



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Voluntary Report - public distribution

Date: 6/7/2002

GAIN Report #E22063

European Union

Grain and Feed

Annual

2002

Approved by:

Mary Revelt

U.S. Mission to the European Union, Brussels

Prepared by:

William F. Darley

Report Highlights:

Record wheat and barley crops are expected in 2002/2003 due to excellent weather conditions. Lower imports are expected compared to record high imports in 2001/2002. The rye, durum and rice regimes are expected to be adapted as part of the Mid-term Review of Agenda 2000.

Includes PSD changes: Yes
Includes Trade Matrix: No
Unscheduled Report
Brussels USEU [BE2], E2

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Executive Summary

The weather played a major role in the events leading up to the results of the 2001/2002 crop year. The year was marked by exceptionally wet and cool growing conditions in Northwest Europe and as a result, cereal production in this region was down considerably. This made, particularly French, cereal farmers reluctant to part with their crops and therefore a major part of their harvest went into private stocks. Conversely, the whole southern area of Europe, especially the Iberian Peninsula together with Southern Italy and Greece, was hit by hot and dry weather conditions leading to lower levels of production. Consequently, Spain needed imports to alleviate the short-supply situation for its feed industry. Northern and Eastern Europe and the Black Sea regions experienced excellent crop conditions, which resulted in bumper harvests.

The exceptional import situation for grains in 2001/2002 was influenced by the elimination of the 10 Euro/Mt import duty on Eastern European and BSO (Black Sea Origin) cereals in late 2001. This was done partly in response to high domestic prices in the EU, as many co-ops were holding grain off the market, and partly due to the need for feed grains in Southern Europe. The result was that Spain and the Benelux countries started importing third country feed grains, especially feed wheat and barley for use in feed rations, replacing domestically produced wheat. As a result, the EU is expected to import at least 8 million Mt. of wheat, making the EU the world's largest wheat importer.

For 2002/2003 the wheat area is expected to increase to over 18 million ha. as a result of improved planting conditions and policy changes under Agenda 2000. We are also expecting a record EU wheat crop production under further good conditions, of nearly 107 million Mt., thus the expectations are that cereals in general will decrease in price on the EU markets. If excellent conditions prevail until harvest, a wheat crop of 109 million Mt. is a possibility.

Total imports of US wheat, especially for blending are estimated at about 2 million Mt. in 2001/2002. This is expected to drop back to 750,000 Mt. in 2002/2003 because there will be a higher level of better quality milling and durum wheat types available to the EU market.

Expected falling prices for wheat in the EU will cause the animal feed industry to shift even more wheat into their rations than they did this year. As a result of the considerable build-up of cereal stocks foreseen for next year, we expect the EU Commission to adopt aggressive export refund policies or to build up stocks.

NGFI's (Non Grain Feed Ingredients) are losing market share as they are being replaced by cheaper feed grains in rations. This is certainly the case for manioc products and corn gluten feed (CGF). Of special importance to the US is the fact that its CGF market share is being further eroded by EU producers.

Mid-term review of the Agenda 2000 reform will now commence in July 2002, which will allow the Commission to address specific challenges in the rye, durum and rice regimes.

Introduction

We would like to draw the readers' attention to the fact that this is the first European Union 15 consolidated grain and feed report reflecting the EU-15 grain situation as a whole. The result is a uniform EU 15 commentary with tables that reflects only third-country trade excluding EU intra-trade.

Member state data will no longer be available to the public in the official USDA database. Readers wanting more detailed information on the major commodities of the six largest countries of the EU can still find these in attache reports from these countries on the following web-site. <http://www.fas.usda.gov/scriptsw/attacherep/default.asp>

It should be noted that the local marketing year for grains for the EU is July/June except for corn, October/September, and rice, September/August.

The information in the following report is compiled from data gathered from both internal and external market and industry sources.

Actively contributing to this report:

Bob Flach from FAS The Hague
Xavier Audran from FAS Paris
Steve Knight from FAS London
Diego Pazos from Fas Madrid
Sandro Perini from FAS Rome
Dmitri Prikhodko from FAS Kiev
Yelena Vassilieva from FAS Moscow
Dietmar Achilles from FAS Bonn

Emphasis is given to the key cereals which are important for US and EU trade.

