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France

Grain and Feed

Annual

2001

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Report Highlights: The MY 2001/2002 French grain crop is expected to be lower, especially in wheat, due to poor weather conditions during the planting season. The quality of the MY 2000/2001 wheat crop was not excellent, with widely different Hagbergs. Domestic feed uses of grain are expected to benefit from the ban on Meat and Bone Meal (MBM) and even more from the increase in poultry and pork production forecasted for CY 2001. Overall French grain exports (mostly wheat) are expected to decrease substantially in MY 2000/2001 despite larger French grain exports to EU countries. French flour exports are going to remain sluggish, a situation partly attributed by French flour exporters to the competition from U.S. food aid.

Includes PSD changes: Yes
Includes Trade Matrix: No
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Executive Summary

In MY 2000/2001, France had a large grain crop. The MY 2001/2002 grain crop is expected to be lower, since soft wheat plantings are down by 5 percent, even if barley plantings are up by 2.5 percent and corn planting may also be higher. This decrease in wheat planting is mainly due to poor weather conditions at sowing times which prevented many farmers from planting their winter crop.

In MY 2000/2001, more than three-quarters of wheat planted in France consisted of breadwheat, an increase from previous years, which is expected to continue in MY 2001/2002. However, the crop suffered from poor weather conditions, especially at harvest time and quality analyses show a protein content of 11.4 percent and a W of 170. The Hagberg index was very heterogenous, which means millers and exporters must carefully blend wheat lots to meet their needs. The wheat classification system established by ONIC was used for the MY 2000/2001 wheat crop, with another category added for wheat which can easily be used by the French milling and starch industry. According to ONIC, classes E, 1 and 2, with a higher protein content, covers close to 45 percent of French wheat.

Feed uses of grain are expected to increase slightly due to the ban on Meat and Bone Meal (MBM) in place in France since November 2000. About 400,000 MT of MBM were used annually by feed manufacturers. Most of the MBM will be replaced by soymeal and, to a lesser extent, by feed peas. However, for various technical reasons, feed manufacturers may include more wheat to replace some MBM. Feed use of grain and especially feed use of wheat will benefit more from the increase in poultry and pork production forecast for CY 2001, as feed rations for poultry and pork include more grain than feed rations for cattle. Overall, feed use of grain in MY 2000/2001 is expected to increase by about 600,000 MT from previous MY.

Overall French grain exports (mostly wheat) are expected to decrease substantially in MY 2000/2001. French grain exports to EU countries are expected to increase, especially to Belgium and the Netherlands due to the growing feed demand for grain in these countries. French wheat exports to Italy are also stable as Italian importers are able to get significant discounts on French wheat because of quality problems such as low Hagberg. France has also exported significant amountss of wheat to Eastern Europe. However, French corn exports, especially to Spain which had a good MY 2000/2001 crop, and because of a strong competition from UK feed wheat, are stagnant. On third-country markets, French wheat continues to suffer from quality problems and the early reluctance of the EU commission to grant export subsidies. No major export contracts, with the exception of Morocco, have been signed with COFACE guarantees.

The French flour trade has been declining for the past few years, due to increased competition from other EU countries such as Italy and Belgium. Moreover, France's traditional customers are now building their own mills, thus importing grain instead of flour. However, France has kept a strong customer network in Africa and remains the major and sometimes sole supplier of flour to those countries. France is also exporting some flour as food aid to African countries. The French Flour Exporters' Association (SYMEX) accused U.S. food aid in former Yugoslavia of displacing commercial trade, both from France and from Italy. French malt trade is booming. New modern malting facilities in France are helping French malt gain some price competitiveness.

DATA SOURCES

Data sources for this report include the French Grain Board (ONIC), French Ministry of Agriculture (MinAg), the Strategy Grain newsletter, French Wheat Growers Association (AGPB), French Corn Growers Association (AGPM), French Cooperative Association (AFCAT), French Export Millers Syndicate (SYMEX), French Technical Institute for Cereal and Forage (ITCF), French Financial Organization for the Grain Sector (UNIGRAINS), and other trade contacts.

