poland, Slovakia and Romania.

#### Cultivation of MON 810 corn in the EU (hectares)

	2006	2007	2008	2009	2010	2011	2012	2013	2014
<i>Spain</i>	53667	75148	79269	76057	76575	97326	116307	136962	131538
<i>France</i>	-	-	-	-	-	-	-	-	-
<i>Czech Republic</i>	1290	5000	8380	6480	4680	5091	3080	2560	1754
<i>Portugal</i>	1250	4263	4851	5094	4868	7724	9278	8171	8542
<i>Germany</i>	950	2685	3173	-	-	-	-	-	-
<i>Slovakia</i>	30	900	1900	875	1248	761	189	100	411
<i>Romania</i>	-	350	7146	3244	822	588	217	220	771
<i>Poland</i>	100	327	3000	3000	3000	3000	N/A	-	-
<i>Sweden</i>	-	-	-	-	-	-	-	-	-
<i>Total</i>	57287	88673	107719	94750	91193	114490	129071	148013	143016

Source: ISAAA report “Global Status of Commercialized Biotech/GM Crops: 2013”

NB: Polish area is not confirmed by the public authorities

Factors discouraging farmers from cultivating biotech crops in the EU include:

- Public field registers detailing the location of commercially grown biotech crops (compulsory in most Member States);
- National cultivation bans in Austria, France, Germany, Greece, Luxembourg and Hungary;
- Stringent national coexistence measures in Belgium, Germany, Hungary, Portugal and Romania;
- Marketing (private standards) issues in the Czech Republic and Slovakia
- Threats by anti-biotech non-governmental organizations

Despite these factors, many EU farming groups remain interested in using plant biotechnology because of the resultant yield benefits and cost saving.

For more information on biotechnology in the EU, see [\*GAIN Report Number FR9174 “EU 28 Agricultural Biotechnology Annual 2015”\*](#) of July 23, 2015.

## **CAP Reform**

The final CAP Reform package was approved by the European Parliament in November 2013 and the Council in December 2013. All aspects of the reform are applicable as from January 2014 with the exception of the new direct payments structure (including “green” payments and additional support for young farmers) which will apply 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.