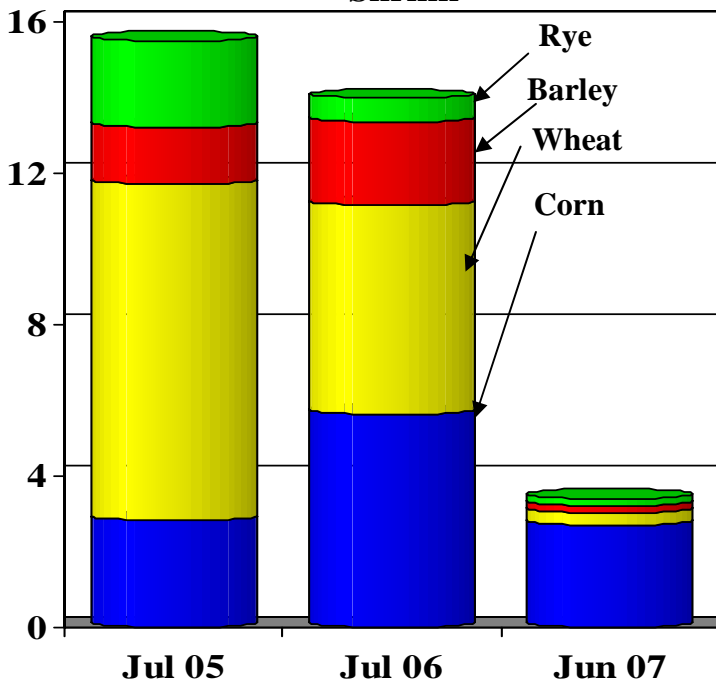




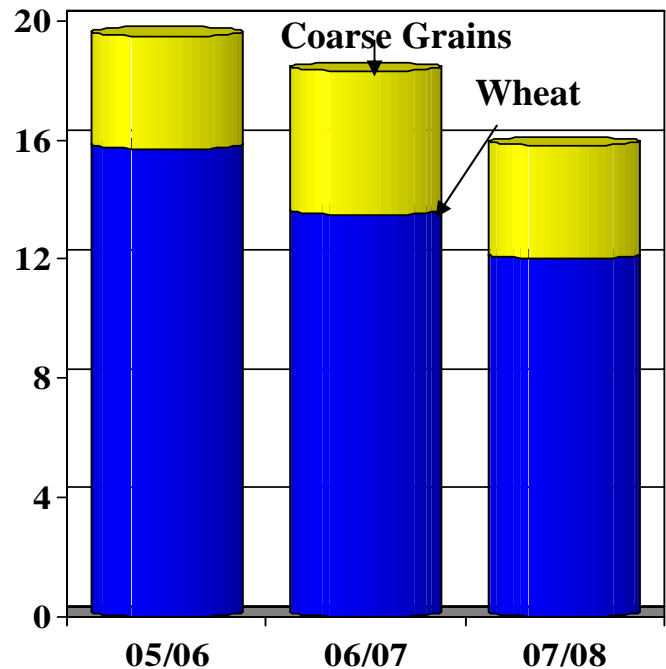
Grain: World Markets and Trade

EU Grain Situation Expected to Be Tight in 2007/08

MMT **EU-27 Intervention Carryin Stocks Shrink**



MMT **EU-27 Exports Fall**



European grain supplies are expected to contract even further in 2007/08, exacerbating already tight global supplies. Very low carryin stocks and concern over crop prospects, especially in the eastern part of the Union, have caused domestic prices to soar. With intervention stocks for barley, wheat, and rye nearly completely depleted, the Commission is limited in its options for trying to dampen prices and ensure domestic feed millers have adequate supplies. As a result, the Commission may be reluctant to approve export licenses early in the season, similar to past years when domestic supplies were tight. With crops also shrinking in the Black Sea region, less European supplies could mean key Mediterranean markets will have to turn more to grain suppliers outside the region. For wheat, this could mean larger sales from the United States, where a larger crop is expected. For barley, it will likely mean stronger sales of Australian new crop barley to markets such as Saudi Arabia.

