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Germany

Grain and Feed

Crop Update

2006

Approved by:
Bobby Richey
U.S. Embassy

Prepared by:
Dietmar Achilles

Report Highlights:
The German grain crop in 2006 amounted to 43.7 MMT or 2.3 MMT less than in 2005. Quality is reported to be good. The lower harvest will result in lower exports and lower ending stocks. Prices have trended upward strongly during recent three months.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Berlin [GM1]
[GM]

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German Grain Market 2006

Overview

Germany's 2006 grain harvest totaled 43.7 MMT, which is 2.3 MMT less than 2005 and 7.4 MMT less than 2004. A normal grain crop should be of about 48.0 MMT volume. Despite the smaller 2006 harvest, it still exceeds total calculated domestic grain use by more than two million tons. Also German exports to EU and non-EU countries will be down by 1.9 MMT to 9.4 MMT. During the past six years Germany has been a net exporter of about 6.0 MMT. Part of the export business is usually driven by the release of intervention stocks either to the domestic or directly to export markets. Total ending stocks will be drawn down by 2.6 MMT to 8.5 MMT by the end of MY2006/07. This calculation includes an intervention stock carry-over of 1.0 MMT.

The processing of grains for ethanol and the recently passed legislation requiring a mandatory blending rate for gasoline of 1.2% beginning January 2007[1] supported the strengthening of grain prices during recent months. Currently the industry processes about 700,000 MT of wheat and 700,000 MT of rye to ethanol.

Grain price increases versus the summer and fall of 2005 range between 20 and 65 percent. Strongest increases are reported for brewing barley and lowest are seen on the feed barley market. As prices have been trending upward, farmers and grain merchants are holding onto their grain stocks in expectation of better returns during coming months.

In 2006, the German grain crop went through extreme weather changes. It had a late vegetation start resulting from an unusually long winter. Growth conditions in April and May were optimal; however, an unusually hot and dry June and July diminished the outlook for an excellent harvest. The hot summer conditions are believed to have decreased the 2006 crop yield potential by up to 20 percent. A rainy August also caused farmers to harvest major portions of the wheat and rye crops at high moisture levels. Forage feed production such as silage corn, hay, clover and grass silage are reported at about ten percent below average levels. However, shortages are not expected.

[1] On October 26, 2006 the German parliament implemented a mandatory blending quota for bioethanol beginning with 1.2% effective January 2007, 2.0% - January 2008, 2.8% - January 2009 and finally 3.6% - January 2010 – Biokraftstoffquoten-Gesetz

German Grain Harvest 2006

	2005			2006		
	Area	Yield	Production	Area	Yield	Production
	1000 ha	MT/ha	1,000 MT	1000 ha	MT/ha	1,000 MT
Winter Wheat	3,110	7.51	23,349	3,067	7.24	22,214
Spring Wheat	53	5.49	293	45	5.34	240
Durums	10	4.93	51	12	5.25	62
All Wheat	3,174	7.47	23,693	3,123	7.21	22,516
Rye	549	5.09	2,794	539	4.90	2,645
Winter Barley	1,345	6.56	8,819	1,483	6.37	9,437
Spring Barley	602	4.64	2,795	548	4.68	2,562
All Barley	1,947	5.97	11,614	2,030	5.91	12,000
Oats	210	4.59	964	185	4.51	833
Spring Mixed	26	4.18	110	25	4.10	104
Winter Mixed	9	5.18	49	9	5.11	48
Triticale	481	5.57	2,676	407	5.52	2,249
All Mixed + Triticale	516	5.49	2,834	442	5.43	2,400
Corn	443	9.27	4,083	407	7.75	3,158
Grand Total	**6,839**	6.72	**45,980**	**6,727**	6.47	**43,552**

Wheat

Despite the rainy weather in August, the quality of the vast majority of German wheat is good to excellent. Average protein level is reported at 13.5 percent, which is 0.5 percent higher than in 2005. About 15-20 percent of the wheat crop had to be harvested during the rainy August weather. This did not affect the overall market situation since an estimated 10.4 MMT will be consumed as feed. Most of the rain affected wheat was quickly sold to feed compounders or used on farms.