Wheat

PSD Table

PSD Table						
Country	European Union					
Commodity	Wheat				(1000 HA)(1000 MT)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		07/2000		07/2001		07/2002
Area Harvested	0	17889	0	16640	0	18015
Beginning Stocks	0	14054	0	14789	0	13581
Production	0	104784	0	91725	0	106960
TOTAL Mkt. Yr. Imports	0	3159	0	8000	0	4000
Jul-Jun Imports	0	3159	0	8000	0	4000
Jul-Jun Import U.S.	0	1368	0	2000	0	750
TOTAL SUPPLY	0	121997	0	114514	0	124541
TOTAL Mkt. Yr. Exports	0	15225	0	10000	0	12000
Jul-Jun Exports	0	15225	0	10000	0	12000
Feed Dom. Consumption	0	46822	0	46175	0	48280
TOTAL Dom. Consumption	0	91983	0	90933	0	94097
Ending Stocks	0	14789	0	13581	0	18444
TOTAL DISTRIBUTION	0	121997	0	114514	0	124541

Production

For 2001/2002 the total area planted to wheat was 16,640 million hectares, which is down 1.25 million hectares from the previous crop year. In the UK, France and Germany especially, all large wheat-producing areas were subjected to prolonged periods of rain, causing soil saturation and wet planting conditions. This, combined with generally cool and poor growing conditions throughout the season, led to a production of only 91,725 million Mt. of wheat, a reduction of 13 million Mt. against the previous year.

Due to the further implementation of the Agenda 2000 reforms, we expect planting to shift further from oilseeds towards cereals, and during the 2002/2003 marketing year, acreage is expected to increase in most large wheat producing countries. This is due to the fact that compensatory payments for oilseeds have been set at an equal level to those for other grains, therefore farmers now face lower profitability in oilseed production, and wheat offers better prospective revenue because of its better yield potential. In Italy and Spain for example, farmers have moved acreage out of soybeans and sunflowers to plant more wheat. With near excellent weather and growing conditions, and with no adverse change in weather before harvesting, we are expecting a record wheat crop for the EU.

The estimated acreage and production breakdown between soft and durum wheat is shown in the table below.

2002/2003	Acreage (million hectare)	Expected Production (MT)
Soft wheat	14,277	98,160,000
Durum	3,738	8,800,000
Total	18,015	106,960,000

Overall, soft wheat acreage (winter and spring combined) is expected to be up at least 1,3 million hectares, or nearly 10% compared to last year. The crops in general are reported to be in good to excellent condition, and the yield estimated is high. Durum is expected to have slightly less acreage than last year, but better yield estimates than last year's drought-affected crop. Also this year some minor areas are experiencing some irreversible drought damage, however we expect this to be compensated by better than expected yields in the UK and Spain.

If excellent conditions prevail until harvest we could expect to see a wheat crop of up to 109 million Mt.

Consumption

Given the large supply of wheat, we expect reduced prices implying a much higher level of incorporation of domestically produced wheat into feed rations. Also, in certain regions, farmers are substituting more compound feed for grains, and the banning of meat and bone meal (MBM) in animal feed will promote the use of soybean meal together with grains in rations. However, as the result of much larger grass and forage crops in the UK and France in 2002/2003, we do not expect a large increase in demand for feed grains overall. This implies that generally, prices will be driven lower, and that wheat with the best nutrition characteristics will price itself more into rations, replacing the use of other feed grains, especially in those areas where wheat is abundantly available. Given these elements, we expect feed wheat usage to reach a record 48 million Mt., up

2 million Mt. from last year.

Trade

The import situation for grains in 2001/2002 was influenced by the elimination of the 10 Euro/Mt import duty on Eastern European and Black Sea Origin cereals on November 9, 2001. This was done partly in response to high domestic prices within the EU as many, especially French co-ops and in a smaller way German producers, were holding grain off the market. Spain had a serious shortfall in feed grain production and an acute shortage of feed cereals for its livestock industry. The result was that Spain and the Benelux countries started importing third country feed grains, especially feed wheat and barley, thereby substituting domestically produced wheat for imported wheat in feed rations. This was facilitated by the fact that countries in the Black Sea Region in particular, had experienced excellent crop conditions and therefore had a large exportable surplus.

