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Germany

Grain and Feed

2005 Grain Quality at Risk

2005

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Report Highlights:
2005 German grain crop is forecast to be four million tons lower than in 2004 due to one percent lower production area and lower yields. Extended rains during the past three weeks put wheat, rye and triticale quality at risk. A significant portion of sprout damaged grain sends feed grain prices down. Grains are also at risk for above normal mycotoxin levels.

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

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Executive Summary

The German grain in 2005 is forecast to reach only 47 MMT compared to 51 MMT in 2004. According to latest official statistics, crop area is about one percent less than last year. Grain yields suffered under the extreme heat during the second half of June. Widespread rains the end of July put grain quality at risk. A large portion of wheat, rye and triticale is sprout damaged. A significant portion of the wheat crop – possibly up to 25 percent - will not meet intervention criteria and can only be used for feed purposes. Prices for non-interventionable grains are under considerable downward pressure.

Production

Frequent rains over the past three weeks have put the German grain harvest at considerabler risk. Most of the winter barley was harvested prior to the rainy period and is of good quality. However, about 50 percent of the wheat is still out in the fields. Farmers claim that they still need about 10 days of uninterrupted harvest time to get all remaining grains out of the field. Many farmers already report that large portions of their wheat are lodging in the fields and are at risk from fusarium.

Falling numbers in early and middle ripening wheat varieties are decreasing quickly. Farmers who planted later ripening varieties seem to have fared beter. Falling numbers in their wheat are still in the middle to high 200s. However, large portions of this year's wheat crop will not meet milling quality and have to be used or sold as feed wheat. The same holds true (?) for sprout damage in rye and triticale. Both grains are highly susceptible to sprout damage.

In addition to the quality problems, extremely high temperatures during the second half of June impacted negatively on wheat yeilds. Kernels are generally smaller than in normal years, although the crops looked good in June. The barley had already ripened before the heat wave started and was able to develop normal kernels.

Corn had a late and slow start and was often lacking moisture during the month of June. Rains in July provided the opportunity to make up for the growth deficit. However, it is questionable whether all the corn planted for grain harvest can be harvested as grain. It is likely that a growing share of the corn will have to be harvested as corn-cob-mix or as silage corn.

Grain Harvest

	2004			2005*		
	Area	Yield	Production	Area	Yield	Production
	1000 ha	MT/ha	1,000 MT	1000 ha	MT/ha	1,000 MT
Winter Wheat	3,057	8.21	25,088	3,123	7.49	23,394
Spring Wheat	46	6.25	289	55	5.50	300
Durums	8	6.11	50	10	5.30	55
All Wheat	3,112	8.17	25,427	3,188	7.45	23,750
Rye	625	6.13	3,830	555	5.50	3,050
Winter Barley	1,365	7.06	9,636	1,359	6.50	8,833
Spring Barley	614	5.47	3,357	605	5.00	3,027
All Barley	1,979	6.56	12,993	1,964	6.04	11,860
Oats	228	5.21	1,186	211	4.89	1,030
Spring Mixed	24	4.65	113	27	4.55	122
Winter Mixed	10	6.08	58	10	5.90	57
Triticale	507	6.49	3,290	482	6.41	3,090
All	541	6.39	3,461	519	6.30	3,270
Corn	462	9.13	4,200	443	9.00	3,990
Grand Total	**6,947**	7.36	**51,097**	**6,880**	6.82	**46,950**

* FAS Germany Forecast

Farmers report a good grass silage and hay crop for 2005. Also silage corn production is expected to be good.

Consumption

Since crop quality in wheat differs significantly from region to region and from variety to variety prices also vary significantly. Farmers who were able, or will be in the position, to harvest good quality with high falling numbers and low moisture content are expected to store these grains on the farm if storage capacity isavailable. They are likely to speculate for higher prices during the marketing year.

Since it is likely that about 30 percent of the wheat will be only of feed quality, farmers might tend to sell these grains, which are often harvested with 17-18 percent moisture as quick as possible. ????Farm gate prices for non-interventionable feed wheat have already dropped considerably – in some regions to only slightly above €70 per ton if the product needed drying. Such low prices force wheat farmers to search for interested livestock farmers in order to sell directly. Market experts claim that such direct trading is increasing considerably. Another new cost factor for German farmers since the beginning of 2005 is the requirement to pay a toll for truck traffic on highways. The toll roughly adds up to €0.75 to €1.00 per ton of grain per 100 kilometers.

Intervention

The lower total volume of the German grain crop in 2005 versus 2004 and the average lower crop quality will most likely result in significantly lower offers of grains to the intervention agency. However, the above mentioned higher transportation cost may force grain traders with adequate quality grains to offer the product to the intervention agency because export locations could be too distant. This holds true in particular for grain producers and merchants in the federal states of Thueringen and Sachsen. Iin MY 2004/05 these regions reported the highest offers of grain to intervention.

Total intervention takeovers during MY 2004/05 amounted to 4.7 million tons. This was the highest intervention takeover for the past six years. As result of the drought situation in the Mediterranean region, prices had strengthened by the end of the marketing year. This caused traders to cancel several hundred thousand tons of wheat that had been offered to intervention

German Grain Intervention Takeovers in MT

	Wheat	Rye	Barley	Corn	Total
1997/98	317,367	1,937,137	2,939,059	74,499	5,268,062
1998/99	727,055	1,800,435	2,705,990		5,233,480
1999/00	197,813	1,777,054	2,845,779	19,808	4,840,454
2000/01	42,620	1,087,154	1,477,487	3,036	2,610,297
2001/02	7,181	1,541,847	1,812,406	100	3,361,534
2002/03	68,762	361,229	1,098,384	5,948	1,534,323
2003/04		113,794	39,927	0	153,721
2004/05*	3,142,986		1,544,198	9,980	4,697,164
2005/06**	500,000	0	300,000	0	800,000

* preliminary

**AgBonn Forecast 2005/06

Source: FedMinAgr