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Report Highlights:

Despite improved grain production in 2002/03, the EU also continued to import substantial quantities of cereals, notably from the Black Sea region, which lead to restrictions on the imports of medium and low quality wheat and barley entering into force in January 2003. The EU's 2003 wheat harvest is forecast at 100 MMT a 3.6% decline on 2002. EU Barley output is forecast up 4.9% to 50.4 MMT with corn production also increasing by 1.8% to 39.4 MMT.

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Executive Summary

Despite improved grain production in 2002/03, the EU also continued to import substantial quantities of cereals, notably from the Black Sea region, which lead to restrictions on the import of medium and low quality wheat and barley which entered into force in January 2003.

The EU wheat harvest in 2003 is forecast at 100 MMT, a decrease of 3.6% over 2002. Barley output is forecast to rise by 4.9% from 48.1 MMT in 2002/03 to 50.4 MMT in 2003/04, while for corn, a small 1.8% increase in output from 38.7 MMT to 39.4 MMT is forecast for 2003/04.

Despite initial dry conditions in March and April, substantial precipitation across northern Europe since Easter appears to have encouraged growing conditions. In Spain, positive growing conditions have been reported.

The expected lack of substantial exportable surplus from the Black Sea region should see EU grains returning to their former export markets in the 2003/04 marketing year, particularly for feed and medium quality grains. Export performance will hinge on several factors, including the continued strength of the Euro and the willingness of the Commission to provide export refunds, as well as the final quality of parts of the grains harvest – in particular whether wheat is of interventionable quality.

Overall, the avian influenza outbreak had only a limited influence on the use of wheat and corn for feed. Mainly the Dutch poultry sector has been affected. It is estimated the use of wheat and corn by the Dutch poultry sector will decline by about 600,000 metric tones during MY 2002/2003. This decline, however, will likely be largely balanced by increased production in other poultry production regions.

Wheat

PSD Table						
Country	European Union					
Commodity	Wheat				(1000 HA)(1000 MT)	
	2001	Revised	2002	Estimate	2003	Forecast
	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]
Market Year Begin		07/2001		07/2002		07/2003
Area Harvested	16495	16493	17675	17702	0	17218
Beginning Stocks	13384	13384	10800	11291	11000	14578
Production	91198	91074	103320	103701	0	99962
TOTAL Mkt. Yr. Imports	9822	9824	10500	10642	0	5810
Jul-Jun Imports	9822	9824	10500	10642	0	5810
Jul-Jun Import U.S.	1993	1997	0	1100	0	1247
TOTAL SUPPLY	114404	114282	124620	125634	11000	120350
TOTAL Mkt. Yr. Exports	11494	11083	15500	14402	0	12000
Jul-Jun Exports	11494	11083	15500	14402	0	12000
Feed Dom. Consumption	47497	41800	53280	46100	0	44673
TOTAL Dom. Consumption	92110	91908	98120	96654	0	94270
Ending Stocks	10800	11291	11000	14578	0	14080
TOTAL DISTRIBUTION	114404	114282	124620	125634	0	120350

Production

At the EU level, in 2002/03, the area planted to wheat rose by 7.3% to 17.7 m hectares, with a rise of 470,000 ha in France, 350,000 ha in the UK and 200,000 ha in Spain, offset by a 100,000 ha reduction in Germany. In Spain there was a shift from planting sunflower seeds towards wheat and protein crops.

In 2002/03, EU wheat production rose by 12 MMT to 103.7 MMT, up from 91.1 MMT in 2001/02. 8 MMT of this increase was in France where output stood at 39.1 MMT. UK production increased by 5.5 MMT from a record low in 2001/02 to 16 MMT, a figure 1.25 MMT above the UK's five year average.

In the west of the EU, generally good growing conditions were experienced. However, in Germany, a short heat wave in May, as well as rain during harvest lowered yields. The 2 MMT drop in German production was more than compensated for elsewhere in the EU by favorable conditions.

For the 2003/04 marketing year, EU wheat production is forecast as 100 MMT, a decline of 3.7 MMT from 2002/03, due to a reduction in area of 0.5 m hectares EU wide. 200,000 hectares of this reduction is in France, where winterkill of wheat was replaced by spring barley.

