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Crop update - ample domestic feed grain supplies weigh on imports

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Grain and Feed

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Report Highlights:

The total MY2016/17 EU-28 grain crop is revised down 3 MMT from the previous forecast to 296.7 MMT. The largest proportion of this reduction is due to diminished prospects for the corn crop in France, Germany and Romania albeit somewhat offset by an improved outlook in Hungary. Overall, it is the forecast 15.5 MMT year-on-year decline in wheat production which is of most significance for the total EU28 grain crop, which if confirmed is down nearly 16 MMT on MY2015/16 and over 31 MMT on MY2014/15. With wheat quality also in question, the focus is now turning to overall grain usage, especially for feed, within the EU-28 and the likely implications for trade.

General Information:

Unless stated otherwise, data in this report is based on the views of Foreign Agricultural Service analysts in the EU-28 and is not official USDA data.

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

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HA = Hectares
MT = Metric Tonne
MY = Marketing Year. Post and USDA official data both follow the EU-28 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

The total MY2016/17 EU-28 grain crop is revised down to 296.7 MMT. This is 3.2 MMT less than previously forecast, 15.8 MMT down year-on-year and 31.1 MMT down on the record crop of MY2014/15. Following previous reductions due to diminished prospects for the EU28 wheat crop, the latest decline is largely due to due to diminished prospects for the corn crop now forecast to reach 60 MMT, little changed on MY2015/16 but nearly 16 MMT down on MY2014/15. The latest reductions are mainly due to concerns in France, Germany and Romania, albeit somewhat offset by an improved outlook in Hungary. While the total EU28 area planted to corn was already forecast to be down in MY2016/17, challenging growing conditions during the key periods for crop development in the affected countries are now confirmed to have taken their toll. While the EU28 wheat crop is reduced marginally to 144.5 MMT, concerns regarding its condition, especially grain fill in France, mean that it could yet be revised lower. Both the production forecasts for rye and oats are reduced from the previous forecast, by 250,000 MT and 170,000 MT, respectively although both continue to show an increase year-on-year. Only production of barley, sorghum and mixed grain is forecast little changed, both year-on-year and on previous forecasts.

The EU28 is now estimated to have carried 29.5 MMT of grain stocks into the current marketing year, down 2 MMT on a year earlier but still substantial enough to partially offset the impact of the reduced harvest. While the latter would normally be of concern for domestic consumption, the reduced size and quality of the EU28 wheat crop, notably of French origin wheat given it is the EU28's largest wheat exporter, means third country grain exports are forecast to decline sharply in MY2016/17. Consequently, domestic feed grains are forecast to be in good supply such that third country imports, mainly of corn, are also forecast to decline year-on-year.

Crop specific

Forecast EU-28 wheat production is revised down marginally to 144.5 MMT, already down 15.5 MMT on MY2015/16, but concerns regarding its condition, especially in France, mean that it could yet be revised lower. While the most significant forecast year-on-year declines are in France (13 MMT), Germany (2.5 MMT), the UK (2 MMT) and Belgium-Luxembourg (650,000 MT), it should be noted that it is not the same story across the EU28. Indeed, wheat production in Italy is forecast to rise 1.45 MMT year-on-year, Spain by 1.55 MMT, Romania by 700,000 MT and Bulgaria by 650,000 MT. In the case of Italy, the increase is largely due to an increased planted area of durum wheat as well as improved yields both for durum wheat and soft wheat. For Bulgaria, favorable weather and a shift in genetics to imported French and Austrian varieties (instead of local varieties) is reported to have seen average yields improve significantly such that this is now expected to be the largest Bulgarian wheat crop for over twenty years. The quality of the Bulgarian wheat crop is also reported to be good. That cannot be said for all other EU28 countries. In particular, quality in France is of particular concern which, in addition to the reduced availability, will weigh on its ability to export, especially to third countries, in MY2016/17.