As of April 17, 2002 the European Commission changed the basis of its calculations of import duties, which is done every spring when the Great Lakes open for shipping, and at the same time switched to a cheaper freight rate based on

a larger vessel size in its reference price calculation. This resulted in a jump in import duties for low quality from zero to 10,32 Euro/Mt. and medium quality wheat from zero to 5,17 Euro/Mt. High quality wheat and hard wheat types were not affected as their duties stayed at zero rate. This should prevent further large imports in the near future of specifically feed quality types especially as duties have risen even further. The EU is expected to have imported at least 8 million Mt. of wheat in 2001/2002, making the EU, in one year, the world's largest net wheat importer. This compares to an average yearly import of 3,5 million Mt. over the previous six years. Out of the 8 million Mt., the US supplied about 2 million Mt., mainly of hard wheat types for milling purposes to Italy and Spain in particular, but also some 470,000 Mt. of soft wheat to Spain. For most of the marketing year the EU kept export refunds for wheat at zero, then a few days after the US Farm Bill was signed, it raised its export refund to 5 Euro/Mt. This might be a first indication of the willingness of the Commission to use this policy instrument for the upcoming campaign.

Given the above-mentioned excellent cereal crop and fodder production, we do not expect to see serious import activity in 2002/2003. In fact we expect a drop of 50% from last year's imports, and a possible serious increase in EU stocks, as we expect that much of the carryover wheat will be labeled as feed wheat quality as it does not meet intervention criteria and consequently will be marketed as feed wheat. Present indications are that the Black Sea region and Russia are once again developing an above-trend crop production, therefore we would expect a sharp increase in competition in world markets, especially those which the EU has served in the past. In order to be competitive in world markets, the EU will have to be much more aggressive with refund policies or considerable stocks will accumulate. We do not expect that BSO wheat will go into stock, as most of the local infrastructure is not capable of storing such large volumes over lengths of time, therefore we expect this grain to be marketed on the world markets in direct competition with EU exports. Whichever way the EU decides to go, a decrease in cereal prices will be the result. Given market conditions we expect for next year the EU to import about 750,000 Mt. of hard wheat types from the US.

Intense competition, especially with Black Sea Origin cereals, will have to be managed carefully by the EU or world wheat prices could drop considerably, thus needing even larger refunds if the EU chooses to market aggressively. By keeping BSO feed wheat out of the EU, US overseas corn markets in particular could encounter more competition from BSO feed wheat.

As a result of pressure from producers after large imports in 2001/2002, the EU is currently studying the possibility of introducing a new method of calculating import duties. While several options have been discussed internally, most recent discussions have focused on replacing the current reference price based system with a quota system. Such a change would require consultation with the EU's traditional suppliers under WTO rules. The proposal is still at the internal discussion stage at the Commission. A quota-based system would probably limit imports of BSO wheat, though it seems that some limited provision would also be foreseen for the BSO countries.

The EU is presently negotiating commercial trade agreements which seek to minimize the effects of joining the single market for candidates for EU entry in 2004. They are known as the 'double profit' agreements, seen as an extension to the existing double-zero agreements. They seek to establish zero-tariff import quotas for sensitive products such as cereals, subject to an agreement not to subsidize exports of those products. Presently, negotiations have been concluded with, Estonia, Lithuania and Latvia, and are expected soon for Hungary. We expect very little immediate influence on the EU wheat trade, with the exception of Hungary which has reportedly been allocated 600,000Mt. of

mixed wheat imports per year.

Barley

PSD Table

PSD Table						
Country	European Union					
Commodity	Barley				(1000 HA)(1000 MT)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		07/2000		07/2001		07/2002
Area Harvested	0	10804	0	10689	0	10663
Beginning Stocks	0	10471	0	8310	0	9640
Production	0	51659	0	48161	0	49740
TOTAL Mkt. Yr. Imports	0	164	0	1150	0	100
Oct-Sep Imports	0	212	0	1000	0	100
Oct-Sep Import U.S.	0	74	0	80	0	50
TOTAL SUPPLY	0	62294	0	57621	0	59480
TOTAL Mkt. Yr. Exports	0	7895	0	3500	0	4500
Oct-Sep Exports	0	6148	0	4000	0	4000
Feed Dom. Consumption	0	33875	0	32300	0	30930
TOTAL Dom. Consumption	0	46089	0	44481	0	44079
Ending Stocks	0	8310	0	9640	0	10901
TOTAL DISTRIBUTION	0	62294	0	57621	0	59480

Production

Total EU barley output in the crop year 2001/2002 was down 3,5 million Mt., mainly because of reduced production in Spain. The crop was hit by dry conditions in March, and in May also suffered severely from very hot and dry conditions. Under normal conditions Spain requires 2 to 2,5 million Mt. of imports per year for its feed industry and its main suppliers are France, Germany and the UK. Thus, any serious change in Spanish barley output affects the EU grain and feedstuffs markets immediately. This was certainly the case during this year.

