

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Drought Related Production Losses Set to Push Imports

Report Categories:

Agricultural Situation

Agriculture in the News

Oilseeds and Products

Grain and Feed

Approved By:

Emily Scott

Prepared By:

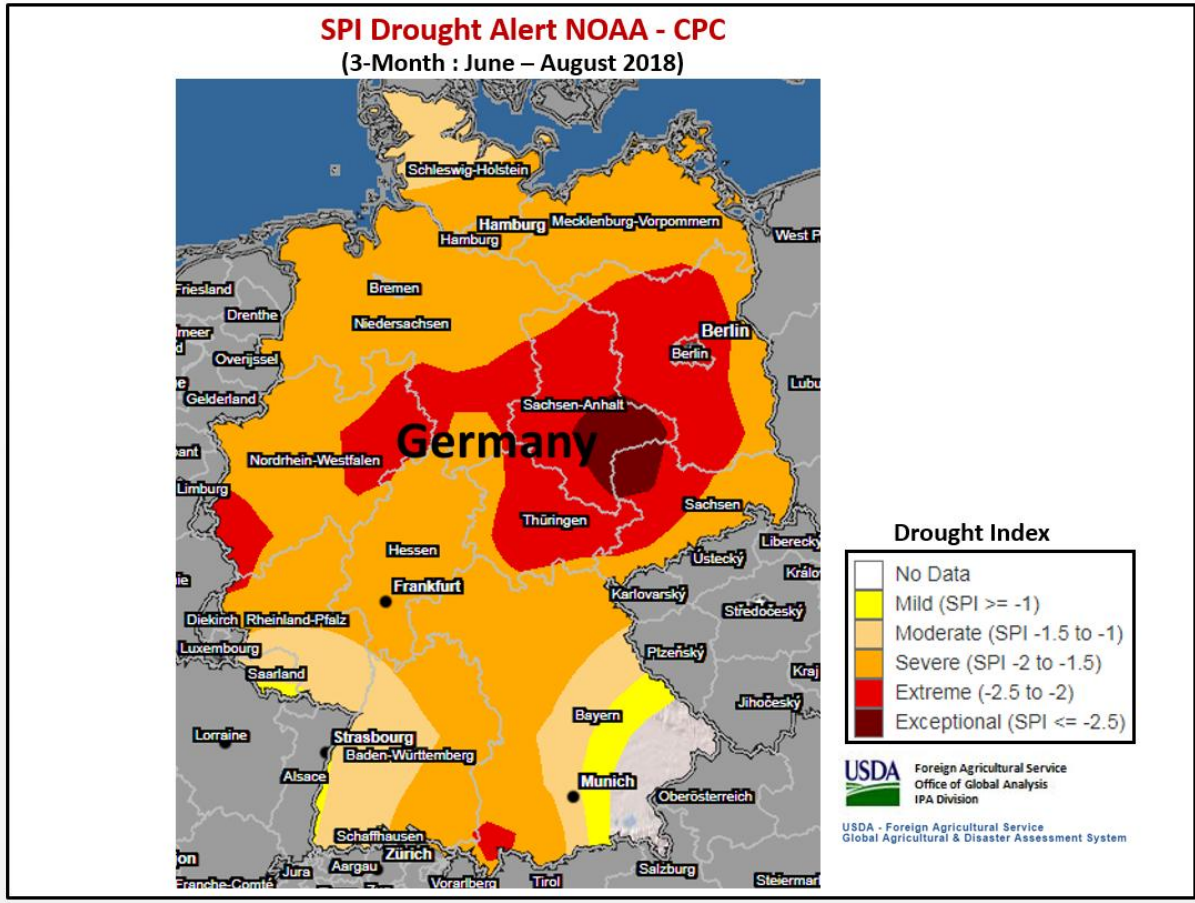
Sabine Lieberz\Leif Erik Rehder

Report Highlights:

The drought has heavily affected grain, rapeseed, and forage production in Germany. As a result, Germany is expected to strongly increase imports of soybeans/soybean meal and to become a net grain importer. The US is set to become top source of soybeans to Germany. The drought was officially declared, “a weather incident of national extent,” enabling the Government to award financial support for over 10,000 farms in Germany.

