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Grain and Feed

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Executive Summary

German farmers reduced their winter grain plantings for the 1999 harvest by about eight percent due to unfavorable planting conditions and an increase in the obligatory set-aside requirement from five to ten percent. Total grain harvest in 1999 is forecast at 42.25 million tons compared to 44.58 million tons in 1998. Production is estimated to exceed domestic grain consumption by eight to nine million tons annually. These surpluses resulted in annual grain exports of eight to ten million tons and a build-up of intervention stocks to about eight million tons by the end of the current MY.

All Grains	94/95	95/96	96/97	97/98	98/99	99/00
Area harvested - 1,000ha	6235	6527	6707	7014	7042	6695
Begin Stocks - 1,000 MT	13255	9773	7423	8612	11814	13833
Production	36329	39864	42136	45486	44575	42200
Tot Mkt Yr Imports	3291	3119	3006	2245	2160	2335
Oct/Sep Imp	3287	3044	3026	2182	2160	2335
Oct/Sep Imp US	97	179	11	80	63	63
Tot Supply	52875	52756	52565	56343	58549	58368
Tot Mkt Yr Export	8815	11045	9247	7834	8940	10490
Oct/Sep Export	9601	10174	8255	7861	9140	10490
Feed Dom Consump	20752	21964	21632	21956	22020	21575
Tot Dom Consump	34287	34288	34706	36695	35776	35125
Ending Stocks	9773	7423	8612	11814	13833	12753
Tot Distribution	52875	52756	52565	56343	58549	58368

The vast majority of German grain exports is sold to EU countries. This MY, export opportunities opened up for German wheat to North African countries, such as Algeria, Tunisia and Egypt, and food aid to Russia. German wheat is generally among the highest quality European wheats. Barley again this year is selling well to Saudi Arabia. Domestic feed consumption of grains is forecast to stagnate at 21 to 22 million tons.

Production

The final German grain harvest amounted to 44.6 million tons, which is only 900,000 tons or two percent less than in 1997. It exceeds domestic consumption by about nine million tons. The forecast for 1999 is at 42.25 million tons, five percent less than in 1998. The reduced grain production forecast has two major reasons. Number one, the obligatory set-aside was increased from five to ten percent for the 1999 growing season. Additionally, planting conditions in the fall of 1998 were sub-optimal. Well above average precipitation in September and October, followed by an unusually early winter in November, hindered grain planting. In particular, wheat seeding was delayed and in many cases not possible. Since wheat is often planted after sugar beets, an extremely late sugar beet harvest did not allow wheat planting on a number of fields. Consequently, winter wheat area is estimated to be about eight percent below 1998. As result of reduced winter grain planting,

an increase in spring grain acreage is forecast. Increases are forecast mainly for spring barley and oats.

Despite planting difficulties during the fall of 1998, and an above normal share of lower yielding spring grains, total average yields are forecast to remain at 1998 levels. The annual average long-term yield improvement is estimated at one to two percent, mainly due to variety improvements. Fertilizer application varies only according to weather conditions. Strict environmental rules generally prohibit an increase in fertilizer usage. Seed companies hope to increase the use of certified seeds to 60 percent in wheat instead of a replanting of self-prepared seeds from the previous harvest. In previous years, only 35 percent of wheat seeds were directly purchased from seed breeding companies; the rest were replanted seeds. Seed companies reported in the fall of 1998 that farmers increased their demand for high quality baking wheats at the expense of normal baking wheat varieties. In 1998, about 48 percent of the German wheat fields were planted to high quality varieties, a reduction of about two percent below 1997. Farmers in 1998 realized that the marketing of better quality wheat is more profitable than average quality or feed wheat, despite higher production costs.

Grain Production in Germany						
		1998			1999	
	Area	Yield	Production	Area	Yield	Production
	1,000 ha	MT/ha	1,000 MT	1,000 ha	MT/ha	1,000 MT
Winter Wheat	2,746	7.24	19,878	2,528	7.10	18,000
Spring Wheat	45	5.56	249	60	5.60	325
Durums	12	5.13	60	15	5.10	75
All Wheat	2,803	7.20	20,188	2,603	7.10	18,400
Rye	936	5.10	4,775	798	5.30	4,200
Winter Barley	1,502	6.13	9,203	1,425	6.10	8,700
Spring Barley	678	4.88	3,309	750	5.00	3,750
All Barley	2,181	5.74	12,512	2,175	5.70	12,450
Oats	264	4.84	1,279	300	5.00	1,500
Spring Mixed	38	4.47	171	40	5.00	200
Winter Mixed	10	5.45	54	10	5.50	55
Triticale	469	6.01	2,814	419	6.10	2,545
All	517	5.88	3,039	469	6.00	2,800
Corn	341	8.26	2,782	350	8.30	2,900
Grand Total	7,042	6.33	44,575	6,695	6.31	42,250
Rapeseed	1,007	3.36	3,388	1,120		
Potatoes	297	37.14	11,338	300		
Silage Corn	1,235	43.84	54,328	1,210		
Pulses	225	3.50	787	230		

Consumption

Total grain consumption in 1997/98 is estimated at 36.7 million tons, which is about 80 percent of the total German harvest. Consumption increases are primarily attributed to export demand for processed grains and products, such as barley malt. Actual domestic consumption of grain does not vary significantly from year to year. However, grain use for bread products is on a relatively steady upward trend reaching 75.1 kilogram per capita in 1997/98. Grain consumption is increasing at the expense of potatoes and meat products, which seems to be a global trend in industrialized countries.