In Germany, whilst area planted to winter wheat is forecast to decline by 3.4%, yields are predicted much higher, partly due to the poor yields achieved in 2002, but also due to a higher percentage of certified seeds being used. Currently, 65 percent of the grain seeds are certified versus about 50 percent several years ago. This move is attributed to a mandatory royalty payment to the variety owner for re-planted seeds. This regulation was first applied in 1998. Technical progress will therefore arrive much faster on the farms compared to earlier times.

In Germany, due to some winter damage of winter wheat the number of hectares planted to spring varieties are likely to increase to about 70,000 hectares compared to 48,000 hectares in 2002. However, seeds of spring wheat varieties were rather limited since the planted spring wheat area during the past three years did not exceed 50,000 hectares.

About 40 percent of the German wheat are high quality class A and class E varieties. Regular baking wheat varieties were planted to 52 percent of the wheat area. Feed wheat varieties only made up for 3.6 percent of the German 2002 wheat area. These percentages are not likely to change significantly from year to year. 2003 wheat production will be about 1.2 MMT higher than in 2002 due to higher yields. Dry and relatively warm conditions in the second half of March favored the growth of winter grains. Supportive rains since late April have provided abundant moisture, however, whether these favorable conditions will help to compensate for the growth deficit resulting from the late cold temperatures in February remains to be seen. As the ears have formed slowly during relatively mild weather, yields could be on the high side, however the wheat will remain particularly vulnerable to extreme weather conditions.

Consumption

Protein prices were high, whilst grain prices were low encouraging an increase in the use of wheat for feed from 41.8 MMT to 46.1 MMT in 2002/03. In Spain, feed use of wheat rose by 2 MMT to 7.2 MMT, in France by 1 MMT to 11.6 MMT and in the UK by 0.4 MMT to 6.5 MMT. The influx of feed wheat from Russia and the Ukraine further encouraged the switch to wheat for animal feed.

Due to the low price, wheat has partly replaced corn as raw material for the production of starch, glucose and gluten. In addition, also the demand for these end products has reportedly increased. Industry sources believe that in Europe the use of wheat for industrial purposes has increased by about 200,000 MT. This is only a marginal increase compared to the increased use of wheat for feed during MY 2002/2003

The increased use of wheat for feed is reflected in lower imports of low protein non grain feed ingredients such as tapioca. Typically tapioca is used in combination with high protein ingredients such as soya or previously meat and bone meal. With the higher use of feed wheat less tapioca and high protein ingredients are used. During 2002, EU tapioca imports declined from 215,000 MT per month to about 120,000 MT per month.

In Germany, Wheat use in commercial compound feeds has increased by about 2 MMT over the past ten years to 3.6 MMT in MY 202/03. Total grain share in compound feeds went up from about 27 percent ten years ago to now 42.6 percent as a result of the EU reform of the grain regime.

Across the EU, wheat stocks rose by an estimated 3.3 MMT during the 2002/03 Marketing Year. In France alone, stocks rose by over 2 MMT. Producers were initially expecting a rise in wheat prices, so held wheat back, however, due to the influx of Black sea wheat and moderate export performance this didn't occur. In the UK stocks rose following a good crop

and despite good export performance through the year. In Germany, stock levels were more or less unchanged.

The increased competition on the wheat market resulting from accession countries may have the effect that wheat will be increasingly offered to intervention in MY 2003/04. During the 02/03 marketing year up to 100,000 MT may end up in German intervention due to current low market prices.

Trade

At the EU level, although the 2002/03 marketing year has not yet finished, it was a remarkable year, with high levels of both imports, 10.6 MMT and exports, 14.4 MMT (estimates). Most notable was the increase in imports from the Black sea region, over 5.6 MMT in the last six months in 2002. Most of this feed wheat was directed towards Spain (from Russia) and Italy (from the Ukraine). Also noteworthy were several shipments of UK feed wheat to both the US and Australia.

French wheat exports are forecast at 7.5 MMT for 02/03, down from almost 8 MMT in MY 01/02. Due to the mixed wheat qualities harvested in 2002, German exports in MY 2002/03 dropped significantly to only 5.0 MMT versus 7.2 MMT. However, the German exports also suffered under the recovered grain crop in France and the UK. With a more consistent wheat quality in 2003/2004 German exports are likely to regain some markets in Northern Africa. Total German exports are predicted at 5.8 MMT.

German wheat grain imports in 2002/03 at 1.5 MMT were nearly twice as high as in MY 2001/02 due to rising arrivals from EU accession countries. These new trade patterns are likely to persist during the next several years should they continue to increase, or at least maintain, production at MY 02/03 levels. Only a noticeable build-up of livestock herds in these countries would reduce the export pressure to Western EU countries.

