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Crop update - France weighs heavy on otherwise positive prospects

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Report Highlights:

The EU28 grain harvest is now under way in most Member States. While the prospects for both yield and quality look good in most Member States, this cannot be said of France, the EU28's main grain exporter. While the early cuts of the winter grains in the southern EU28 are suggesting good yields, cloudy and wet weather over the last two months in France has damaged the outlook for both the size and quality of its grain crop. The total MY2016/17 EU28 grain crop is subsequently revised down to just under 312 MMT, little changed on MY2015/16 but nearly 16 MMT lower than the record set in MY2014/15, with the possibility of a further reduction post-harvest once the impact on the French crop becomes clearer.

General Information:

Unless stated otherwise, data in this report is based on the views of Foreign Agricultural Service analysts in the EU28 and is not official USDA data.

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

Favorable growing conditions across much of the EU28 through the spring and into early Summer have been contrasted by very wet and cloudy weather across some of the key growing regions of France since mid-May. As a consequence, an improved outlook for much of the EU28's grain crop has been more than offset by expectations of poor quality and a much reduced harvest in France. The wheat and barley harvests are now under way, albeit two weeks late in France, while the corn crop is generally reported to be developing well, albeit on a reduced area year-on-year.

Although the total area planted to grain crops in the EU28 is little changed year-on-year, a reduction in the area planted to corn has been offset by increased plantings of both barley and rye. Similarly, a much improved forecast yield for corn is offset by reduced yield of the other grains such that total production in MY2016/17 is now forecast to be 311.75 MMT, little changed on MY2015/16 but nearly 16 MMT below the record crop experienced in MY2014/15. Within this total, wheat production is forecast at 154.5 MMT and barley and corn both at 62,000 MT, down 5.5 MMT, and up 700,000 MT and 2 MMT, respectively, year-on-year. Of these three crops, the change is most significant for corn given the reduction in planted area. Rye and oats production are both forecast up around 500,000 MT year-on-year in MY2016/17 while mixed grain production is forecast up over 300,000 MT. Only sorghum production is currently forecast unchanged year-on-year. As always, much will depend on the weather over the coming weeks, not just for crop development but also for harvest volume. In addition, the true extent of the damage to the French crop is only likely to become clear at harvest.

The total supply of grains in the EU28 in MY2016/17 is forecast at 359.1 MMT, down around 5 MMT largely due to reduced forecast corn imports. Total EU28 grains consumption is currently forecast at nearly 288.3 MMT in MY2016/17. Within this total, Food, Seed & Industrial (FSI) use of grains, which has been following an upward trend but faltered in MY2015/16, is forecast to rise once again in MY2016/17, mainly due to increased year-on-year industrial use of wheat in the biofuels sector in Poland and the UK. Total feed use is also forecast to rise in MY2016/17, albeit below the previous forecast. EU wheat exports in MY2015/16 are now estimated to have reached 33.5 MMT by year end, buoyed by North African demand in the latter part of the season. Following a prompt start to the MY2016/17 campaign, wheat exports are currently forecast to reach 30.5 MMT in MY2016/17, tempered somewhat by a reduction in forecast French exports. Although 3 MMT down year-on-year, if realized this would still be a considerable export volume given that MY2013/14 was the first year the EU28 exported more than 30 MMT of wheat. The net result is a 2 MMT reduction in stocks in MY2016/17.

For rice, trade data indicate that a number of Least Developed Countries have responded to the duty free/quota free access to the EU market afforded to them under the EU's "Everything But Arms" arrangement. In particular, EU rice imports from Cambodia, Myanmar and Guyana have increased in MY2014/15, supporting rising domestic consumption of rice in the EU28. Rice imports have started MY2015/16 strongly meaning that full year imports are again forecast to rise on a market year basis. Combined with a year-on-year increase in domestic production, further consumption growth is forecast. With imports currently forecast to stabilize in MY2016/17, the upward trend in EU28 rice consumption is forecast to continue, albeit to a lesser extent than in recent years.