A major variable in grain consumption is feed use. Due to large surplus crops and low grain prices, incorporation of grains in commercial feed mixes amounted to 6.3 million tons in MY 1997/98. This is an ingredient share of 34 percent of grains on average in commercial feed mixes. During the first four months of MY 1998/99, the grain incorporation share grew to 37 percent. Grains nearly completely replaced tapioca in feed rations. This year, citrus pellets were also replaced by grains as result of the dioxin problem with Brazilian citrus pellets. Corn gluten feed use has remained stable at 1.3 million tons annually over the past several years.

Trade

Except for durum wheat, corn and sorghum grain imports into Germany nearly exclusively originate from other EU countries. Major competitor for U.S. durums is Canada supplying about 40 percent of German durum needs. In trade with corn, Hungary has developed into a major competitor for the U.S. and Argentina. Hungary increased its shipments from 8,000 tons in MY 1996/97 to 60,000 tons in MY 1997/98. Hardly any yellow corn was imported from the U.S. in MY 1997/98. Imports of popcorn are estimated at about 6,000 tons.

German grain exports are predominantly into other EU countries. About 80 percent of wheat exports went to EU countries. In MY 1998/99, larger volumes of German wheat were sold to Algeria; total estimates range at 500,000 to 800,000 tons of German origin, compared to 328,000 tons in 1997/98. Algeria prefers German wheat because their protein requirements of a minimum 12.5 percent and a test weight of more than 78 kilograms are best be met by German wheat compared to other EU origin wheat. German wheat exports to Tunisia are estimated at about 100,000 tons. Libya also received one cargo of 31,000 tons. German wheat shipments to Iran are forecast to about 150,000 to 200,000 tons.

Barley exports are forecast to recover again in 1998/99 because of large sales to Saudi Arabia, forecast at about one million tons compared to only 194,000 tons in 1997/98. Also several hundred thousand tons of barley were sold to Algeria and Morocco. Turkey, which was a competitor for European barley last MY, bought German barley in the fall of 1998. Total MY exports are forecast to recover to two million tons compared to 906,000 tons in 1997/98.

Stocks

Despite reduced grain production in 1998 of minus 900,000 tons, intervention purchases during the current MY are forecast to shrink only by about 200,000 tons compared to MY 1997/98. Namely rye and barley will again be offered to intervention. Wheat is preferred in feeding because of its superior feeding properties.

German Grain Intervention Takeovers					
	Wheat	Rye	Barley	Corn	Total

1993/94	923,067	735,751	1,441,656		3,100,474
1994/95	1,180,661	948,984	1,605,112		3,734,757
1995/96	11,993	952,563	729,508		1,694,064
1996/97	222,979	786,334	548,206		1,557,519
1997/98	317,367	1,937,137	2,939,059	74,499	5,268,062
1998/99*	406	1,277	2,013		3,696
1998/99**	700	1,800	2,500		5,000
* Nov 1,98 - Jan 28,99					
** Forecast 1998/99					
Source: FedMinAgr					

Total intervention stocks by the end of MY 1998/99 are forecast to rise to 8.0 to 8.5 million tons, predominantly barley and rye. Rye is most the problematic grain for Germany and the EU, since hardly any customer can be found on the world market. In recent years, South Korea, PR China and Japan were major customers for German intervention rye for feed use in hog production and in fish production. About 500,000 tons of rye will be shipped to Russia as food aid .

Policy

In view of rising intervention stocks of grains, Germany advocates a continuation of the 10 percent set-aside scheme for the coming MY 1999/2000. Germany is a strong supporter of the idea of production control programs. One reason is to lower annual grain production and grain surpluses. Another reason is to provide opportunities to produce non-food crops for technical purposes on set-aside land, such as rape seed oil, as a renewable resource.

To avoid the build up of surplus stocks of grains and to make EU grain production competitive on international markets, the German administration supports the Agenda 2000 proposal to lower EU intervention prices and compensate farmers for the reduced income. However, government grain experts argue that the proposed reduction of 20 percent is too big a reduction, and that only ten percent would be sufficient to bring domestic grain prices into line with world market prices. Germans are still confident that in the relatively near future, international grain prices will recover and remain on a higher level.

The Agenda 2000 proposal to lower support payments for oilseeds to the grain support level is rejected by Germany. It is feared that domestic rapeseed production will not be competitive enough to match up with returns from grain production. Farmers would then drop out of rapeseed production and instead increase grain production and grain surpluses.

Marketing

Marketing opportunities for U.S. grains are currently rather limited in Germany. Quality of German wheats is among the highest in Europe. Produced volume well exceeds demand. However, demand for durum wheat is increasing as pasta products are favored by many consumers. U.S. suppliers are strongly competing with Canada. As corn production in Germany and the EU in general is on a high level, demand for U.S. yellow corn

for use in the starch milling industry is very limited. A residual market for corn still exists for popcorn. It is estimated at 6,000 to 8,000 tons.