Barley

PSD Table						
Country	European Union					
Commodity	Barley				(1000 HA)(1000 MT)	
	2001	Revised	2002	Estimate	2003	Forecast
	USDA Official[O Id]	Post Estimate[New]	USDA Official[O Id]	Post Estimate[New]	USDA Official[O Id]	Post Estimate[New]
Market Year Begin		07/2001		07/2002		07/2003
Area Harvested	10790	10780	10565	10563	0	10737
Beginning Stocks	8216	7571	9409	8202	11444	8209
Production	48363	48155	48335	48099	0	50434
TOTAL Mkt. Yr. Imports	982	1087	700	516	0	275
Oct-Sep Imports	973	1087	600	550	0	275
Oct-Sep Import U.S.	47	50	0	20	0	20
TOTAL SUPPLY	57561	56813	58444	56817	11444	58918
TOTAL Mkt. Yr. Exports	3652	3626	4800	4782	0	5276
Oct-Sep Exports	3081	3626	5000	5000	0	5276
Feed Dom. Consumption	32300	32074	29330	30387	0	32508
TOTAL Dom. Consumption	44500	44985	42200	43826	0	46051
Ending Stocks	9409	8202	11444	8209	0	7591
TOTAL DISTRIBUTION	57561	56813	58444	56817	0	58918

Production

In MY 02/03, a slight reduction in area EU wide was compensated by a small yield increase to leave production almost unchanged at 48.1 MMT. However, in Spain, a rise in planted area from 3.0 m ha to 3.1 m ha and favorable growing conditions lead to a rise in output of 2.1 MMT to 8.33 MMT compared to MY 01/02. France too saw a 1.15 MMT rise in barley output to 10.95 MMT. This was offset by a 2.6 MMT decline in German output.

In the forthcoming MY 03/04, Post predicts a small rise in area with a consequent rise in production, from 48.1 MMT to 50.4 MMT. In France area is estimated to increase from 1.64 m ha to 1.75 m ha as there is some switching from wheat to barley as part of a crop rotation cycle.

For MY 03/04, in Spain, production is forecast to rise despite a slight reduction in area due to much better growing conditions thus far than had been experienced at the same time last

year. The forecasts is tentatively for 10 MMT for the forthcoming season. However, Spanish yields remain vulnerable to changes in weather conditions.

From March to late April, there was a severe lack of precipitation across much of northern Europe, however, the risk of drought damage appears to have been alleviated by substantial rainfall over the past month.

In Germany, severe frosts in February may have damaged about 5 percent of the planted winter barley area. It is expected that these fields have been replanted to spring barley partly for brewing barley production and partly for feed purposes. As a result of the good brewing barley prices during recent months German farmers increased spring barley area from 610,000 to 725,000 hectares. It is likely that this decision will have negative impact on brewing barley prices for the next marketing season.

Consumption

In 02/03, the feed use of barley declined in France, Spain, Germany and the UK, although in Spain total barley consumption increased due notably to 700,000MT being used for ethanol production. Total feed use was 30.4 MMT a drop from 32.1 MMT in 01/02. For 03/04 feed use is forecast to return to around 32.5 MMT, with 1.7 MMT of this increase being in Spain due to the banner crop.

In Spain, it is expected that barley use for ethanol production will increase. In Germany, ethanol plants are in the planning process, it is possible that these will use grain as their input, with wheat being the most likely candidate, as it has the highest yields in Germany.

In the Netherlands, the use of malting barley is expected to remain at normal levels, whilst no increase in feed use is expected due to the low price of maize.

In Germany, the level of feed use, whilst stable at 10 to 10.5 MMT p.a., depends upon the harvest quality. If barley meets intervention criteria it can be moved relatively easy into export channels to Arab countries or sold into intervention. For feeding it competes strongly with low priced feed wheat of domestic production or imported from the CEECs.

Trade

During the Marketing Year 02/03, poor crops in competitor regions in Australia and Canada lead to increased EU barley exports of 5 MMT, compared to 3.6 MMT in 01/02.

In Germany, a reduced crop led to lower levels of exports, though intervention stocks were also run down to satisfy export demand, particularly from Saudi Arabia.

For the forthcoming year, French barley exports to outside of the EU are seen increasing from 1.85 MMT to 2.5 MMT, with volume going to the Middle East replacing last years Black Sea feed wheat. However if the export side opportunities do not materialize, particularly if it faces stiff competition from other major barley exporters returning to the market as well, the excess will go into stocks.