Fungus problems are insignificant in 2006. Farm organizations are lobbying for a change of the German air pollution control rules to allow for the burning of grains in heating plants. This would open an option to make economic use of mycotoxin contaminated grains.

As result of the 1.2 MMT lower domestic crop and the global upward trend of grain prices, wheat prices began to climb shortly after the end of the harvest. Since the majority of the crop had been harvested during drier weather, farmers had no real need to sell early. By the end of October, 2006 prices for regular baking wheat and quality wheat were already 40-45 percent higher than a year ago. Prices for elite quality high protein wheat only increased by 30 percent and did not gain the same price momentum as other varieties, primarily because the quality of average wheat was simply too good.

Despite current high grain prices not much wheat is offered to the market. Also the processing industry is said to live from hand to mouth, market activity is very low. Processors seem to speculate on lower prices at the beginning of 2007 when farmers and merchants again begin to sell their grains.

Feed use of wheat is forecast to remain at the 2005/06 level of 10.4 MMT in MY 2006/07. Also the wheat use in ethanol will remain stable at about 700,000 MT. It is expected that further bioethanol plants processing grains will be erected in the coming several years to fill part of the mandatory blending quote rising to 3.6 percent by 2010. Part of the needed ethanol will be produced from sugar beets. Two sugar beet companies are in the process to erect new processing facilities.

Barley

For MY 2006/07 the German brewing industry reports a barley deficit of about 1.0 MMT. This deficit is strongly pushing prices upward. National demand for spring brewing barley is estimated at 2.0 to 2.25 MMT. Companies could make up the deficit by processing about 150,000 tons of winter barley varieties or compromise by accepting lower quality spring barley varieties. The latter option, however, forces companies to tolerate protein levels of up to 12.5 percent. It is also likely that malt production in MY 2006/07 will have to drop due to input shortages. Denmark and the Czech Republic also face similar quality and quantity problems as Germany. The main source for imported brewing barley will be France and the United Kingdom.

Since barley sells at lower prices compared to other grains (ten percent lower than feed wheat and fifteen percent lower than regular baking wheat), the use of barley in feed rations is expected to replace some wheat. The use of barley in feed is forecast to reach 8.0 MMT, which is 800,000 MT more than 2005/06.

Corn

Corn production suffered under the extreme heat in June and July resulting in a total production of only 3.26 MMT, which is 0.8 MMT less than in 2005. Rains in August arrived too late to improve the crop situation. Consequently, a number of farmers with biogas facilities had to convert about 20,000 hectares of corn from the initially intended use as grain or corn cob mix (CCM) to silage corn to supply their biogas facilities.

In 2006, farmers planted 1.36 million hectares of silage corn for use as animal feed and feedstock in biogas facilities, which is an increase of 100,000 hectares over 2005. This planting area is in addition to the 407,000 hectares of grain corn and CCM.

Industry estimates for 2006 indicate that about 150,000 to 170,000 hectares were used for the production of corn silage, which was later used as fuel for biogas facilities. In 2007, the required planting area for biogas corn is forecast to grow to almost 250,000 hectares. A major portion of these biogas fields will be on set-aside land and not expected to compete with the normal food or feed crop production.

An estimated 2,700 biogas facilities were in operation in Germany by the end of 2005. Almost 800 new plants were added in 2006. The industry reports that these new plants are on the average, larger than most of the existing facilities. The methane gas of these biogas plants is converted into electrical power. Research and tests are underway to clean this methane gas to directly insert it into natural gas pipelines. However, industry experts claim that the cleaning process only becomes economical in large-scale operations.