On the wheat demand side, with Food, Seed & Industrial (FSI) use forecast up marginally due to increased industrial use, mainly in the UK, the focus is on feed use and exports. Despite the much reduced crop, the reduced quality means that there are expected to be plentiful supplies of feed quality wheat within the EU28 meaning that although feed grain consumption is forecast down on MY2015/16, the decline is currently limited to 2.5 MMT. Indeed, the story is that of reduced third country exports, particularly from France which are expected to be more than halved as compared to MY2015/16, much of this lost trade being to Egypt. Total EU28 wheat exports are currently forecast to reach just 26 MMT. With the sharp forecast near 9 MMT year-on-year drop in exports in MY2016/17, wheat ending stocks are also forecast fall just 3.5 MMT despite the much reduced harvest.

With the Spring crops in France and Germany suffering from a lack of moisture and sunshine, non-irrigated corn is reported to have been particularly affected and an increased proportion of the overall crop is forecast to be harvested for fodder. With Romania's corn crop also revised down on the previous forecast, albeit up year-on-year, it is only Hungary's corn crop which is currently adding support to the EU28 number. Production there is proving to be larger than previously forecast and up 1.5 MMT year-on-year such that the total EU28 forecast corn crop is only reduced to 60 MMT. This is a larger crop than in MY2015/16 on a reduced area, down nearly 700,000 HA, but is nearly 16 MMT down on the record crop of MY2014/15. With industrial use of corn forecast unchanged, feed use of corn which was previously forecast to rise is now forecast down year-on-year. With much of this being sourced within the EU28, and given the availability of other feed grains within the EU28, third country corn imports are currently forecast to fall 2MMT year-on-year.

Appendices

Wheat	2014/2015		2015/2016		2016/2017	
Market Begin Year	Jul 2014		May 2015		Jul 2016	
European Union	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	26747	26741	26786	26651	26932	27000
Beginning Stocks	9938	9938	12717	12722	15068	13983
Production	156922	156891	160012	160006	145270	144500
MY Imports	5975	5978	6916	6916	7000	7000
TY Imports	5975	5978	6916	6916	7000	7000
TY Imp. from U.S.	0	664	895	878	0	0
Total Supply	172835	172807	179645	179644	167338	165483
MY Exports	35418	35418	34677	34677	26000	26000
TY Exports	35418	35418	34677	34677	26000	26000
Feed and Residual	55000	55000	60000	61000	59000	58500
FSI Consumption	69700	69667	69900	69984	70300	70700
Total Consumption	124700	124667	129900	130984	129300	129200
Ending Stocks	12717	12722	15068	13983	12038	10283
Total Distribution	172835	172807	179645	179644	167338	165483
(1000 HA) ,(1000 MT)						

Corn	2014/2015		2015/2016		2016/2017	
Market Begin Year	Oct 2014		Oct 2015		Oct 2016	
European Union	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	9568	9564	9467	9470	8891	8800
Beginning Stocks	6891	6891	9471	9748	7240	6748
Production	75840	75840	59083	58500	61149	60000
MY Imports	8646	8646	13200	13000	12000	11000
TY Imports	8646	8646	13200	13000	12000	11000
TY Imp. from U.S.	286	286	0	0	0	0
Total Supply	91377	91377	81754	81248	80389	77748
MY Exports	4026	4026	1800	2000	2000	2500
TY Exports	4026	4026	1800	2000	2000	2500
Feed and Residual	59500	59500	54700	54500	55200	51500
FSI Consumption	18380	18103	18014	18000	18000	18000
Total Consumption	77880	77603	72714	72500	73200	69500
Ending Stocks	9471	9748	7240	6748	5189	5748
Total Distribution	91377	91377	81754	81248	80389	77748
(1000 HA) ,(1000 MT)						

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

Area Harvested	12425	12401	12195	12161	12427	12350
Beginning Stocks	5621	5621	5924	6505	5246	6292
Production	60662	60611	61519	61479	60026	59750
MY Imports	88	88	292	292	300	300
TY Imports	269	269	200	200	300	300
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	66371	66320	67735	68276	65572	66342
MY Exports	9547	9578	10789	10789	6500	6500
TY Exports	10642	10642	10300	10300	6500	6500
Feed and Residual	35500	35000	36300	36000	38500	38000
FSI Consumption	15400	15237	15400	15195	15400	15100
Total Consumption	50900	50237	51700	51195	53900	53100
Ending Stocks	5924	6505	5246	6292	5172	6742
Total Distribution	66371	66320	67735	68276	65572	66342
(1000 HA) ,(1000 MT)						