Only small volumes are traded (in either direction) with the CEECs, particularly the Czech Republic and Slovakia.

Corn

PSD Table						
Country	European Union					
Commodity	Corn				(1000 HA)(1000 MT)	
	2001	Revised	2002	Estimate	2003	Forecast
	USDA Official[O Id]	Post Estimate[New]	USDA Official[O Id]	Post Estimate[New]	USDA Official[O Id]	Post Estimate[New]
Market Year Begin		10/2001		10/2002		10/2003
Area Harvested	4463	4445	4365	4249	0	4343
Beginning Stocks	3743	3012	4671	2715	4811	3054
Production	39685	39864	39440	38699	0	39396
TOTAL Mkt. Yr. Imports	2906	2411	2500	3054	0	2996
Oct-Sep Imports	2906	2411	2500	3054	0	2996
Oct-Sep Import U.S.	55	36	0	54	0	36
TOTAL SUPPLY	46334	45287	46611	44468	4811	45446
TOTAL Mkt. Yr. Exports	63	187	200	213	0	164
Oct-Sep Exports	63	187	200	213	0	164
Feed Dom. Consumption	32600	32784	32600	31455	0	31823
TOTAL Dom. Consumption	41600	42385	41600	41201	0	42145
Ending Stocks	4671	2715	4811	3054	0	3137
TOTAL DISTRIBUTION	46334	45287	46611	44468	0	45446

Production

In 2002/03, EU area planted to corn dropped by 200,000 ha. to 4.25 m ha., with a subsequent drop in production, declining by 1.1 MMT to 38.7 MMT. However, half of this decline was made up by an increase in imports of 600,000 MT, due mainly to the Double Zero Agreements with the CEECs which provide zero tariff quotas for corn.

For the 03/04 outlook area is seen rising by roughly 2% across the EU to 4.343 m ha, with a corresponding increase in output from 38.7 MMT to 39.4 MMT. Imports would therefore decline slightly following a good domestic harvest, coupled with a small increase in feed use.

For the next marketing year, in Spain, corn use is stable, feed use is stable, production up slightly due to an increase in area planted to corn. This increase in area is despite penalties (reductions in payments to farmers) for exceeding the maximum guaranteed areas.

The outlook for French corn is a continuation of planting trends and yields as this season's crop hadn't yet been sown.

German corn area is expected to take advantage of the winterkill in barley and wheat and will be slightly increased to 410,000 hectares. Corn yields have made surprising progress during the past four years reaching a top of 9.4 tons per hectare in 2002. Forecast for 2003 is set at 9.0 tons which is slightly above the past five year average.

Consumption

In MY 02/03, EU domestic feed use declined from 32.8 MMT in 01/02 to 31.45 MMT, as there was a switch to feed wheat.

Roughly one third of total EU corn feed use is in Italy, where feed formulas are typically more 'grain oriented' (containing corn and soybean meal) than in Northern Europe.

In the Netherlands, feed input use is expected to be static, though in 03/04 feed consumption is estimated down marginally due to decreased demand from the intensive livestock sector. However, corn use is expected to be stable, due to the availability of Hungarian corn and a larger supply being available from France should help to maintain a lower price of corn.

Rye

PSD Table						
Country	European Union					
Commodity	Rye				(1000 HA)(1000 MT)	
	2001	Revised	2002	Estimate	2003	Forecast
	USDA Official[O Id]	Post Estimate[New]	USDA Official[O Id]	Post Estimate[New]	USDA Official[O Id]	Post Estimate[New]
Market Year Begin		07/2001		07/2002		07/2003
Area Harvested	1208	1213	1088	1076	0	901
Beginning Stocks	4449	4599	5940	5882	5280	5614
Production	6252	6272	4765	4733	0	4060
TOTAL Mkt. Yr. Imports	294	311	300	368	0	25
Oct-Sep Imports	309	150	300	110	0	413
Oct-Sep Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	10995	11182	11005	10983	5280	9699
TOTAL Mkt. Yr. Exports	705	711	975	875	0	765
Oct-Sep Exports	816	800	975	1300	0	1024
Feed Dom. Consumption	2450	2516	2850	2677	0	2018
TOTAL Dom. Consumption	4350	4589	4750	4494	0	3833
Ending Stocks	5940	5882	5280	5614	0	5101
TOTAL DISTRIBUTION	10995	11182	11005	10983	0	9699

Overview

German rye marketing in MY 2002/03 suffered under severely inconsistent qualities of grains due to the rainy conditions during last years harvest. Large portions of the rye crop did not meet EU intervention criteria and had to be used mainly in domestic feeding. Despite the quality problems about 400,000 tons of German rye may end up in intervention storage. By mid-March, 2003, 332,000 MT had already been sold to intervention. Due to this intervention takeover, baking rye has been in short supply in some German regions and the intervention agency is re-selling small volumes to the local market, in total about 10-15,000 MT.