Note that the report narrative has been truncated and trade matrices have been omitted since French trade data is available on the GTI World Trade Atlas, according to FAS/W guidance.

GRAIN OUTLOOK, PRODUCTION

Crop Area

According to ONIC and MinAg planting estimates, farmers will cultivate more than 5 million hectares of soft wheat for MY 2000/2001, down 5 percent from the level of MY 2000/2001. Winter barley plantings are estimated at 1.1 million hectares, stable from MY 2000/2001 winter barley plantings. Because spring barley area represents about 30 percent of total barley and is also expected to grow due to the current good price premium for malting barley and the bad weather which hampered winter sowing, overall barley plantings could rise 2.5 percent in MY 2001/2002.

It is still too early to forecast accurately the corn plantings for MY 2001/2002. However, since many farmers were not able to finish winter sowing of close to 200,000 hectares due to excess rainfall in the fall of 2000, they may instead increase their spring plantings, especially of corn. Post has chosen a significant growth rate of 5 percent for its corn forecasts.

Production

Production data have been updated using the latest source available. Crop forecasts for MY 2001/2002 have been made using ONIC long term projections for yield growth. Plantings of winter crops (wheat, durum, winter barley) were done in fall 2000 under unfavorable weather conditions. But plant growth assessment in early 2001 shows no significant damage to the plants so far.

Crop Quality - Wheat

In MY 2000/2001, about 78 percent of wheat planted in France consisted of bread-making varieties (or breadwheat), with 65 percent of superior bread-making quality. These figures show a sharp increase from the low level of 1998 when only 69 percent of wheat planted was bread-making quality and only 46 percent was of superior quality. Preliminary data for MY 2001/2002 show that farmers continued to plant more quality wheat, with 85 percent of wheat planted of bread-making quality and 74 percent of superior bread-making quality wheat.

According to ONIC, the superior bread-making variety ISENGRAIN is now the leading variety in France (14 percent of wheat planted for the MY 2001/2002) ahead of SOISSONS. Other bread-making varieties such as APACHE and CHARGER are on the increase. Note that some grain analysts dispute the ONIC classification of ISENGRAIN as a superior bread-making variety and classify it as low-to-medium bread-making variety.

The MY 2000/2001 crop suffered from poor weather conditions, especially at harvest time. However, final quality analyses show that the crop quality is better than anticipated, with a protein content of 11.4 percent and a W of 170. Water content averaged 13.9 percent and specific weight 74.5 kg/hectoliter. However, the Hagberg index was very heterogenous, which means millers and exporters will have to carefully blend wheat lots to match their needs.

Current weather conditions, with an excess of moisture, could lead to some quality problems for the MY 2001/2002 wheat crop. As rainfall drains nitrogen away from plant roots, this could induce low protein content in the kernels, as occurred in MY 1999/2000. However, as more and more grain farmers use scientific tools to measure the nitrogen level in their soil, they may be able to correct the nitrogen deficit before it impacts the crop.

Crop Quality - Classification

In 1999, the French wheat board established a classification table for French wheat:

Classes	Protein content	Bread Making strength	Hagberg index	Physical criteria (*)
E	$12 %	$ 250	$220	76 / 15 / 4 / 2 / 2
1	11 - 12.5 %	160 -250	$220	76 / 15 / 4 / 2 / 2
2	10.5 - 11.5 %	depending on contract	$180	76 / 15 / 4 / 2 / 2
3s /3+	$ 10.5 %	non specified	$ 150	SW $74 / 15 / 4 / 2 / 2
3a	< 10.5 %	non specified	non specified	SW $74 / 15 / 4 / 2 / 2
3b				SW < 74 / 15 / 4 / 2 /2

(*) Specific Weight (SW)/ maximum moisture content / broken kernels / germinated kernels / impurities
(Source ONIC)

This classification was first used for the MY 1999/2000 wheat crop, and the category 3s/3+ was added for the MY 2000/2001 crop. According to ONIC, the classes E, 1 and 2 cover close to 45 percent of French wheat. The class 3s/3+ covers wheat which can easily be used by the French milling and starch industry.