Country specific

There is a great deal of uncertainty for the French grain crop outlook - both its size and quality have been negatively impacted by excessively wet and cloudy weather since mid-May in central, northern and eastern France but the extent of the damage is unclear. The poor weather also means the harvest is running about two weeks behind normal. While it is a more positive story in the south west and on the Atlantic and Channel coasts, the affected areas report widespread lodging. The percentage of small grains is also reported to be high which could lead to further losses at harvest (when grains are too small, they may pass through the combine). Additionally, fungal infestation, which could lead to higher mycotoxin levels, is widely reported. The French wheat crop is subsequently revised down 5 MMT on the previous forecast with the possibility of a further reduction post-harvest. The reduced quality, such as low specific weights, problematic falling Hagberg numbers and protein problems, could present export challenges. Durum wheat quality is also thought to have suffered in central France although not in the traditional growing regions in the south east and south west. An increase in the area planted to durum means a sizeable crop is still expected but, as with soft wheat, the quality issues could have an impact on export opportunities. The weather is also reported to have taken a heavy toll on the barley crop and, like wheat, lodging and fungal infestation is widespread. While the forecast for barley production is reduced 750,000 MT, it is likely to remain a sizeable crop due to the large planted area. Again, as with wheat, reduced quality, such as poor specific weight, is expected to reduce export opportunities, most notably Chinese demand for French malting barley. While the French MY2016/17 corn crop forecast is reduced as well, production is still forecast up year-on-year after the poor yield in MY2015/16.

Elsewhere in the EU28 the story is much more positive. In the UK, while no one expects a repeat of the large crops experienced in the last two years, prospects remain good, both in terms of size and quality despite recent wet weather. In Germany, while parts of the country have experienced very wet weather, its timing is not thought to have had too detrimental effect on the grain crop and the sentiment remains positive.

Further south, in Spain, favorable spring conditions both in terms of precipitation and mild temperatures have boosted winter grain yields. Indeed, if it were not for a reduction in the area planted to corn and a lower yield due to the use of short cycle varieties, Spain would be forecasting a record grain crop. While the quality of the grain crop is generally good, there is some concern for the durum wheat crop due to Hessian fly incidence. In Portugal, favorable weather conditions are expected to result in a good yield for winter crops. However, spring rains and reduced crop margins are thought to have resulted in an historically low area planted to corn.

In the Czech Republic, Slovakia and Croatia, it is a story of good weather and a positive outlook for all grain crops. Further east, Romania's wheat crop is reported to be developing extremely well. Despite some heavy rains and summer storms, the crop is forecast to exceed the previous year's level on a slightly increased planted area. Initial tests indicate that wheat quality is expected to be good. The barley crop is also developing very well and the prospects are very positive. Finally, all currently bodes well for the corn crop but with crop entering the critical phase of pollination, the focus remains on the weather. Moisture levels across the country have improved over the spring and summer meaning development conditions are currently much better than in MY2015/16. It is a similarly positive story in Bulgaria where the outlook remains positive for all of the grain crops. With the wheat harvest well under way and the barley harvest all but complete, quality is reported to be very good with some farmers reporting record yields. The corn crop is also reported to be doing very well. Similarly, Hungary's corn crop is still forecast up year-on-year after the poor yield experienced in MY2014/15 and despite a reduction in the planted area.

Finally, in Greece, very favorable weather conditions are expected to result in a comparatively high year-on-year yield for the durum wheat crop meaning its wheat crop is revised up 200,000 MT. As in some other Member States, low corn prices and poor margins have discouraged farmers from continuing to increase the planted area which is now forecast unchanged from MY2015/16.

Appendices

Wheat	2014/2015		2015/2016		2016/2017	
Market Begin Year	Jul 2014		Jul 2015		Jul 2016	
European Union	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	26725	26743	26761	26803	26857	27000
Beginning Stocks	9938	9938	13823	12682	18729	15982
Production	156828	156884	160006	160000	156500	154500
MY Imports	5975	5978	6700	6700	5500	5000
TY Imports	5975	5978	6700	6700	5500	5000
TY Imp. from U.S.	0	717	0	0	0	0
Total Supply	172741	172800	180529	179382	180729	175482
MY Exports	35418	35418	33000	33500	34000	30500
TY Exports	35418	35418	33000	33500	34000	30500
Feed and Residual	54000	55000	59000	60000	59000	59500
FSI Consumption	69500	69700	69800	69900	70300	70400
Total Consumption	123500	124700	128800	129900	129300	129900
Ending Stocks	13823	12682	18729	15982	17429	15082
Total Distribution	172741	172800	180529	179382	180729	175482
(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	12419	12401	12156	12164	12388	12300
Beginning Stocks	5621	5621	5877	5977	5526	5407
Production	60615	60615	61349	61450	62762	62000
MY Imports	88	88	300	280	100	100
TY Imports	269	269	100	100	100	100
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	66324	66324	67526	67707	68388	67507
MY Exports	9547	9547	10100	10500	9000	8000
TY Exports	10642	10642	9900	9900	9000	8000
Feed and Residual	35500	35500	36500	36500	38500	38500
FSI Consumption	15400	15300	15400	15300	15400	15250
Total Consumption	50900	50800	51900	51800	53900	53750
Ending Stocks	5877	5977	5526	5407	5488	5757
Total Distribution	66324	66324	67526	67707	68388	67507
(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	9575	9568	9237	9450	8943	9000
Beginning Stocks	6891	6891	9410	9703	6275	6953
Production	75779	75840	57979	59000	63831	62000
MY Imports	8646	8647	13200	13000	11000	11000
TY Imports	8646	8647	13200	13000	11000	11000
TY Imp. from U.S.	286	286	0	0	0	0
Total Supply	91316	91378	80589	81703	81106	79953
MY Exports	4026	4025	1600	2000	2500	3000
TY Exports	4026	4025	1600	2000	2500	3000
Feed and Residual	59500	59500	54700	55000	55500	53500
FSI Consumption	18380	18150	18014	17750	17800	18000
Total Consumption	77880	77650	72714	72750	73300	71500
Ending Stocks	9410	9703	6275	6953	5306	5453
Total Distribution	91316	91378	80589	81703	81106	79953
(1000 HA) ,(1000 MT)						