For MY 2006/07 German imports of corn are expected to rise by 300,000 tons to fill the demand for feed grains. Supplies of Hungarian corn are expected to grow in importance in Germany. However, competitiveness of Hungarian corn greatly depends on transportation cost. Most competitive means of transportation is barge transport on the Danube River. Unfortunately, the Danube River often does not provide sufficient water levels to enable barge transport.

Rye

A reduced rye production area of only 539,000 hectares in 2006 and another lower yielding crop, resulted in shortages in Germany's domestic rye market. About 95 percent of the harvested crop (approximately 2.6 MMT) is of baking quality. In 2005, only 55 percent of the

harvest (about 2.8 MMT) met baking quality standards. As a result of the smaller crop, prices for rye have almost reached the current high wheat prices. At the beginning of November farm gate prices for rye were reported at Euro 131 per ton; regular baking wheat sold at Euro 132 per ton. However, millers claim that there is hardly any rye available in the market. Like wheat farmers, rye farmers are holding onto their stocks in expectation of higher prices. Intervention sales prices for the end of October are reported at Euro 139/ton. Rye use in feeds will be very low during the current MY, reaching only 600,000 tons.

The outlook for the 2007 rye crop year is that planting area will be expanded by approximately 20,000 hectares; reflecting this year's crop shortage mainly in the southern parts of Germany. Rye area will most likely replace triticale.

Intervention

As result of the current high grain prices, sales into intervention are not expected. On the other hand, the Commission seems to intent in selling as much grains as possible from the existing intervention storage. Tenders have been opened for the internal market for 283,000 tons of German intervention wheat, 100,000 tons of barley (not brewing barley) and 275,000 tons of rye. Another tender for 208,000 tons of rye for the export market is still open. These internal market tenders are expected to stop the upward price development for most grains.

End of October 2006 grain intervention stocks in Germany amount to

Wheat	1.996 MMT
Barley	0.768 MMT
Rye	0.484 MMT

Storage data in the attached PS+D tables included an intervention carry-over of about 1.0 MMT mainly wheat. The remaining 7.5 MMT are pipeline stocks.

PS+Ds

Grain PS+D's

Wheat	01/02	02/03	03/04	04/05	05/06	06/07
Area harvested	2,896	3,015	2,964	3,112	3,174	3,123
Begin Stocks	3,230	2,727	2,951	2,402	6,719	6,278
Production	22,838	20,818	19,260	25,427	23,693	22,516
Tot Mkt Yr Imports	1,244	2,364	1,638	1,674	2,192	1,800
Jul/Jun Imp	1,244	2,364	1,638	1,674	2,192	1,800
Jul/Jun Imp US	28	19	3	2	2	2
Tot Supply	27,312	25,909	23,849	29,503	32,604	30,594
Tot Mkt Yr Export	7,215	5,367	4,293	5,296	6,626	6,000
Jul/Jun Export	7,215	5,367	4,293	5,296	6,626	6,000
Feed+Loss Consump	8,915	9,141	7,856	9,283	10,400	10,400
FSI	8,455	8,450	9,298	8,205	9,300	9,400
Tot Dom Consump	17,370	17,591	17,154	17,488	19,700	19,800