ONIC is now subsidizing local grain cooperatives for purchasing grain analyzers to sort the wheat according to its protein content. It will help them give premiums to farmers who achieve higher protein levels in their crop. The ultimate goal would be to raise the average quality, especially in terms of protein content and specific weight of the French wheat crop.

GRAIN OUTLOOK, CONSUMPTION

Feed Use of Grain
Following the CAP reform of 1992 that led to a decrease in EU grain prices, feed uses of grains have increased sharply in France, especially feed uses of wheat, to the detriment of non-grain feed ingredients (NGFI) such as manioc and corn gluten feed. From 30 percent in 1991, the share of grain in manufactured feed has grown to 45 percent in 1999, according to a study by the Ministry of Agriculture.

Feed uses of grain in France (in thousand MT)

(1000 MT)	On-farm Consumption		Feed Manufacturers		Total feed consumption	
MY	MY 2000/2001	MY 1999/2000	MY 2000/2001	MY 1999/2000	MY 2000/2001	MY 1999/2000
Soft wheat	4,225	4,301	7,117	6,161	11,342	10,462

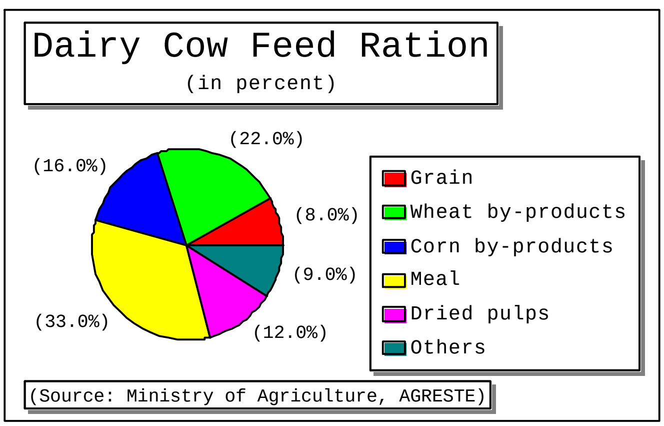
Barley	2,385	2,323	826	865	3,211	3,188
Corn	2,020	1,818	3,115	3,529	5,135	5,347
Rye	167	186	6	8	173	194
Oats	481	551	52	89	533	640
Sorghum	56	70	58	51	114	121
Triticale	848	831	304	286	1,152	1,117
All Grain	**10,182**	**10,080**	**11,478**	**10,989**	**21,660**	**21,069**

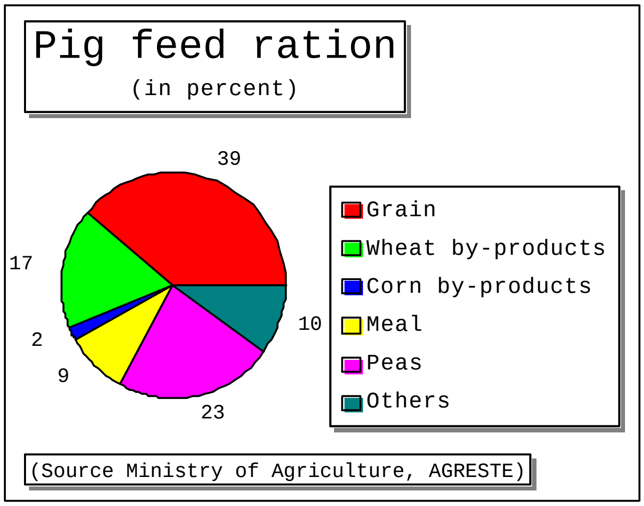
(Source: ONIC and Post's calculation)
(Note: On-farm consumption data is only an estimate and probably includes some grain used as on-farm seed. Precise and reliable data do not exist for on-farm grain consumption. MY 2000/2001 figures are forecasts.)

