Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network

Voluntary Report - public distribution

Date: 7/28/2003

GAIN Report #GM3023

Germany

Grain and Feed

Grain Crop Forecast 2003

2003

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Report Highlights:
Due to the lasting drought German grain crop 2003 is estimated at 41.4MMT. This compares with 43.4MMT in 2002 and 49.7MMT in 2001. Grain quality is significantly better than in 2002. Prices have moved upward for all grains.

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

Drought in Germany - Media Reports Overly Pessimistic

Agricultural crop production in Germany as well as in many other parts of Europe has been suffering under unusually dry weather that began in March through early May and then again retrieved hot and dry weather in June/July. Planting conditions had already been less than optimal in the Fall of 2002 due to the long summer rains. A long lasting cold winter with insufficient snow cover in many regions had already stressed crops in many regions. Winter kill was well above normal, reaching high levels of 10 to 20 percent in winter barley in the states of Sachsen, Thueringen, Hessen, Sachsen-Anhalt and Brandenburg. Winter damage in wheat was only marginally higher than in normal years. Average winterkill ranges between two and three percent. Also corn suffered under the extreme heat of the past weeks and will not reach the high yield level of last year.

Total German grain production is likely to reach only **41.4 MMT** in 2003. This compares to 43.4 MMT in 2002 and 49.7 MMT in the record year 2001. The grain harvest this year is about two weeks ahead of normal and due to the high temperatures, the harvest period will be shorter than normal. Yields are very low in certain parts of Germany while other regions report average yields. In particular, regions with sandy soils in eastern Germany report enormous crop losses. The most severe problems are reported in barley production which had already suffered most under winterkill. The quality of brewing barley seems to have suffered under the extreme heat; kernels are smaller and protein content is often too high. Regions in northern Germany near the coast report normal yields and good quality.

Since most of the grain has been harvested with very low moisture, farmers tend to store it on the farm and wait for higher prices later in the season. Prices are therefore significantly higher in July 2003 compared to July 2002. Last summer, grain prices had been low because of the inferior harvest quality. This year, only an above average share of shriveled grains causes problems. Protein levels of wheat are expected to be significantly higher than in 2002. Consequently more quality wheat will be available for exports than in MY 2002/03. It seems unlikely that German wheat will be placed into intervention if current strong world wheat prices persist. At the end of July, wheat prices are about three percent higher than in July 2002.

Barley prices are about twelve percent higher than in July 2002 because farmers hesitate to sell. Brewing barley experts estimate that the 2003 brewing barley crop will be about 200,000 tons shorter than in 2002. This offers opportunities for brewing barley imports into Germany. Bread rye prices still remain at a high level of Euro 109/ton, well above the intervention price of Euro 101.31. Since this year, rye was mainly planted on light soils, the share of small/shriveled grains is relatively high, leading to the result that only a small portion of the rye crop might end up in intervention stocks. Rye demand in flour mills amounts to about one million tons; another one million tons will be used as feed, and the remaining 700,000 tons will be exported, used as seed, losses and other purposes. During the past year, rye feeding had been very high because large portions of the rye crop did not meet intervention criteria due to sprout damages. It is expected that German flour mills will request that portions of the EU intervention stocks of rye be released to the domestic market. In particular, the southern part of Germany seems to be short of bread rye.

As the drought also damaged forage production, farmers will have to face higher feed costs for the next twelve months. Due to the strong prices on the grain markets, it is likely that Europe will import more non-grain feeds compared to previous years to compensate for the smaller supplies. Grain use in feeding in Germany is expected to drop by about 1.0 to 1.5 million tons. Forage supplies will also be smaller. It is likely that demand for CGF, DDG, citrus pulp and other by-products might increase. Also demand for tapioca may recover again as soybean and meal prices are on their way down. Soybean meal prices are at the moment about nine percent lower than in July 2002.

German Grain Crop Forecast 2003						
	2002			2003		
	Area	Yield	Production	Area	Yield	Production
	1000 ha	MT/ha	1,000 MT	1000 ha	MT/ha	1,000 MT
Winter Wheat	2,962	6.94	20,543	2,837	6.81	19,318
Spring Wheat	48	5.20	249	174	5.00	872
Durums	5	5.31	26	5	5.00	25
All Wheat	3,015	6.91	20,818	3,016		20,215
Rye	728	5.03	3,666	550	4.91	2,700
Winter Barley	1,361	6.07	8,265	1,318	5.60	7,383
Spring Barley	609	4.37	2,663	776	4.35	3,373
All Barley	1,970	5.55	10,928	2,094	5.14	10,756
Oats	233	4.36	1,016	261	4.31	1,124
Spring Mixed	26	4.13	106	25	4.20	105
Winter Mixed	9	5.33	51	10	5.40	55
Triticale	562	5.48	3,068	512	5.70	2,917
All	597	5.40	3,225	547		3,077
Corn	399	9.39	3,738	443	7.97	3,527
Grand Total	6,942	6.25	43,391	6,910	6.73	41,400
Source: FAS Bonn, Germany						