In 2002/03, there were imports of rye from Russia and the Ukraine towards Spain. These are not expected to be repeated due to the current poor outlook for the 2003/2004 for Russia and Ukraine's crop production.

Expecting EU actions under CAP reform to eliminate rye intervention, the German Farmers' Association advised their members to reduce the rye area already for the 2003/04 production cycle. German rye area is estimated at 549,000 hectares, a reduction of 25 percent. However, this may still result in a total production of 3.2 million tons.

If this year's rye will be harvested under normal conditions about 1.0 MMT may again end up in intervention despite the reduced production. German domestic baking needs for rye are very stable, amounting to about 1.0 MMT

Oats

PSD Table						
Country	European Union					
Commodity	Oats				(1000 HA)(1000 MT)	
	2001	Revised	2002	Estimate	2003	Forecast
	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]
Market Year Begin		07/2001		07/2002		07/2003
Area Harvested	1955	1947	2088	2092	0	2075
Beginning Stocks	709	784	799	811	895	784
Production	6198	6180	7175	7192	0	6845
TOTAL Mkt. Yr. Imports	4	1	10	0	0	0
Oct-Sep Imports	4	1	10	5	0	0
Oct-Sep Import U.S.	1	0	0	0	0	0
TOTAL SUPPLY	6911	6965	7984	8003	895	7629
TOTAL Mkt. Yr. Exports	561	613	1300	1041	0	788
Oct-Sep Exports	703	562	1300	810	0	788
Feed Dom. Consumption	4326	4347	4440	4930	0	4655
TOTAL Dom. Consumption	5551	5541	5789	6178	0	6052
Ending Stocks	799	811	895	784	0	789
TOTAL DISTRIBUTION	6911	6965	7984	8003	0	7629

In 2002/03, the collapse in Canadian output led to some EU production being exported to the US and even Canada. The impact of this will continue into the early part of the MY 03/04, otherwise a return to more typical production, output and trade conditions is expected. Initial planting conditions in northern Europe were reported to be favorable.

Sorghum

PSD Table						
Country	European Union					
Commodity	Sorghum				(1000 HA)(1000 MT)	
	2001	Revised	2002	Estimate	2003	Forecast
	USDA Official[O Id]	Post Estimate[New]	USDA Official[O Id]	Post Estimate[New]	USDA Official[O Id]	Post Estimate[New]
Market Year Begin		07/2001		07/2002		07/2003
Area Harvested	110	110	113	113	0	108
Beginning Stocks	27	37	29	24	29	74
Production	656	658	690	716	0	678
TOTAL Mkt. Yr. Imports	42	10	10	42	0	24
Oct-Sep Imports	41	10	10	42	0	24
Oct-Sep Import U.S.	9	8	0	2	0	2
TOTAL SUPPLY	725	705	729	782	29	776
TOTAL Mkt. Yr. Exports	3	2	15	5	0	13
Oct-Sep Exports	3	2	15	5	0	13
Feed Dom. Consumption	690	677	682	661	0	667
TOTAL Dom. Consumption	693	679	685	703	0	708
Ending Stocks	29	24	29	74	0	55
TOTAL DISTRIBUTION	725	705	729	782	0	776

Spanish importers would import all the sorghum they could from the US under the abattamiento TRQ if it were available at a price lower than that for feed wheat. Producers know how to use it and favor it, as prior to the Spanish accession to the EU in 1986, its use was widespread.

During the period 1986 to 2000, Spain was importing on average more than 200,000 MT from the US per year. In CY 2001, the CIF price for US Sorghum rose above that of both feed wheat and barley. Since that point, US sorghum has not been present in the Spanish market.

Therefore, post maintains the current low imports from the US of Sorghum, whilst noting that a favorable crop in the US coupled with a fall in the US sorghum price could see up to 200,000 MT exported to Spain under a TRQ.