Ending Stocks	2,727	2,951	2,402	6,719	6,278	4,794
Tot Distrib	27,312	25,909	23,849	29,503	32,604	30,594
1 ton of flour * 1.37 = wheat grain						
Durums	01/02	02/03	03/04	04/05	05/06	06/07
Area harvested	5	5	7	8	10	12
Begin Stocks	77	93	92	87	90	156
Production	24	26	35	50	51	62
Tot Mkt Yr Imports	293	310	315	315	405	300
Jul/Jun Imp	293	198	315	315	405	300
Jul/Jun Imp US	27	16	1	1	10	10
Tot Supply	394	429	442	452	546	518
Tot Mkt Yr Export	1	17	21	0	0	10
Jul/Jun Export	1	17	21	0	0	10
Feed+Loss Consump	5	18	28	28	40	20
FSI	295	302	306	334	350	350
Tot Dom Consump	300	320	334	362	390	370
Ending Stocks	93	92	87	90	156	138
Tot Distrib	394	429	442	452	546	518
stock data differ fr BML balance used Getreidebestaende Ende Juni						
Rye	01/02	02/03	03/04	04/05	05/06	06/07
Area harvested	837	728	531	625	549	539
Begin Stocks	4,254	5,534	5,466	3,601	2,746	1,185
Production	5,132	3,666	2,277	3,830	2,794	2,645
Tot Mkt Yr Imports J/J	12	75	26	38	145	100
Oct/Sep Imp TY	12	75	26	38	145	100
Oct/Sep Imp US	0	0	0	0	0	0
Tot Supply	9,398	9,275	7,769	7,469	5,685	3,930
Tot Mkt Yr Export vJ/J	924	858	1,199	1,364	1,300	550
Oct/Sep Export TY	982	973	1,199	1,364	1,300	550
Feed+Loss Consump	1,627	1,611	1,269	1,914	1,200	750
FSI	1,313	1,340	1,700	1,445	2,000	2,100
Tot Dom Consump	2,940	2,951	2,969	3,359	3,200	2,850
Ending Stocks	5,534	5,466	3,601	2,746	1,185	530
Tot Distrib	9,398	9,275	7,769	7,469	5,685	3,930
Barley	01/02	02/03	03/04	04/05	05/06	06/07

Area harvested	2,112	1,970	2,075	1,979	1,947	2,030
Begin Stocks	2,519	3,591	1,936	1,366	2,398	2,242
Production	13,495	10,928	10,596	12,993	11,614	12,000
Tot Mkt Yr Imports J/J	741	757	774	603	730	900
Oct/Sep Imp TY	739	753	774	603	730	900
Oct/Sep Imp US	0	0	0	0	0	
Tot Supply	16,755	15,276	13,306	14,962	14,742	14,942
Tot Mkt Yr Export J/J	2,810	2,547	2,095	1,675	2,100	1,800
Oct/Sep Export TY	2,307	2,983	2,095	1,675	2,100	1,800
Feed+Loss Consump	7,506	7,112	7,279	7,294	7,200	8,000
FSI	2,848	3,681	2,566	3,595	3,200	3,300
Tot Dom Consump	10,354	10,793	9,845	10,889	10,400	11,300
Ending Stocks	3,591	1,936	1,366	2,398	2,242	2,042
Tot Distrib	16,755	15,276	13,306	14,962	14,742	14,942
BML Bilanzbestand - Malzbestand *1.33						

Oats	01/02	02/03	03/04	04/05	05/06	06/07
Area harvested	233	233	262	228	210	185
Begin Stocks	222	241	217	222	261	270
Production	1,151	1,016	1,202	1,186	964	833
Tot Mkt Yr Imports J/J	101	91	93	76	115	120
Oct/Sep Imp TY	95	102	93	76	115	120
Oct/Sep Imp US	0	0	0	0	0	0
Tot Supply	1,474	1,348	1,512	1,484	1,340	1,223
Tot Mkt Yr Export J/J	36	33	32	47	70	30
Oct/Sep Export TY	39	33	32	47	70	30
Feed+Loss Consump	891	846	915	884	700	650
FSI	306	252	343	292	300	300
Tot Dom Consump	1,197	1,098	1,258	1,176	1,000	950
Ending Stocks	241	217	222	261	270	243
Tot Distrib	1,474	1,348	1,512	1,484	1,340	1,223

Mixed Grains	01/02	02/03	03/04	04/05	05/06	06/07
Area harvested	570	596	545	541	516	442
Begin Stocks	284	326	266	201	330	274
Production	3,589	3,225	2,670	3,461	2,834	2,400
Tot Mkt Yr Imports J/J	2	3	1	8	40	30
Oct/Sep Imp TY	1	2	1	8	40	30
Oct/Sep Imp US	0	0	0	0	0	0
Tot Supply	3,875	3,554	2,937	3,670	3,204	2,704
Tot Mkt Yr ExportJ/J	226	221	107	257	230	200
Oct/Sep Export TY	232	193	107	257	230	200