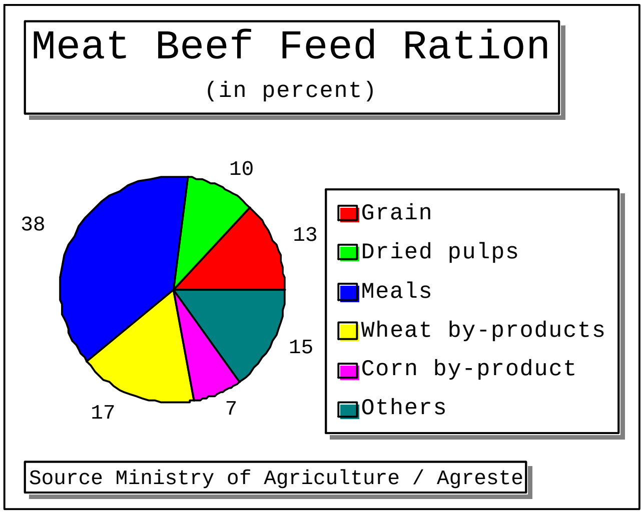
According to some experts, on-farm consumption is not likely to increase sharply for various reasons. Some farmers prefer to buy manufactured feed because it is better for cattle growth. Moreover, some believe that on-farm consumption is approaching its limit since cattle and poultry production are concentrated in the western part of France, but the main grain producers are in the regions of the Centre, Champagne, Picardie, and the Paris basin (north, central and nort-east central areas).

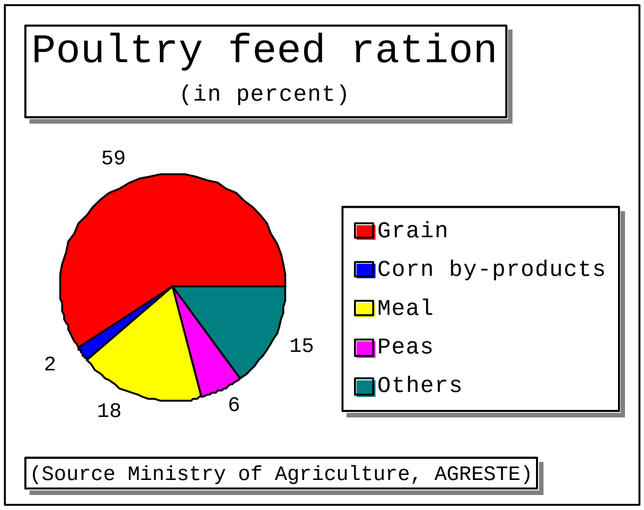
Feed uses of grain are expected to benefit slightly from the ban on Meat and Bone Meal (MBM) in place in France since November 2000. About 400,000 MT of MBM were used annually by feed manufacturers. Most of the MBM will be replaced by soymeal and, to a lesser extent, by feed peas. However, due to various technical reasons, feed manufacturers may include more wheat to replace some MBM. Feed use of grain and especially feed use of wheat will benefit more from the increase in poultry and pork production forecasted for CY 2001 as feed rations for poultry and pork include more grain than feed rations for cattle. Overall, feed use of grain in MY 2000/2001 is expected to increase by about 600,000 MT from previous MY (some experts forecast an even bigger increase of 800,000 MT).

