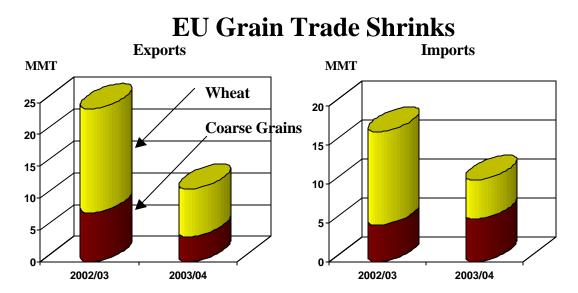
EU Grain Shortage Alters Global Trade Patterns

The EU has a 25 MMT grain crop shortfall, rising domestic prices, and restrictive regulations on feed-quality wheat imports. These are triggering changes in EU trade policy and impacting global grain trade patterns.

Wheat exports have been slashed by more than half as tight domestic supplies and high internal prices cause the Commission to suspend export tenders indefinitely. Consequently, Mediterranean and Sub-Saharan markets are turning to alternative suppliers, notably the United States, for milling wheat needs.

Barley and rye exports have also been cut more than 50 percent reflecting smaller crops and the absence of sufficient domestic feed-quality wheat supplies. This will open opportunities in the Mediterranean and Middle East markets for Canada and Australia. For example, Saudi Arabia has bought Canadian barley for the first time in 3 years. Smaller rye exports to price-sensitive markets such as Israel will mean greater demand for corn, mostly from the United States.



Overall, *wheat imports* are down because low- and medium-quality wheat imports are effectively capped at 3.0 MMT by the TRQ negotiated last year. Furthermore, exports from Russia and Ukraine--which last year supplied most of the feed-quality imports--have virtually shut down, at least until new-crop supplies are available in August or September. Consequently, traders and feed compounders are turning to alternative feed grains, including imported sorghum and corn, and non-grain feed ingredients. However, the EU is importing more high-quality wheat and durum at a zero duty from the United States and Canada.

Sorghum imports are up sharply, mostly from the United States, but also from Brazil. The dutypaid price is well below the price of domestic feed grains making imported sorghum a highly competitive and desirable feed grain throughout the EU. This is especially true in Spain, where sorghum comes in under a reduced levy system negotiated with the United States when Spain joined the EU in 1986. *Corn imports* from South America are rising to help fill the EU's feed grain deficit. More shipments from those countries could expand opportunities for U.S. corn in other markets.