Rice

PSD Table						
Country	European Union					
Commodity	Rice, Milled				(1000 HA)(1000 MT)	
	2001	Revised	2002	Estimate	2003	Forecast
	USDA Official[O Id]	Post Estimate[New]	USDA Official[O Id]	Post Estimate[New]	USDA Official[O Id]	Post Estimate[New]
Market Year Begin		09/2001		09/2002		09/2003
Area Harvested	396	398	397	398	0	398
Beginning Stocks	888	683	737	674	793	789
Milled Production	1624	1635	1706	1710	0	1724
Rough Production	2566	2620	2624	2601	0	2625
MILLING RATE (.9999)	6328	6241	6501	6575	0	6567
TOTAL Imports	775	783	900	869	0	876
Jan-Dec Imports	700	841	850	850	0	640
Jan-Dec Import U.S.	0	163	0	167	0	162
TOTAL SUPPLY	3287	3101	3343	3253	793	3389
TOTAL Exports	335	306	325	334	0	339
Jan-Dec Exports	350	371	325	470	0	339
TOTAL Dom. Consumption	2215	2121	2225	2130	0	2140
Ending Stocks	737	674	793	789	0	910
TOTAL DISTRIBUTION	3287	3101	3343	3253	0	3389

Production

In 2002/03, weather conditions in Italy were conducive to much improved output with higher milling yields, as compared to 2001/02.

In Spain, rice yields have increased by more than 50% over the past decade, from roughly 5.5 MT/hectare in the early nineties to 8.5 MT/ha (paddy yields). This improvement is due to new indicia and japonica varieties. Despite high penalties for exceeding maximum areas permitted by the European Commission (up to 30% of direct payments), rice production is a very profitable activity in Spain.

The outlook for 2003/04 is for a continuation of current trends, growers are reported to be waiting on the outcome of the EU rice policy reform, whilst in Italy, the current market environment gives no incentive to increase production, which is also constrained by the physical availability of land suitable for rice growing.

Consumption

Consumption continues to remain static, therefore there was an increase in stocks across the EU. There was a small rise in exports in MY 2002/03 as well as some food aid donations.

2001/02 saw a slight increase in stocks, with a fall in Italian stocks (due to lower production) offset by a rise in Spanish stocks.

For 2002/03, Spain saw a decrease in stocks due to increased exports and increased consumption. The increase in exports is reported as being due to better marketing and improved targeting of sales both within and outside of the EU.

In Italy, stocks will increase following larger deliveries into intervention stocks, in part due to imports of non-EU rice into northern Europe.

Trade

In 2002/03, extra-EU imports increased, due in part to low Indian and Pakistani prices, as well as the import concessions for basmati.

EU producers continue to be concerned about third country imports under the Everything But Arms Agreement, which gives duty free access to the 48 least developed countries to EU markets. Whilst rice and sugar imports will not be fully liberalized under this agreement until 2009, the first rice imports from the LDCs under a zero duty TRQ began in 2001, although currently the TRQ is only several thousand metric tons. See GAIN Report E23030 for more details.

Despite the growing preference for Asian fragrant rice varieties, as well as Basmati, the U.S. has successfully defended the European market for long grain indica varieties. The large U.S. production helped to compete against other third country competitors.

EU Rice Imports, 2000-2002, MT

	2000	2001	2002
World	971,759	1,008,130	1,062,292
United States	374,445	309,806	366,755
Thailand	186,638	217,663	211,948
India	139,117	170,644	187,415
Guyana	95,363	99,710	93,083
Pakistan	55,790	68,604	59,051
Suriname	39,334	32,560	40,789
Australia	21,325	20,236	33,161
Egypt	2,458	31,365	20,011
Aruba	11,774	21,927	16,986
Uruguay	14,606	15,451	14,289

Source: Eurostat

Figures for CN 10 06, Rice, composed of paddy, brown and milled rice volumes simply added together, plus brokens. This data is not therefore directly comparable to the data in the PSD table due to different periods, as well as the figures not being converted to a standard rice form (milled rice).