In 2002/2003, total planted area is estimated at about the same level as last year, i.e. 10,663 million ha. Crop conditions so far have been excellent, leading to estimates that production will increase 1,6 million Mt. from last year, giving a total production close to 50 million Mt. One factor which will affect these estimates will be the level of precipitation during the summer months. With excellent conditions until harvest we could expect to see a crop of 51 million Mt. Dry conditions would have a particularly negative impact on Spanish barley yields and thus would be an important factor affecting intra-trade shifts in the EU. Currently crop conditions in Spain are very favorable, as they are throughout the

whole EU.

Consumption

Overall barley consumption in the EU is fairly stable. However, Spain is a major market mover and, as it is the largest deficit barley producer within the EU region, what happens there affects the whole EU. In 2001/2002 Spain produced only about 6 million Mt., whereas its domestic consumption is on average about 9 million Mt. Spain started the crop year with 700,000 Mt in intervention and another 450,000 Mt. as free stocks. To make up for the shortfall, intervention stocks in Spain were released back onto the market during October 2001.

For 2002/2003 we expect overall barley consumption throughout the EU to drop slightly, as we believe that feed wheat will price itself more into feed rations throughout the EU. The only exception to this will be Spain as we expect feed usage for barley there to rise substantially, as this year's crop could possibly supply all or at least most of domestic usage. In order to price barley out of rations in Spain, the wheat/ barley spread needs to be smaller than 4,5 Euro/Mt. We also expect a slight increase in demand for malting barley, especially in France.

Trade

In 2001/2002, Spain imported only about 1 million Mt. from the EU, mainly from France (310,000 Mt.), United Kingdom (255,000 Mt.), and Germany (245,000 Mt.). To make up the shortfall Spain imported from third countries about 550,000 Mt. of which most originated from the Black Sea region. Spain was able to do this as the import tariffs for barley had been set at zero, as for wheat. This changed abruptly on April 17, 2002, when the import duty jumped from 0 to 23,38 Euro/Mt.

For 2002/2003 we expect Spain to be self-supporting to a large extent, and needing very little intra barley trade. Given increased import tariffs we do not expect the EU to be importing any significant amounts of barley and are expecting a sharp reduction of last years import levels. Also, given the substitution in feeds in favor of wheat, we expect lower domestic consumption, and as a result a further build-up of stocks. The EU should increase its stocks over the year by just over 1,5 million Mt., and barley closing stocks will be close to

10 million Mt. which will no doubt have a negative affect on barley prices during the summer period.

Extra-EU, we expect a very competitive export environment in favor of Black Sea Origin barley in competition with Canadian barley. In view of this heavy competition we would expect the EU Commission to adopt a more aggressive stance with export refunds or to build up its stocks, depressing barley prices even further.

Corn

PSD Table

PSD Table						
Country	European Union					
Commodity	Corn				(1000 HA)(1000 MT)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		07/2000		07/2001		07/2002
Area Harvested	0	4197	0	4454	0	4396
Beginning Stocks	0	3629	0	3380	0	3140
Production	0	37460	0	38810	0	39340
TOTAL Mkt. Yr. Imports	0	2857	0	2750	0	2500
Oct-Sep Imports	0	2857	0	2750	0	2500
Oct-Sep Import U.S.	0	67	0	70	0	60
TOTAL SUPPLY	0	43946	0	44940	0	44980
TOTAL Mkt. Yr. Exports	0	266	0	200	0	250
Oct-Sep Exports	0	266	0	200	0	250
Feed Dom. Consumption	0	31300	0	32600	0	32700
TOTAL Dom. Consumption	0	40300	0	41600	0	41700
Ending Stocks	0	3380	0	3140	0	3030
TOTAL DISTRIBUTION	0	43946	0	44940	0	44980

Production

The EU is a deficit corn producer with consumption slightly higher than production. The corn production area in the EU has been very stable for the last 5 years, averaging around 4,3 million ha. Overall production has also been fairly stable as one region usually compensates for another. In MY 2001/2002 production increased 1,5 million Mt. from the year before, mainly because of an increase in area harvested and warmer weather in the French and Italian production areas and the irrigation facilities in Spain. These three countries produce two-thirds of the EU's corn.

