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Crop Update - reduced corn crop weighs on otherwise large harvest

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Report Highlights:

With some Member States starting to publish provisional harvest estimates for 2015, the total MY2015/16 EU-28 grain crop is revised up to 306.8 MMT, 2.2 MMT above previous expectations. Both the wheat and barley harvests are now estimated up on previous forecasts, by over 1.7 MMT and nearly 0.7 MMT, respectively. Interestingly, both are of a similar size to MY2014/15. In contrast, the corn harvest forecast is lowered 500,000 MT to just 57.5 MMT, the smallest crop since MY2007/08, and a reflection of the challenging growing conditions faced by much of the crop through the summer months. The plentiful supplies of domestic wheat and barley in MY2015/16 but much reduced supply of corn means the focus is now turning to usage 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.

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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

With some Member States starting to publish provisional harvest estimates for 2015, the total MY2015/16 EU-28 grain crop is revised up to 306.8 MMT. This is 2.2 MMT more than previously forecast but 20.5 MMT down on last year's record crop. The fall is almost entirely due to a much reduced corn harvest, now forecast to reach 57.5 MMT, over 18 MMT lower than in MY2014/15. While the area planted to corn is down 400,000 Ha, the large decline in production is mainly due to much reduced yields in the main corn growing countries as a consequence of challenging growing conditions during the key periods for crop developments. The EU-28 rye and mixed grain crops are also down year-on-year, by 1.4 MMT and 950,000 MT respectively, again in large part due to reduced yields. In contrast, both the wheat and barley harvests are now estimated to be up on previous forecasts, by over 1.7 MMT and nearly 0.7 MMT, respectively, while the oat harvest is up 400,000 MT. Interestingly, all three of these crops are of a similar size to MY2014/15. The EU-28 is estimated to have carried 31.9 MMT of grain stocks into the current marketing year, up over 6.5 MMT on a year earlier, and partially offsetting the reduced harvest. The plentiful supplies of domestic wheat and barley in MY2015/16 but much reduced supply of corn means the focus is now turning to usage within the EU-28 and the likely implications for trade.

Crop specific

EU-28 wheat production is now forecast to be a record for the second consecutive year. Strong production has been reported across much of the EU-28 despite some weather related concerns earlier in the season. Examples include the Czech Republic, Lithuania, Romania and Hungary. Indeed, the early season wet conditions in Hungary, which were then repeated in May, have seen winter wheat yields in that country hit a 25 year high. In Germany, dry conditions in June and July negatively affected the yield although the crop is still expected to be 2 MMT above the five-year average and, at 26.5 MMT, only 1.2 MMT short of last year's record. The EU-28 wheat production number has been further bolstered by a record sized crop in France which is currently forecast to reach 42.8 MMT, nearly 4 MMT larger than both the MY2014/15 crop and the previous record 39 MMT achieved in MY2008/9. A second successive UK wheat crop of over 16 MMT, despite a reduced planted area, has also added support. The quality of the soft wheat crop in France, the EU-28's largest wheat exporter, is described as good and moisture content is low due to the very dry conditions at harvest. Its durum wheat crop is also described as being of good quality, both in yield and protein content, a sharp improvement on MY2014/15. Elsewhere, quality is also reported to be good, notably in the UK, in Hungary and in Germany, the latter benefitting from dry weather at harvest. While year-on-year imports are forecast little changed, an increase in Spanish third country imports is offset by a forecast decline in those by Italy.

On the wheat demand side, with Food, Seed & Industrial (FSI) use relatively stable, the focus is on exports and feed use. The improved availability of feed wheat within the EU-28 will see consumption rise year-on-year, particularly in France and Germany. On third country export markets, the current pace of EU-28 wheat export licenses is significantly behind MY2014/15 despite Egypt's recent purchase of 240,000 MT of French, Polish and Romanian wheat. Until this purchase, recent Egyptian tenders had seen France, which has a large exportable surplus of milling quality wheat this year, facing early season competition from Black Sea Origin wheat. Despite the slower start to the export campaign this season, the ample supplies mean wheat exports are currently forecast to reach 33 MMT, 1 MMT above MY2013/14 and only 2.2 MMT short of last season's record export figure. Even with the forecast 3 MMT year-on-year increase in feed use in MY2015/16, ending stocks are also currently forecast to rise again.