Rye	2014/2015		2015/2016		2016/2017	
Market Begin Year	Jul 2014		May 2015		Jul 2016	
European Union	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2115	2110	1955	1950	2167	2120
Beginning Stocks	1204	1204	1395	1357	1016	1127
Production	8873	8838	7831	7800	8349	8100
MY Imports	102	102	51	50	75	100
TY Imports	96	96	50	50	75	100
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	10179	10144	9277	9207	9440	9327
MY Exports	184	184	161	160	150	150
TY Exports	167	167	160	160	150	150
Feed and Residual	4500	4500	4100	4000	4400	3950
FSI Consumption	4100	4103	4000	3920	4200	4100
Total Consumption	8600	8603	8100	7920	8600	8050
Ending Stocks	1395	1357	1016	1127	690	1127
Total Distribution	10179	10144	9277	9207	9440	9327
(1000 HA) ,(1000 MT)						

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

Area Harvested	2511	2511	2478	2479	2482	2500
Beginning Stocks	894	894	782	780	596	591
Production	7833	7833	7498	7498	8019	7850
MY Imports	4	5	9	9	5	5
TY Imports	4	4	10	10	5	5
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	8731	8732	8289	8287	8620	8446
MY Exports	219	219	213	213	200	200
TY Exports	231	231	230	230	200	200
Feed and Residual	6050	6050	5780	5780	6100	6000
FSI Consumption	1680	1683	1700	1703	1700	1700
Total Consumption	7730	7733	7480	7483	7800	7700
Ending Stocks	782	780	596	591	620	546
Total Distribution	8731	8732	8289	8287	8620	8446
(1000 HA) ,(1000 MT)						

Sorghum	2014/2015		2015/2016		2016/2017	
Market Begin Year	Jul 2014		May 2015		Jul 2016	
European Union	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	147	149	140	142	129	131
Beginning Stocks	18	18	23	25	9	7
Production	883	894	731	740	735	750
MY Imports	134	134	117	118	150	130
TY Imports	131	131	120	120	150	150
TY Imp. from U.S.	2	2	0	0	0	0
Total Supply	1035	1046	871	883	894	887
MY Exports	17	17	2	2	5	2
TY Exports	1	1	2	2	5	2
Feed and Residual	975	980	840	850	850	850
FSI Consumption	20	24	20	24	20	24
Total Consumption	995	1004	860	874	870	874
Ending Stocks	23	25	9	7	19	11
Total Distribution	1035	1046	871	883	894	887
(1000 HA) ,(1000 MT)						

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

Area Harvested	4007	3980	4106	4079	4130	4110
Beginning Stocks	937	937	1251	1192	847	792
Production	16764	16705	15746	15700	16103	15700
MY Imports	0	0	0	0	0	0
TY Imports	0	0	0	0	0	0
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	17701	17642	16997	16892	16950	16492
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Feed and Residual	14850	14850	14550	14400	14550	14000
FSI Consumption	1600	1600	1600	1700	1625	1675
Total Consumption	16450	16450	16150	16100	16175	15675
Ending Stocks	1251	1192	847	792	775	817
Total Distribution	17701	17642	16997	16892	16950	16492
(1000 HA) ,(1000 MT)						

Rice, Milled	2014/2015		2015/2016		2016/2017	
Market Begin Year	Sep 2014		Sep 2015		Sep 2016	
European Union	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	427	424	431	433	435	436
Beginning Stocks	1163	1163	1210	1223	1305	1333
Milled Production	1963	1961	2055	2050	2026	2058
Rough Production	2863	2860	2972	2995	2919	2994
Milling Rate (.9999)	6856	6857	6914	6845	6940	6874
MY Imports	1706	1721	1750	1750	1750	1750
TY Imports	1786	1791	1750	1750	1750	1750
TY Imp. from U.S.	46	46	0	0	0	0
Total Supply	4832	4845	5015	5023	5081	5141
MY Exports	272	272	260	240	280	280
TY Exports	251	249	270	270	280	280
Consumption and Residual	3350	3350	3450	3450	3500	3500
Ending Stocks	1210	1223	1305	1333	1301	1361
Total Distribution	4832	4845	5015	5023	5081	5141
(1000 HA) ,(1000 MT)						