Feed rations




Pig feed ration
(in percent)
39
17
2
9
23
10
Grain
Wheat by-products
Corn by-products
Meal
Peas
Others
(Source Ministry of Agriculture, AGRESTE)


Meat Beef Feed Ration
(in percent)
10
38
13
15
17
7
Grain
Dried pulps
Meals
Wheat by-products
Corn by-product
Others
Source Ministry of Agriculture / Agreste


Poultry feed ration
(in percent)
59
2
18
6
15
Grain
Corn by-products
Meal
Peas
Others
(Source Ministry of Agriculture, AGRESTE)

Industrial Uses

Industrial uses of grain, especially wheat, have increased sharply since the early 1990's. Soft wheat uses for starch production reached 2 million MT in 1999/2000 and are expected to reach 2.3 million MT in 2000/2001. France is the largest wheat starch exporter in the world, with more than 31 percent of the total wheat starch world trade. A new plant in the Picardie region of France began operation in 1997. Built on 68 hectares, it has almost doubled French wheat starch production. From an initial capacity of 750,000 MT of wheat, the plant capacity has increased to 1 MMT of wheat. Corn use for starch is also forecast to grow to 650,000 MT in MY 2000/2001 from 580,000 MT in 1999/2000. Domestic uses of barley for malting will also grow slightly at 170,000 MT yearly.

Milling

The French milling industry is undergoing major restructuring. The domestic market of small corner bakeries, although still large, is shrinking as more and more people buy their bread in supermarkets or hypermarkets. Thus, several small or medium-sized millers have either closed or have been bought by larger milling groups such as SOUFFLET or Grand Moulins de Paris.

Big milling groups have also suffered both from weak domestic demand and decreased exports. Many traditional importers such as Egypt and Yemen are building milling plants and starting to import grain instead of flour. To reduce overall capacity, ONIC and the milling industry have launched a program that will cut almost in half the French export milling capacity from 1.7 MMT of flour to 0.8 MMT. Some mills will be closed down and the milling equipment will be sold outside the EU. Companies such as Champagne Céréales and SCARM are completely withdrawing from the flour export business. At the beginning of 2001, the reduction plan was almost completed. Further reductions in capacity in the domestic milling sector are also planned for 2001 and 2002.

Stocks and Storage

The building of storage capacity which was partly subsidized by ONIC in 1999 and 2000 significantly reduced the storage shortages that occured in MY 1998/99. With a lower expected wheat crop in MY 2001/2002, no shortages are forecast this MY.

GRAIN OUTLOOK, TRADE

General

French grain exports (mostly wheat) are expected to decrease substantially in MY 2000/2001. French grain exports to EU countries are expected to increase, especially to Belgium and the Netherlands due to the growing feed demand for grain in these countries, in the aftermath of the MBM ban and the expected growth in poultry and pork production. French wheat exports to the Netherlands are especially high as opposed to corn exports, due to the price differential which favors wheat. French wheat exports to Italy are also stable. Italian importers are able to get significant discounts on French wheat because of quality problems such as low Hagberg. By blending with U.S. or German wheat, they can still get the quality of wheat they need. France has also exported significant amounts of wheat to Eastern Europe. On the other hand, French corn exports, especially to Spain which had a good MY 2000/2001 crop, and because of a strong competition from UK feed wheat, are stagnant.

On third-country markets, French wheat continues to suffer from quality problems and the early reluctance of the EU commission to grant export subsidies. No major export contracts, with the exception of Morocco, have been signed so far with COFACE guarantee.

Flour Trade

French flour trade has been declining for the past few years, due to increased competition from other EU countries such as Italy and Belgium. Moreover, France's traditional customers such as Egypt and Yemen are now building their own mills, thus importing grain instead of flour. However, France has kept a strong customer network in Africa and remains the major and sometimes sole supplier of flour to those countries. France is also exporting some flour as food aid to African countries. The French Flour Exporters' Association (SYMEX) blamed U.S. food aid to former Yugoslavia for displacing commercial trade, both from France and from Italy.

French malt trade is booming. New modern malting facilities in France are helping French malt gain some price competitiveness.