Feed+Loss Consump	3,153	2,920	2,527	2,986	2,610	2,210
FSI	170	147	102	97	90	90
Tot Dom Consump	3,323	3,067	2,629	3,083	2,700	2,300
Ending Stocks	326	266	201	330	274	204
Tot Distrib	3,875	3,554	2,937	3,670	3,204	2,704

Corn	01/02	02/03	03/04	04/05	05/06	06/07
Area harvested	397	399	463	462	443	407
Begin Stocks	765	675	915	748	771	884
Production	3,505	3,738	3,354	4,200	4,083	3,260
MY Imp Oc/Sep	773	1,007	1,266	1,451	1,750	2,000
Oct/Sep Imp	773	1,007	1,266	1,451	1,750	2,000
Oct/Sep Imp US	10	3	2	4	3	3
Tot Supply	5,043	5,420	5,535	6,399	6,604	6,042
MY Exp Oc/Seport	597	869	806	1,014	920	800
Oct/Sep Export	597	869	806	1,014	920	800
Feed+Loss Consump	3,073	2,922	2,978	3,443	3,550	3,400
FSI	698	714	1,003	1,171	1,250	1,250
Tot Dom Consump	3,771	3,636	3,981	4,614	4,800	4,650
Ending Stocks	675	915	748	771	884	694
Tot Distrib	5,043	5,420	5,535	6,399	6,604	6,042
MY Trade Jul/Jun until 2000/01						

Sorghum + Millet	01/02	02/03	03/04	04/05	05/06	06/07
Area harvested	0	0	0	0	0	
Begin Stocks	1	15	6	6	1	1
Production	0	0	0	0	0	
Tot Mkt Yr Imports J/J	7	7	19	11	7	
Oct/Sep Imp TY	7	7	19	11	7	
Oct/SepImp US	0	0	0	0	0	
Tot Supply	8	22	25	17	8	1
Tot Mkt Yr Export J/J	1	1	1	1	1	
Oct/Sep Export TY	1	1	1	1	1	
Feed+Loss Consump	7	15	18	10	5	
FSI	0	0	0	0	0	0
Tot Dom Consump	7	15	18	10	5	
Ending Stocks	0	6	6	6	2	1
Tot Distrib	8	22	25	17	8	1

All Grains	01/02	02/03	03/04	04/05	05/06	06/07

Area harvested	7,045	6,941	6,840	6,947	6,839	6,726
Begin Stocks	11,275	13,109	11,757	8,546	13,226	11,134
Production	49,710	43,391	39,359	51,097	45,982	43,654
Tot Mkt Yr Imports	2,880	4,304	3,817	3,861	4,979	4,750
Oct/Sep Imp	2,871	4,310	3,817	3,861	4,979	4,750
Oct/SepImp US	38	22	5	6	5	5
Tot Supply	63,865	60,804	54,933	63,504	64,187	59,436
Tot Mkt Yr Export	11,809	9,896	8,533	9,654	11,247	9,380
Oct/Sep Export	11,373	10,419	8,533	9,654	11,247	9,380
Feed+Loss Consump	25,172	24,567	22,842	25,814	25,665	25,410
FSI	13,790	14,584	15,012	14,805	16,140	16,240
Tot Dom Consump	38,962	39,151	37,854	40,619	41,805	41,650
Ending Stocks	13,094	11,757	8,546	13,231	11,135	8,508
Tot Distrib	63,865	60,804	54,933	63,504	64,187	59,436
Interv end MY	6,718	5,588	3,411	6,475	3,394	1,000
Market Stock	6,376	6,169	5,135	6,756	7,741	7,508