EU Rice Imports from the US, 2000-2002

		2000	2001	2002
1006	Rice, all types	374,445	309,806	366,755
100610	Paddy/Rough	70,327	19,736	83,146
100620	Brown/Husked	219,406	230,524	229,200
100630	Semi or Wholly Milled	60,743	42,482	44,518
100640	Broken	23,969	17,064	9,891

Source: Eurostat

Policy

In July 2002, proposals for a reform of the Common Agricultural Policy were launched by the European Commission, the so-called Mid Term Review, or MTR (See GAIN Report E23001 for more details). The Commission is attempting to get an agreement from the Member States in June, although there are still considerable differences between the different Member States and the Commission on the current proposals. (See GAIN Reports E23075, E23076 and E23084 for more details and links).

The main thrust of the CAP reform is to decouple direct payments (removing the link between payments and production, leaving the farmer free to choose whether or not to produce and what to produce), switch some CAP spending from direct payments towards rural development policies, reform several sectors with structural imbalances, for example, durum wheat, rice, dried fodder, as well as reduce the intervention price within the cereals sector by 5%.

Should the decoupling proposals be accepted, a large part of EU agricultural subsidies would be classified under the WTO Green box (non-trade distorting) instead of the current Amber box (trade distorting, support possible up to agreed quantitative limits). This move would facilitate progress in the WTO Doha Development Round negotiations.

However, it appears that any eventual reform package may result in what is termed 'partial decoupling', the exact impact of which will depend on the details of any agreement which is not yet known.

Overview on Imports and Exports

Following the Margin of Preference negotiations for wheat in 2002, TROs entered into force in January 2003. (See GAIN Report 23001 for more detail).

EU Import Duties, valid March 1, 2003

	Representative Standard	Reference Price a	World Price b	FOB Premium c	Freight d	Representative World Price e = b+c+d	EU Duty a-e
Wheat – high quality	US HRS No.2 (14%)	164.20	129.61	33.67	14.52	177.80	0
Wheat – medium & low							95
Durum Wheat	US HAD No.2	164.20	211.66		14.52	226.18	0

The EU duty is calculated by subtracting the representative world price (CIF EU) from the import reference price (the current EU intervention price raised by 55%).

Medium and low quality wheat are covered by a Tariff Rate Quota (TRQ).

The duties are lowered for wheat arriving either via the Atlantic or the Suez Canal. EUR 3/mt if unloaded in the Mediterranean or EUR 2/mt if unloaded in Ireland, the UK, Denmark, Sweden, Finland or the Atlantic coastline of the Iberian peninsular.

The duty for high quality wheat imports are reduced by EUR 14/mt where the conditions in Article 2, para 5 of Regulation EC 1249/96 are met.

The duty for medium and low quality wheat can be EUR 12/mt in the case of a tariff quota opened by Regulation EC 2375/2002.

TRQ for medium and low quality wheat, from January 2003

Wheat	Duty outside of TRQ	Duty in TRQ	TRQ volume, mt
From others	95	12	2,371,600
From the US	95	12	572,200
From Canada	95	12	38,000

The TRQ for wheat from others is split into quarterly tranches, with, for example the TRQ for January to March 2003 being 592,900 MT.

The US and Canadian TRQs are annual, with no monthly limits. If the US quota is unfilled, the TRQ may be opened to other countries subject to approval from the US.

In addition there are TRQs for feed barley of 300,000 MT at EUR 16/MT and for 50,000 MT of malting barley at EUR 8/MT, the quotas available to all countries. (See <http://www.useu.be/agri/mop.html> for more details).

EU Enlargement

On the 1st of May, 2004, ten countries will join the EU, they are the Czech Republic, Cyprus, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia. They will immediately become part of the EU's single market, adopting the EU's common customs tariff and all EU legislation, including trade and phytosanitary laws. They will not however, receive full CAP payments for a number of years (See GAIN Report E22114 for more details).

On May 1 2004, these countries will be a full part of the EU internal market for grains. It is already expected that prices in Eastern Europe will at least partially be driven by EU intervention prices as in the EU, however, the possible impact on EU markets during the last two months of the 2003-04 marketing year are difficult to predict. For the following marketing year, 2004/05, the PSDs contained in these reports will be expanded to include the 25 EU Member States.

Romania and Bulgaria are not joining the EU in 2004, the earliest they could accede by is 2007, by which time it is likely that the countries of the Western Balkans (Croatia, Serbia and Montenegro, Macedonia, Bosnia Herzegovina and Albania) will be well down the road in preparations for EU membership, with an outside chance that the more advanced economies within this later group could be ready for EU membership.