In MY 2002/2003 the production area is estimated to be close to 4,39 million ha supporting an expected production of 39,3 million Mt., which is up 500,000Mt. compared to last year. This slight decrease in area is due to farmers, particularly in Italy, France and Spain, changing planting intentions from oilseeds, soybeans, sunflower and corn, into wheat. This is a result of the equalization of compensatory payments along with expectations of higher yield and steady wheat prices in their regions. The crop is in excellent condition, with some dry conditions in the South and Northern parts of Italy and in certain areas of South Western France. Precipitation levels during the summer will determine output in these regions. August is an especially important month for the Italian crop.

Consumption

All of the EU's corn crop is domestically consumed with the exception of small amounts which are exported. We expect the same overall level of consumption as last year and some corn used in feed will be substituted by feed wheat. We do not expect any significant changes to stocks. As the EU is a deficit producer and corn demand is fairly steady, we see less of a bearish price scenario for corn than for the other feed grains.

NGFI- Non Grain Feed Ingredients

The use of grain substitutes in the EU has shrunk considerably during the last few years in favor of cheap feed grains. The combination of a crop shortfall in Thailand, the world's largest manioc exporter, and an increase in demand for tapioca in the South East Asian area, especially China, has led to a price increase for EU manioc imports. With the availability of cheap feed grains in the EU we expect the market for NGFI to decrease considerably and usage to be limited to those areas which have high ruminant and hog production, and also easy and cheap access to harbors. We expect supply of tapioca products in the EU in the near future to be limited as Thai producers are switching to other crops like corn and palm oil.

In the case of corn gluten feed products (CGF's), cheaper feed grains are also replacing CGF products in EU rations. An additional point to note about the reduction of US origin CGF imports into the EU, is that EU CGF producers are seeking to conclude long term agreements with the EU animal feed industry in order to assure a stable market close-by, thus substituting US origin CGF with EU produced product. We estimate that the substitution of EU-produced CGF accounts for 20% of the drop in US imports of CGF's.

Trade

The EU has still not approved imports of certain U.S. genetically improved corn varieties, thus in practice preventing U.S. corn from being imported under the special EU reduced duty quota for Spain and Portugal. Spain has not fulfilled its full import quota of 2 million Mt. abatement corn which it usually sources from Argentina, Brazil, Paraguay and Hungary. Presently we estimate that Spain still has an outstanding corn quota for the year 2002 of 1,185,700 Mt., and about 450,000 Mt. of Sorghum. Noteworthy for 2001/2002 is the fact that for the first time, Spain imported nearly 120,000 Mt. of BSO corn from Romania.

For 2002/2003 we expect a shift towards more CEEC-origin imports instead of those of South American origin, reflecting the changes caused by the 'double-profit' negotiations for additional liberalization of agricultural trade between Central and Eastern European countries and the EU, which are in the process of being concluded. For example, from July 1, Hungary may export, free of duty, up to 450,000 Mt. The main point to remember for Hungary would be that it has limited supplies and has a large yearly variability in its production indicating that it will not always be able to take advantage of its full quota.

The EU exports very small amounts of specifically GMO-free corn to Japan and other southeast Asian destinations, as

well as meeting a demand for GMO-free semolina.

Rye

PSD Table

PSD Table						
Country	European Union					
Commodity	Rye				(1000 HA)(1000 MT)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		07/2000		07/2001		07/2002
Area Harvested	0	1245	0	1246	0	1113
Beginning Stocks	0	4621	0	4443	0	5889
Production	0	5411	0	6276	0	5585
TOTAL Mkt. Yr. Imports	0	3	0	300	0	5
Oct-Sep Imports	0	1	0	300	0	5
Oct-Sep Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	0	10035	0	11019	0	11479
TOTAL Mkt. Yr. Exports	0	1272	0	780	0	900
Oct-Sep Exports	0	940	0	800	0	900
Feed Dom. Consumption	0	2420	0	2500	0	2250
TOTAL Dom. Consumption	0	4320	0	4350	0	4050
Ending Stocks	0	4443	0	5889	0	6529
TOTAL DISTRIBUTION	0	10035	0	11019	0	11479

Production

Rye is mainly produced in northern German sandy soils and provides a good yield on this type of land. It has a very small local market even though it is an excellent bread and feed grain. Germany consumes about half the rye it produces. Local farmers are producing for intervention and this is something the Commission would like to see addressed. This will be a major topic during mid-term review and several suggestions have already been made, e.g. cutting intervention prices, shortening the intervention purchasing season or ending intervention altogether.