TABLES

PSD Table						
Country	France					
Commodity	Wheat				(1000 HA)(1000 MT)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		07/1999		07/2000		07/2001
Area Harvested	5132	5124	5400	5269	0	5015
Beginning Stocks	8749	8646	7300	6844	8500	6657
Production	37160	37233	39450	37584	0	36300
TOTAL Mkt. Yr. Imports	300	297	350	455	0	500
Jul-Jun Imports	300	297	350	455	0	500
Jul-Jun Import U.S.	0	5	0	0	0	0
TOTAL SUPPLY	46209	46176	47100	44883	8500	43457
TOTAL Mkt. Yr. Exports	20300	20618	19800	18195	0	17400
Jul-Jun Exports	20300	20618	19800	18195	0	17400
Feed Dom. Consumption	10700	10462	10500	11350	0	11550
TOTAL Dom. Consumption	18609	18714	18800	20031	0	21050
Ending Stocks	7300	6844	8500	6657	0	5007
TOTAL DISTRIBUTION	46209	46176	47100	44883	0	43457

PSD Table						
Country	France					
Commodity	Wheat, Durum				(1000 HA)(1000 MT)	
	Revised	1999	Preliminary	2000	Forecast	2001

	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Area Harvested	328	327	340	333	0	325
Beginning Stocks	80	84	203	121	100	134
Production	1517	1542	1490	1633	0	1470
TOTAL Mkt. Yr. Imports	72	84	80	204	0	300
Jul-Jun Imports	72	84	80	204	0	300
Jul-Jun Import U.S.	5	5	0	0	0	0
TOTAL SUPPLY	1669	1710	1773	1958	100	1904
TOTAL Mkt. Yr. Exports	730	942	800	1025	0	1000
Jul-Jun Exports	730	942	800	1025	0	1000
Feed Dom. Consumption	0	0	0	0	0	0
TOTAL Dom. Consumption	736	647	873	799	0	830
Ending Stocks	203	121	100	134	0	74
TOTAL DISTRIBUTION	1669	1710	1773	1958	0	1904

PSD Table						
Country	France					
Commodity	Barley				(1000 HA)(1000 MT)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		07/1999		07/2000		07/2001
Area Harvested	1538	1534	1570	1560	0	1600
Beginning Stocks	1956	1951	1000	869	800	1060
Production	9670	9539	9750	9960	0	9800
TOTAL Mkt. Yr. Imports	25	27	25	95	0	100
Oct-Sep Imports	30	56	25	95	0	100
Oct-Sep Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	11651	11517	10775	10924	800	10960
TOTAL Mkt. Yr. Exports	5800	5714	5500	4700	0	5100
Oct-Sep Exports	5800	4915	5500	5100	0	5100
Feed Dom. Consumption	3323	3188	3000	3200	0	3200
TOTAL Dom. Consumption	4851	4934	4475	5164	0	5160
Ending Stocks	1000	869	800	1060	0	700
TOTAL DISTRIBUTION	11651	11517	10775	10924	0	10960

PSD Table						
Country	France					
Commodity	Corn				(1000 HA)(1000 MT)	

	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		07/1999		07/2000		07/2001
Area Harvested	1738	1737	1750	1808	0	1900
Beginning Stocks	2482	2649	2700	1985	2500	2610
Production	15356	15374	14525	16374	0	16900
TOTAL Mkt. Yr. Imports	201	249	200	206	0	200
Oct-Sep Imports	200	183	200	200	0	200
Oct-Sep Import U.S.	5	6	5	5	0	0
TOTAL SUPPLY	18039	18272	17425	18565	2500	19710
TOTAL Mkt. Yr. Exports	7900	8370	7500	7750	0	8600
Oct-Sep Exports	7500	7761	7500	7800	0	8600
Feed Dom. Consumption	5150	5077	5000	5150	0	5250
TOTAL Dom. Consumption	7439	7917	7425	8205	0	8710
Ending Stocks	2700	1985	2500	2610	0	2400
TOTAL DISTRIBUTION	18039	18272	17425	18565	0	19710