For barley, like wheat, the summer saw the fortunes for the crop improve across much of the EU-28.   A number of countries exceeded previous forecasts including France, Germany, Hungary, the Czech Republic and the UK. Subsequently, production is now forecast unchanged year-on-year. In the three largest exporters - France, Germany and Romania - quality is reported to be good and, unlike wheat, third country exports have got off to a very strong start. In particular, China is now a major importer of French barley. Total EU-28 export licenses are currently running around 1 MMT ahead of this time last year and full year exports are forecast to reach 9 MMT. On the demand side, EU-based traders, led by Iberian Peninsula importers, made extensive use of the zero duty barley from Ukraine. To date, nearly

80 percent of the Ukraine barley zero levy quota for 2015 has been allocated. This is expected to partially substitute corn in the feed mix and contribute to the forecast marginal year-on-year increase in total feed consumption of barley.

Of most impact on the total EU-28 grain production number in MY2015/16 is the forecast 18.2 MMT year-on-year decline in corn production, albeit from the record 75.7 MMT set in MY2014/15. The single largest decline is expected to be in France where plants suffered from a heatwave in late June and early July which reduced the yield, compounding the impact of the already reduced planted area, and meaning production is now forecast at just 13 MMT, over 5 MMT lower than the domestic record set in MY2014/15. While the decline is expected to be most significant in France, Hungary's crop is forecast down over 3 MMT year-on-year, Romania by over 2 MMT, Poland by 1.4 MMT and both Germany and Italy by over 1 MMT, all due in large part to the very hot, dry summer. Additionally, nearly every other corn producing EU Member State is forecast to see reduced corn output as compared to MY2014/15. While extra-EU imports are still forecast up year-on-year, the forecast for MY2015/16 is reduced to 14 MMT with the final number ultimately being determined by the price differential between corn and other feeds as well as availability both domestically and on third country markets. As such, total supply is reduced by nearly 1.4 MMT as compared to the previous forecast. While industrial use of corn is forecast to decline marginally in MY2015/16, more significant declines in both feed use of corn and ending stocks are currently forecast.

Of final note are the rye and mixed grain harvests. Reduced rye plantings in Poland and mixed grain plantings in both Germany and Poland contributed, along with the weather, to reduced crops in MY2015/16, down year-on-year by 1.4 MMT and almost 1 MMT respectively, albeit in line with previous forecasts. In both instances, the reduced supplies are expected to lead to reduced feed use of these grains as compared to MY2014/15.

Appendices

Wheat	2013/2014		2014/2015		2015/2016	
Market Begin Year	Jul 2013		Jul 2014		May 2016	
European Union	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	25883	25875	26806	26900	26666	26650
Beginning Stocks	10711	10711	9867	9902	13067	13775
Production	144415	144550	156523	156800	155263	157000
MY Imports	3974	3974	5973	5974	6000	6000
TY Imports	3974	3974	5973	5974	6000	6000
TY Imp. from U.S.	657	717	0	664	0	0
Total Supply	159100	159235	172363	172676	174330	176775
MY Exports	32033	32033	35396	35401	33000	33000
TY Exports	32033	32033	35396	35401	33000	33000
Feed and Residual	49000	49000	54500	54500	57000	57500
FSI Consumption	68200	68300	69400	69000	68850	68750
Total Consumption	117200	117300	123900	123500	125850	126250
Ending Stocks	9867	9902	13067	13775	15480	17525
Total Distribution	159100	159235	172363	172676	174330	176775
(1000 HA) ,(1000 MT)						

Barley	2013/2014		2014/2015		2015/2016	
Market Begin Year	Jul 2013		Jul 2014		May 2016	
European Union	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	12406	12382	12432	12400	12302	12400
Beginning Stocks	5071	5071	5696	5574	5607	5615
Production	59722	59600	60470	60500	59806	60500
MY Imports	44	44	88	88	200	100
TY Imports	58	58	225	225	100	100
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	64837	64715	66254	66162	65613	66215
MY Exports	5741	5741	9547	9547	7500	9000
TY Exports	4926	4926	10500	10500	7000	8000
Feed and Residual	38000	38000	35500	35500	37000	36000
FSI Consumption	15400	15400	15600	15500	15700	15600
Total Consumption	53400	53400	51100	51000	52700	51600
Ending Stocks	5696	5574	5607	5615	5413	5615
Total Distribution	64837	64715	66254	66162	65613	66215
(1000 HA) ,(1000 MT)						