For 2002/2003 we notice that acreage is dropping in favor of triticale, as well as wheat and barley, which are crops that have maintained prices above intervention. Outcome of the mid-term review will be a major determining factor for next year's rye situation.

Consumption

Rye consumption in general is very stable, it is used as a bread grain and the rest is presented to the feed industry. However for the feed industry, rye will only be used if and when other feed grains are not available or are in short supply. The EU currently holds no large intervention stocks with the exception of rye, of which it has over 5,5 million Mt. The feed industry was understandably somewhat shy of using large amounts of rye as it was reportedly harvested nearly two years ago under very wet conditions possibly resulting in some ergot contamination. However, intervention rye is said to be clean and is not expected to be destroyed. Overall consumption is expected to decrease next year as there will be inexpensive and plenty availability of other feed grains.

Last year, with a severe barley shortage in northern Spain, the Commission considered providing this intervention rye to Spanish feed compounders. The Commission also considered subsidizing the cost of transporting the rye to northern Spain, but this idea was stopped after considerable opposition by French and Dutch feed compounders. Rye feed use is up slightly, partly as a result of increased BSO rye imports to Spain of 200,000 Mt. due to the feed grain deficit situation in 2001/2002.

Trade

Some small shipments are being exported to Asian markets. Without a radical change in policy for rye at mid-term review, we expect consumption to be down in favor of feed wheat and barley, and rye stocks to increase to close to 6,5 million Mt. Therefore, we expect a more aggressive use of subsidies by the Commission to enhance exports.

Oats

PSD Table

PSD Table						
Country	European Union					
Commodity	Oats				(1000 HA)(1000 MT)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		07/2000		07/2001		07/2002
Area Harvested	0	1943	0	1936	0	1978
Beginning Stocks	0	758	0	709	0	766
Production	0	6847	0	6298	0	6390
TOTAL Mkt. Yr. Imports	0	2	0	10	0	10
Oct-Sep Imports	0	25	0	10	0	10
Oct-Sep Import U.S.	0	1	0	1	0	1
TOTAL SUPPLY	0	7607	0	7017	0	7166
TOTAL Mkt. Yr. Exports	0	609	0	600	0	600
Oct-Sep Exports	0	740	0	500	0	500
Feed Dom. Consumption	0	5136	0	4426	0	4400
TOTAL Dom. Consumption	0	6289	0	5651	0	5749
Ending Stocks	0	709	0	766	0	817
TOTAL DISTRIBUTION	0	7607	0	7017	0	7166

Production

The key producing states for oats are Finland, Germany and Sweden, and they are responsible for over 50% of all EU production. We see a slight increase in area because oats fetch a good price on local markets, and there is a steady demand for high quality horse feed and for use in specialty food products.

For 2002/2003 production we expect a slight increase in area and also a very slight decrease in overall yields from last year's excellent yields because weather conditions are predicted to be somewhat less favorable.

Consumption

Due to the abundant availability of cheaper feed grains and fodder on the EU market, we expect some competition leading to a slight fall in feed consumption, but an increase in other usages of oats. Most of the produced oats are

consumed on-farm or sold locally at profitable prices.

Trade

About 60% to 70% of exports are to the USA to be used as high quality horse feed and the main competitor in this market are Canadian produced oats. A further 25 % goes to Denmark and Germany as intra-trade. In the export market we expect serious competition with Canadian oats resulting in little change in EU exports.

