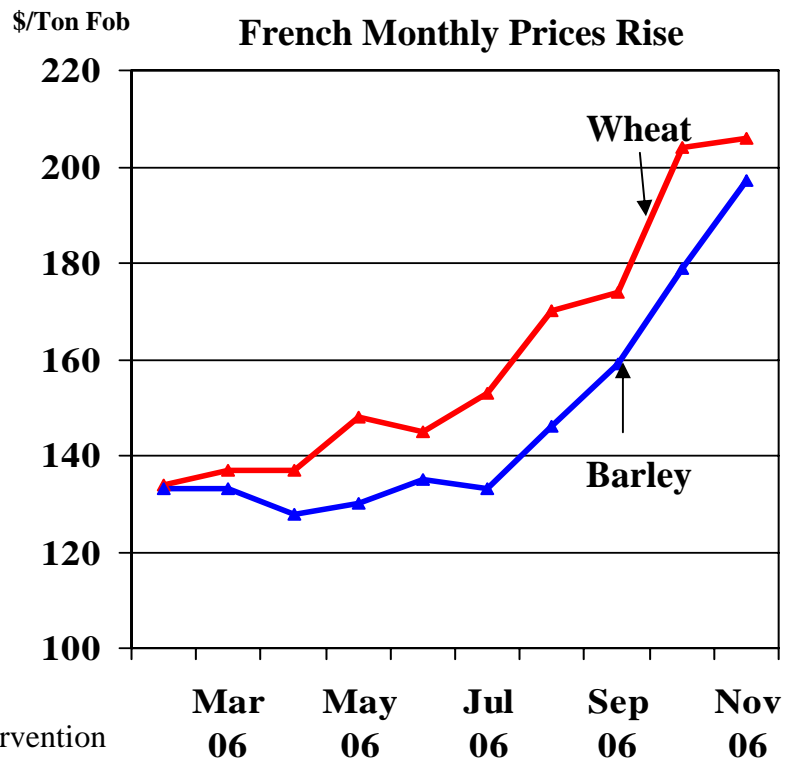
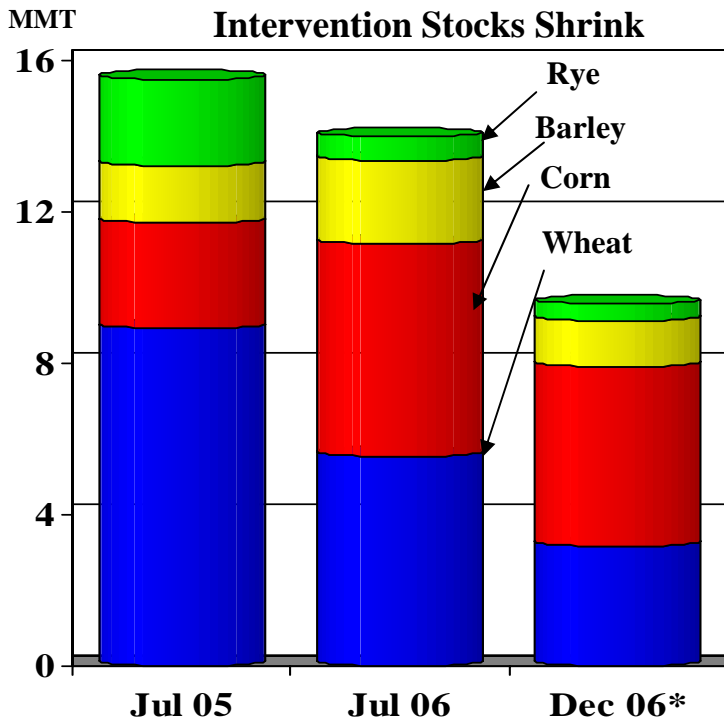




Grain: World Markets and Trade

Tight EU Grain Market Causes Prices to Climb



*Includes carry-in stocks minus sales to date out of intervention

EU grain supplies have tightened this year as a result of smaller coarse grain and wheat crops as well as lower carryin stocks. This domestic tightness has combined with reduced global supplies to cause EU prices to climb to 10-year highs. In response, the Commission has begun selling intervention grain onto the domestic market to help curb prices. Attractive international prices have also allowed the Commission to sell large amounts of intervention grain for export, at prices about \$50 above acquisition cost. These combined sales are leading to a dramatic drawdown in intervention stocks, particularly for wheat and barley. Furthermore, it is unlikely that much will be sold into intervention this year because domestic prices are far higher than the intervention price.

Despite the tight domestic situation, grain exports out of the EU are still expected to be up slightly as attractive prices for export and reduced competition (especially from Australia) pull EU supplies onto the world market.

Meanwhile, EU coarse grain imports are climbing this year in light of smaller domestic supplies; corn and sorghum import licenses are way ahead of last year's pace as these imports are currently able to come in with very low duties.