Trade Agreements between the EU and Eastern Europe

The EU has negotiated a series of agricultural trade agreements with the countries of central and eastern Europe. The first series negotiated and signed in 2000 were known as the "Double Zeros" that sought to remove tariffs and export subsidies on a range of products such as pigmeat, poultry and some dairy products within TRQs, as well as liberalizing tariffs for several hundred lines where tariffs were already low. The second series of Agreements,

known as the "Double Profits" negotiated in 2002 and 2003 continue this approach by including more sensitive sectors such as grains and beef. Most of the Agreements have already entered into force or will do so very shortly. The resulting TRQs for grains trade between the EU and the CEECs are summarized below.

EU Import TRQs from the Double Profit Agreements

	Wheat	Barley	Corn	Malt	Oats	Rye	Other cereals	Flour
Estonia	4,400	6,500		Unlimited			Unlimited	4,100
Lithuania	25,000				500	6,000	Unlimited	
Latvia	26,000	4,500			1,500	3,750	Unlimited	12,250
Hungary	600,000	7,000	450,000	Unlimited	1,000	2,000	Unlimited	
Romania	230,000		150,000	10,000				3,000
Czech R.	200,000	50,000	20,000	45,250	10,000	10,000	10,000	
Slovakia	100,000	15,000	70,000		1,000	2,000	1,000	
Slovenia	20,000	32,000	20,000	Unlimited		9,000	Unlimited	
Poland	520,000							
Bulgaria	250,000							

For Hungary and Lithuania, wheat covers grain, flour and groats.

For Romania, the wheat quota is for durum wheat, spelt common heat and meslin.

Other cereals include buckwheat, millet and triticale.

The TRQs for Hungary, Estonia, Latvia and Lithuania are set to increase by roughly 10% per year.

EU Export TRQs from the Double Profit Agreements

	Wheat	Barley	Corn	Malt	Oats	Rye	Other cereals	Flour
Estonia	Unlimited for all cereals							
Lithuania	25,000			15,000	2,000	6,000	Unlimited	
Latvia	19,000	7,500			2,250	7,500	Unlimited	11,750
Hungary	70,000	144,000	102,000	Unlimited	3,000	6,000	Unlimited	
Romania	125,000		50,000	10,000				
Czech R.	50,000	40,000	10,000	5,000	10,000	10,000	10,000	
Slovakia	30,000	30,000	10,000	3,000	1,000	2,000	1,000	
Slovenia	20,000	32,000	20,000	Unlimited	500	9,000	Unlimited	

Biotechnology

There is currently a five year long EU moratorium on approving new biotech events, lead by seven countries, notably, France, Italy and Austria. The US along with thirteen other countries have recently launched the procedures to question the validity of the moratorium under WTO rules.

The moratorium countries currently claim that the moratorium on new approvals will be lifted once detailed legislation on Traceability and Labeling and Food and Feed controls are passed. However, this legislation is still moving through the European Parliament and is unlikely to be passed at European level until the autumn at the very earliest and will enter into force six months later.

In addition, the anti-biotech lobby is keen to create a linkage between the approvals and labeling process above with the concept of co-existence (of biotech, conventional and organic farming practices). Currently the European Commission is drafting guidance on this issue, with their initial idea being to delegate this issue to the Member States (subsidiarity) and use existing crop separation rules and procedures. However, it is likely that the anti-biotech countries will try to push for some form of EU wide measure to be taken. What form, if any, this would then take is unknown, though it would be likely to slow down the lifting of the moratorium on new biotech event approvals. (see GAIN Reports E23029 and E23083 for more details).

In practical terms, the two main products concerned are oilseed rape and sugar beet (according to research from Denmark). Currently for rape, there are procedures to avoid the cross contamination of industrial and feed rape, by ensuring geographic separation. Also, it would be perfectly possible to grow organic potatoes close to a field of biotech rape, with no risk to the organic status of the potatoes.

It should be noted that there is little support amongst the EU population for biotech food products (see GAIN Report E23049).

Spain

In Spain, seven GMO varieties have been approved, with around 50,000 hectares expected to be sown to biotech corn. This will be concentrated in the center and north of Spain where the corn borer can affect the crop. The crop is expected to be used for feed use.

Millers will seek to ensure a GMO free supply for corn used for food use. Wet millers could source corn from Argentina, Brazil or France.

Related USEU reports:

Report Number	Title	Date released
E23075	CAP Reform Update	5/20/2003
E23030	Rice - Overview of the EU import regime	3/5/2003
E23005	Rice semi-annual	1/13/2003
E23001	Grain semi-annual	1/6/2003

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