NOTE

from: Austrian delegation

to: Council

Subject: Situation on the cereals market

Delegations will find attached a note submitted by the Austrian delegation, to be dealt with under "Any other business" at the Council (Agriculture and Fisheries) on 19-20 October 2009.
ANNEX

**Situation on the cereals market**

After the record harvest of 2008, the second-biggest harvest will be achieved in the European Union this year. Even though the final figures on results are not yet available, it is already evident that production will again significantly exceed use this year. This does not only relate to the situation in the European Union; rather, an increase in production, especially in the case of wheat, can be assumed for the world as a whole. Even though a marked rise of consumption is expected for the global market situation of maize, we must be prepared for an enormous pressure on maize-producing countries in the European Union.

This situation will lead to a further increase in stocks. But also the big stocks from the past year cause significant pressure on sales markets. Of course this market development has immediate impacts on the level of prices. Noticeable price rises are rather improbable during the next few months.

Austria estimates that its harvest will amount to about 4.9 million tonnes of cereals and maize, which is an average figure. Due to the general market situation and the fact that there are still comprehensive stocks from the past year prices have also in Austria sharply declined compared to last year. For barley and forage wheat, an over 40% reduction compared to last year has been recorded. While the price of barley was still about € 160/t at the time of the 2008 harvest, it is about € 94/t now. This price is significantly below the level of the intervention price, which means that offers must be expected already at the beginning of the intervention period.

The described price trend will continue and, with the estimated maize harvest, will even aggravate. Also due to the big harvests expected for maize in Central and Eastern Europe it must be assumed that the prices of feed grains will further deteriorate. The prices of quality wheat, too, are strongly declining. They dropped from € 215/t last year to presently € 124/t. Frequently yields no longer cover the cost of production, which has markedly increased in recent years.
Due to the explosiveness of the situation the European Commission must now act upon the alarming situation of the market and must take measures swiftly to stabilise the cereals market again.Granting export refunds, in particular to landlocked countries which are not competitive without such a support, may help to relieve the situation. Also the situation for maize concerning possible intervention quantities must be reassessed. In the context of the Health Check decisions a contrary situation was still assumed. However, the market situation will require this year that the intervention for maize is opened again. Also a compensation for transport costs for the delivery of cereals from surplus areas to the EU areas receiving allowances should be considered.

Austria requests the European Commission to examine the above-mentioned measures and to work out further measures leading to a significant relief for the market. However, it is absolutely necessary in this context to consider the special position of landlocked countries not having access to the sea. This situation must be taken account of also in the future, in the framework of a regional tendering system. At present, the rules for the implementation do not provide for any concrete commitment concerning buying or selling.