Oats	2014/2015	2015/2016	2016/2017

Market Begin Year	Jul 2014		Jul 2015		Jul 2016	
European Union	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2511	2511	2527	2478	2577	2480
Beginning Stocks	894	894	858	779	582	604
Production	7854	7833	7524	7500	8175	8000
MY Imports	4	4	5	5	5	5
TY Imports	4	4	5	5	5	5
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	8752	8731	8387	8284	8762	8609
MY Exports	219	219	230	230	200	200
TY Exports	231	231	230	230	200	200
Feed and Residual	6000	6050	5900	5750	6100	6100
FSI Consumption	1675	1683	1675	1700	1700	1700
Total Consumption	7675	7733	7575	7450	7800	7800
Ending Stocks	858	779	582	604	762	609
Total Distribution	8752	8731	8387	8284	8762	8609
(1000 HA) ,(1000 MT)						

Rye	2014/2015		2015/2016		2016/2017	
Market Begin Year	Jul 2014		Jul 2015		Jul 2016	
European Union	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2113	2110	1929	1950	2117	2130
Beginning Stocks	1204	1204	1390	1357	1016	1067
Production	8868	8838	7816	7800	8160	8350
MY Imports	102	102	70	70	100	100
TY Imports	96	96	70	70	100	100
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	10174	10144	9276	9227	9276	9517
MY Exports	184	184	160	160	150	150
TY Exports	167	167	160	160	150	150
Feed and Residual	4500	4500	4100	4100	4000	4200
FSI Consumption	4100	4103	4000	3900	4200	4100
Total Consumption	8600	8603	8100	8000	8200	8300
Ending Stocks	1390	1357	1016	1067	926	1067
Total Distribution	10174	10144	9276	9227	9276	9517
(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	139	142	136	131
Beginning Stocks	18	18	23	25	17	10
Production	883	894	769	750	775	750
MY Imports	134	134	120	130	150	130
TY Imports	131	131	120	130	150	130
TY Imp. from U.S.	2	2	0	0	0	0
Total Supply	1035	1046	912	905	942	890
MY Exports	17	17	5	2	5	2
TY Exports	1	1	2	2	5	2
Feed and Residual	975	980	870	870	900	850
FSI Consumption	20	24	20	23	20	22
Total Consumption	995	1004	890	893	920	872
Ending Stocks	23	25	17	10	17	16
Total Distribution	1035	1046	912	905	942	890
(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	4024	3980	4116	4079	4083	4100
Beginning Stocks	937	937	1247	1226	857	826
Production	16760	16705	15810	15700	16158	16150
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	17697	17642	17057	16926	17015	16976
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Feed and Residual	14850	14850	14550	14400	14550	14500
FSI Consumption	1600	1566	1650	1700	1625	1675
Total Consumption	16450	16416	16200	16100	16175	16175
Ending Stocks	1247	1226	857	826	840	801
Total Distribution	17697	17642	17057	16926	17015	16976
(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	434	430	437
Beginning Stocks	1163	1163	1237	1217	1232	1327
Milled Production	1963	1961	2055	2050	2026	2058
Rough Production	2863	2860	2972	2996	2919	3004
Milling Rate (.9999)	6856	6856	6914	6842	6940	6851
MY Imports	1703	1716	1600	1750	1600	1750
TY Imports	1786	1786	1600	1750	1600	1750
TY Imp. from U.S.	53	46	0	0	0	0
Total Supply	4829	4840	4892	5017	4858	5135
MY Exports	272	273	280	240	260	280
TY Exports	251	250	270	270	260	280
Consumption and Residual	3320	3350	3380	3450	3420	3500
Ending Stocks	1237	1217	1232	1327	1178	1355
Total Distribution	4829	4840	4892	5017	4858	5135
(1000 HA) ,(1000 MT)						