Sorghum

PSD Table

PSD Table						
Country	European Union					
Commodity	Sorghum				(1000 HA)	(1000 MT)
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		07/2000		07/2001		07/2002
Area Harvested	0	102	0	109	0	107
Beginning Stocks	0	40	0	39	0	49
Production	0	640	0	640	0	625
TOTAL Mkt. Yr. Imports	0	11	0	100	0	50
Oct-Sep Imports	0	9	0	100	0	50
Oct-Sep Import U.S.	0	0	0	10	0	0
TOTAL SUPPLY	0	691	0	779	0	724
TOTAL Mkt. Yr. Exports	0	12	0	5	0	5
Oct-Sep Exports	0	12	0	5	0	5
Feed Dom. Consumption	0	640	0	725	0	680
TOTAL Dom. Consumption	0	640	0	725	0	680
Ending Stocks	0	39	0	49	0	39
TOTAL DISTRIBUTION	0	691	0	779	0	724

Sorghum is only produced in minor quantities in the EU. France produces about 400,000 Mt. and Italy about 200,000 Mt. annually and it is losing area to triticale. For 2002/2003 we expect very little change from this year as domestic production and consumption are well in balance. Most sorghum is consumed locally and some is shipped intra-EU to the Benelux, Spain and Germany. A few thousand tons is used as food aid to Western African Countries. Portugal and Spain are not filling their abatement quotas. US sorghum cannot compete in EU markets due to the US\$ currently being too expensive.

Rice

PSD Table

PSD Table						
Country	European Union					
Commodity	Rice, Milled				(1000 HA)(1000 MT)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		09/2000		09/2001		09/2002
Area Harvested	0	398	0	390	0	382
Beginning Stocks	0	888	0	879	0	885
Milled Production	0	1567	0	1621	0	1732
Rough Production	0	2458	0	2562	0	2839
MILLING RATE (.9999)	0	6376	0	6328	0	6100
TOTAL Imports	0	912	0	875	0	900
Jan-Dec Imports	0	800	0	800	0	850
Jan-Dec Import U.S.	0	325	0	325	0	325
TOTAL SUPPLY	0	3367	0	3375	0	3517
TOTAL Exports	0	281	0	275	0	325
Jan-Dec Exports	0	350	0	275	0	325
TOTAL Dom. Consumption	0	2207	0	2215	0	2190
Ending Stocks	0	879	0	885	0	1002
TOTAL DISTRIBUTION	0	3367	0	3375	0	3517

Production

In the EU there are three main rice producers, of which Italy and Spain are the most important. Greece is the third largest producer, but a large part of their production is sold into intervention, mostly japonica-type rice. Notwithstanding the shift towards indica rice, particularly in Spain, japonica rice is still in oversupply, and indica rice continues to be imported from outside the EU. EU rice production is expected to increase slightly in 2002/2003 because of better yield prospects.

The EU intervention price exceeded world prices at 298,35 Euro/Mt., which makes rice production profitable and as a result the rice area is expected to stay stable despite a reduction in direct payments of 45% imposed on Spain last year due to exceeding quota. Italy is expecting a slightly higher area and better yield than last years' heat-stressed crop.

Currently we expect an increase in stocks reflecting the increases in production. Any major changes will have to be as a result of policy changes prompted by decisions at mid-term review.

Consumption

In the EU, rice consumption is very stable. Over the years there has been a noticeable gradual shift in demand for certain rice varieties. Demand for fragrant or aromatic rice varieties like the basmati types are on the increase especially in Northern countries. Furthermore, we see slight changes in consumption patterns in the Southern European area in favor of fast-cooking par-boiled types.

Trade

The EU imports twice as much rice as it exports. The EU exports japonica rice with an export subsidy to Middle Eastern countries such as Lebanon, Syria, Jordan and Israel. While some rice is exported through food aid programs & IPR arrangements, the quantity of exports is highly dependent on the level of export subsidy allowed under the WTO. In 01/02 this will be limited to 133,400 Mt.

The EBA (Everything but Arms) signed on February 26, 2001 amends the EU's GSP which grants duty-free access to the EU market for all goods except for arms, to 48 of the world's poorest countries. The transition periods for rice will run until 2009. In the interim, duty free TRQ's are established based on the best export figures during the 1990's increasing by 15 percent annually.

They are for:

2001	2,517 Mt. TRQ
2002	2,895 Mt. TRQ
2003	3,329 Mt. TRQ
2004	3,828 Mt. TRQ
2005	4,402 Mt. TRQ
2006	5,062 Mt. TRQ
2007	5,821 Mt. TRQ
2008	6,695 Mt. TRQ

After 2009 the option of a safeguard will exist if imports become a significant threat. Unsubsidized exports of rice consist of processed products for which raw materials have been imported duty-free under IPR arrangements.