General Information:

The fall of 2017 was exceptionally wet and as a result 2017 harvest and 2018 plantings were delayed. In some cases, winter grains were not planted at all with fields converted to lower yielding spring grains. Average temperatures in April and May 2018 were the highest since 1881, or the earliest available recordings. High temperatures, strong winds, and little to no rain resulted in a water deficiency in the North and East of the country while the South and West saw thunderstorms that brought heavy rains and some local hail damage in June. July brought a heat wave for all of Germany with rain limited to occasional, local showers. August saw more of the same so that by end of August all of Germany, with the exception of the Alps mountain range and its fringes, suffered from moderate to exceptional drought (see picture below)



Note: SPI = Standardized Precipitation Index

Production Losses through Drought

The German Ministry for Food and Agriculture (BMEL) issued a preliminary estimate for the 2018 grains and winter rapeseed crop. Grains production (without corn) is estimated at 34.5 million MT compared to last year's result of 41.0 million MT. (NOTE: BMEL has not yet issued an official corn estimate. However, the German Farm Cooperative association forecasts a 50 percent reduction in corn production.) This is the lowest production since 1994 and mainly a result of the drought in the North and East of the country. The drought had similar effects on rapeseed production, which is forecast at

3.6 million MT compared to last year's 4.3 million MT. This is the lowest rapeseed crop since 2003.

Table: German Grain and Rapeseed Production Estimate

	Area (1000 ha)			Production (1000 MT)		
	2017	2018	Change	2017	2018	Change
Winter wheat	3,131	2,893	-8%	24,080	19,487	-19%
Summer wheat	42	112	166%	231	516	123%
Durum	30	30	2%	170	140	-18%
Wheat total	3,203	3,035	-5%	24,481	20,143	-18%
Winter barley	1,227	1,219	-1%	9,019	7,406	-18%
Spring barley	340	448	32%	1,834	2,219	21%
Barley total	1,567	1,667	6%	10,853	9,625	-11%
Rye	537	523	-3%	2,737	2,204	-19%
Triticale	389	360	-8%	2,317	1,934	-17%
Oats	128	140	9%	576	571	-1%
Total Grains (w/o Corn)	5,824	5,725	-2%	40,964	34,477	-16%
Rapeseed	1,305	1,222	-6%	4,268	3,649	-15%

Source: FAS Berlin based on BMEL data

In addition, the drought had a negative effect of forage production (hay, corn, and grass silage). In many regions there was not enough grass growth for the usual third cutting; some regions failed to harvest even a second cutting. In the most drought stricken regions corn plants did not develop a cob resulting in low quality corn silage. On the other hand, some of the corn that was planted for grain production will be turned into corn silage instead.

Effects on Trade

Use of domestic grains and rapeseed meal in feed ratios is set to decrease in the remainder of 2018 and for at least the first half of 2019. This is partly because of the low domestic grains and rapeseed production and partly because of higher compound feed use. The latter is a result of the lower on farm forage production.

Domestic feed will be replaced by soybean meal and sunflower meal as well as grains from EU and non-European countries. This is expected to boost soybean/soybean meal imports and soybean crush. The US is set to become the top source of soybeans for Germany due to supply and competitive prices. In 2017, German imports of soybeans and soybean meal added up to nearly 2.3 billion USD with direct soybean sales from the US topping 0.6 billion USD. U.S. soybean meal exports might also increase but the U.S. is just a minor exporter of soybean meal since it is used domestically in livestock and poultry production. Direct sales to Germany were below 1 million USD in 2017.

U.S. wheat exporters could also benefit from Germany's need to increase grain imports while the corn and corn gluten feed exports to Germany is hampered by the fact that many genetically engineered U.S. corn varieties are not approved for import into the EU.

Support for Farmers

To alleviate the tight forage situation, affected Federal States may allow farmers to use areas registered as Ecological Focus Areas under the EU's Common Agricultural Policy for forage production after completing a minimum non-use time of eight weeks. On August 22, 2018, Julia Kloeckner, Federal Minister of Food and Agriculture, officially declared the drought, "a weather incident of national extent," and proposed a joint federal/state aid program worth around 340 million euros for farmers whose existence is threatened. According to the assessment of the federal states, about 10,000 farms, or every 25th farm in Germany, is so badly affected by the drought that their existence is threatened. While the exact modalities of a joint federal-state aid program are currently being negotiated, the following conditions are already established:

- Production loss exceeding 30 percent compared to the previous years'
- Without support the farm's existence is threatened.
- The Federal Government will contribute 50 percent to the joint aid program of the federal government and German states.
- The aid is to be granted as non-repayable subsidy.