

Mr Russel Mildon
Director
DG Agriculture
European Commission
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(07) INST 38
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**Feed grain supplies:
EU feed industry requests adoption of EU measures ensuring EU livestock
sector competitiveness**

Dear Mr Mildon,

The EU feed industry is currently facing an acute shortage of supplies of feed grains due to a combination of a lower than expected EU harvest, low carry-over and intervention stocks and major quality concerns. This has led to speculative retention of new crop cereals in a situation where EU market demand (including biofuels) is expected to outstrip supplies, thus increasing the need for the EU to import grain and grain products.

The highly volatile situation regarding supply of feed cereals is further aggravated by legal uncertainties concerning imports of feed ingredients due to the asynchronous GM approvals in key exporting countries. The application of a disproportionate 0-tolerance for non EU-approved GM events, which have received a positive EFSA evaluation, has led to a "de facto" import ban on US corn gluten feed and DDGS with a loss of app. 4 Mio t of feed ingredients in the EU balance sheet. This situation will reoccur in the new marketing year unless the EU moves ahead rapidly with the approval of Herculex RW and two other GM maize events (Agrisure RW and YieldGuard RW) planted in the US in 2007, which have not yet received EU approval.

As a consequence, the EU market prices for new crop cereals have increased exponentially over the last few weeks. Over the past two to three weeks, wheat prices for September delivery have jumped another 15% in key markets well beyond the 220 €/t mark. MATIF quotes maize prices of more than 230 €/t with recorded daily price jumps of 5 €/t. Cereal-based compound feed prices have already risen between 30-40% compared to last year and may increase further unless the EU takes effective measures which could ensure an adequate supply to the feed sector, the largest customer of EU cereals. FEFAC fears that many livestock farmers will not be able to foot the bill for a sustained increase in feed grain prices, as they cannot pass on the additional cost to their customers, in particular in the meat sector. The highly speculative markets for cereals are further fuelled by a deteriorating crop outlook on the 2007 EU maize harvest.

The EU feed industry would therefore urge the European Commission to rapidly examine all available market management and policy measures, which could address the current speculative retention of new crop cereals. We feel that in particular the following issues should receive particular attention by the competent Commission services:

- Adoption of the EU Commission proposal to authorise Herculex RW at the September Farm Council meeting to allow imports of corn gluten feed and DDGS from 2006 US maize crop;
- Temporary suspension of the import duty for maize (current level fixed at 9.34 €/t);
- Continuation of maize intervention sales from Hungary at competitive prices;
- Temporary Export taxes for EU cereals;
- Fixation of a workable, temporary tolerance for GM maize events planted in key exporting countries and which have received a favourable EFSA opinion, during the period they remain “stuck” in the complex EU approval system.

The current market situation is exceptional and therefore requires exceptional measures at EU level. We would therefore like to call on the EU Commission to consider any measure that would allow an adequate supply of cereals to the EU feed and food market while controlling the current price escalation.

We must stress the importance for the EU feed and livestock industry with regard to the adoption of timely, effective measures at EU level.

We thank you beforehand for the attention you will pay to our request and look forward to discussing these measures with you at your earliest convenience.

Yours sincerely



Alexander Döring
Secretary General

Cc: Mrs Paola Testori-Coggi, Deputy Director General, DG SANCO
Mr B. Buffaria, Head of Unit, DG Agriculture
Permanent representations to the EU