Corn	2013/2014		2014/2015		2015/2016	
Market Begin Year	Oct 2013		Oct 2014		May 2016	
European Union	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	9664	9665	9530	9550	9186	9150
Beginning Stocks	5147	5147	6795	6800	8625	9750
Production	64630	64635	75730	75800	57996	57500
MY Imports	15919	15919	8600	9000	16000	14000
TY Imports	15919	15919	8600	9000	16000	14000
TY Imp. from U.S.	1337	1337	0	0	0	0
Total Supply	85696	85701	91125	91600	82621	81250
MY Exports	2401	2401	4000	4000	1000	2000
TY Exports	2401	2401	4000	4000	1000	2000
Feed and Residual	58000	58000	59500	59500	57500	55000
FSI Consumption	18500	18500	19000	18350	19000	18000
Total Consumption	76500	76500	78500	77850	76500	73000
Ending Stocks	6795	6800	8625	9750	5121	6250
Total Distribution	85696	85701	91125	91600	82621	81250
(1000 HA) ,(1000 MT)						

Rye	2013/2014	2014/2015	2015/2016

Market Begin Year	Jul 2013		Jul 2014		May 2016	
European Union	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2577	2550	2114	2100	1913	1900
Beginning Stocks	795	795	1210	1003	1082	951
Production	10157	10100	8854	8780	7483	7350
MY Imports	77	77	102	102	50	50
TY Imports	96	96	90	90	50	50
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	11029	10972	10166	9885	8615	8351
MY Exports	169	169	184	184	150	150
TY Exports	201	201	175	175	150	150
Feed and Residual	4900	5100	4500	4450	3400	3400
FSI Consumption	4750	4700	4400	4300	4400	4315
Total Consumption	9650	9800	8900	8750	7800	7715
Ending Stocks	1210	1003	1082	951	665	486
Total Distribution	11029	10972	10166	9885	8615	8351
(1000 HA) ,(1000 MT)						

Oats	2013/2014		2014/2015		2015/2016	
Market Begin Year	Jul 2013		Jul 2014		May 2016	
European Union	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2652	2590	2543	2500	2595	2550
Beginning Stocks	901	901	906	864	864	724
Production	8392	8300	7848	7750	7443	7850
MY Imports	4	4	4	4	5	5
TY Imports	3	3	5	5	5	5
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	9297	9205	8758	8618	8312	8579
MY Exports	316	316	219	219	150	150
TY Exports	291	291	225	225	150	160
Feed and Residual	6400	6350	6000	6000	5800	6000
FSI Consumption	1675	1675	1675	1675	1675	1675
Total Consumption	8075	8025	7675	7675	7475	7675
Ending Stocks	906	864	864	724	687	754
Total Distribution	9297	9205	8758	8618	8312	8579
(1000 HA) ,(1000 MT)						

Sorghum	2013/2014		2014/2015		2015/2016	
Market Begin Year	Jul 2013		Jul 2014		May 2016	

European Union	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	135	135	146	145	144	145
Beginning Stocks	5	5	19	13	19	31
Production	703	700	878	875	747	750
MY Imports	193	193	134	134	100	150
TY Imports	186	186	130	130	100	150
TY Imp. from U.S.	25	25	0	0	0	0
Total Supply	901	898	1031	1022	866	931
MY Exports	2	3	17	17	5	2
TY Exports	18	18	5	5	5	2
Feed and Residual	860	860	975	950	825	885
FSI Consumption	20	22	20	24	20	24
Total Consumption	880	882	995	974	845	909
Ending Stocks	19	13	19	31	16	20
Total Distribution	901	898	1031	1022	866	931
(1000 HA) ,(1000 MT)						

Mixed Grain	2013/2014		2014/2015		2015/2016	
Market Begin Year	Jul 2013		Jul 2014		May 2016	
European Union	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	3953	3925	4035	4000	4132	4100
Beginning Stocks	1164	1164	936	914	1044	964
Production	15372	15300	16808	16800	15869	15850
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	16536	16464	17744	17714	16913	16814
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Feed and Residual	14200	14100	15000	15000	14300	14500
FSI Consumption	1400	1450	1700	1750	1700	1650
Total Consumption	15600	15550	16700	16750	16000	16150
Ending Stocks	936	914	1044	964	913	664
Total Distribution	16536	16464	17744	17714	16913	16814
(1000 HA) ,(1000 MT)						