Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Required Report - public distribution

Date: 3/4/2002

GAIN Report #FR2013

France

Grain and Feed

Annual

2002

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Report Highlights:
The MY 2002/2003 French grain crop is expected to be much larger than in MY 2001/2002, especially in wheat due to a 9 percent increase in wheat plantings and good weather throughout fall and winter. The quality of the MY 2001/2002 wheat crop was relatively good, but with a lower protein content than expected. Domestic feed uses of wheat are expected to decrease in MY 2001/2002 because of the lower competitiveness of wheat and the recession in the French poultry sector. A rebound is expected for MY 2002/2003. Overall French grain exports (mostly wheat but also barley and corn) to both EU and third Countries are expected to decrease substantially in MY 2001/2002 because of strong competition from Black Sea grain and quality problems. Larger exports are expected in MY 2002/2003. French flour exports are going to remain sluggish because of lower overseas'demand.

Includes PSD changes: Yes
Includes Trade Matrix: No
Unscheduled Report
Paris [FR1], FR

EXECUTIVE SUMMARY

The MY 2001/2002 French grain crop was much lower than average, due to poor weather conditions at sowing and harvest times. MY 2002/2003 is expected to be much larger: Soft wheat plantings are 9 percent up over the previous MY, barley and corn planting are expected to be slightly down, mainly because of lower spring barley plantings while durum plantings are stable. So far, weather conditions have been favorable to the grain plant growth.

In MY 2001/2002, more than three-quarters of wheat planted in France consisted of bread wheat, an increase from previous years, which is expected to continue in MY 2002/2003. However, the crop suffered from poor weather conditions, and quality analyses show a protein content of 10.9 percent. 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 continued to used for the MY 2001/2002 wheat crop. According to ONIC, high quality classes E, 1 and 2, with a higher protein content, cover close to 60 percent of French soft wheat.

Feed use of wheat by French feed compounders is expected to drop sharply in MY 2001/2002. This is mainly due to the lack of price competitiveness of French soft wheat at the beginning of the MY compared to barley and corn, and to a lesser extent by the recession in the poultry sector. On the other hand, on-farm wheat feed-uses is expected to remain stable. However, more recently wheat prices have declined, which could lead to more wheat being used by feed compounders. A rebound is expected for MY 2002/2003 if the large domestic crop keeps wheat prices competitive.

French grain exports (mostly wheat) are expected to decrease substantially in MY 2001/2002, but to regain some ground lost in MY 2002/2003 because of the expected larger crop. French soft wheat and barley, and to a lesser extent corn, exports to EU countries in MY 2001/2002 are expected to decrease to 7.2 million MT as exports to Spain and Italy face strong competition from Ukrainian wheat.

The export outlook is more favorable for MY 2002/2003. The exportable surplus of wheat and barley is likely to be larger, and there are hopes that French grain will regain some competitiveness against Black Sea grain. Barley prices will also be impacted by an expected larger Canadian crop and by the U.S. corn crop level.

Imports of Ukrainian wheat in France were marginal in MY 2001/2002. The bulk of imports is mostly trans-border shipments from Germany and Belgium. The French wheat sector is more anxious about the high level of imports from non-EU countries into other EU countries such as Italy and Spain and hope they will be lower in 2002/2003.

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. 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.

Some websites (mainly in French) with information on French grain sector

www.onic.fr : website of the French grain board, ONIC

www.agriculture.gouv.fr : website of the French Ministry of Agriculture

www.cerealiers-france.com : gateway to the websites of the French grain sector

www.agpb.fr : website of the French Wheat Growers' Association

www.agpm.com : website of the French Corn Growers' Association

www.unigrains.fr : website of UNIGRAINS, the investment branch of the French Wheat Growers' Association

www.itcf.fr : website of the French Technical Institute for Grain and Forage

www.ffcat.com : Website of the French Association of Cooperatives

www.apca.chambagri.fr : website of the French Chambers of Agriculture

GRAIN OUTLOOK, PRODUCTION

Crop Area

According to ONIC and MinAg planting estimates, farmers will cultivate close to 5 million hectares of soft wheat for MY 2002/2003, up almost 9 percent from the level of MY 2001/2002. Winter barley plantings are estimated at 1.1 million hectares, slightly up from MY 2001/2002 winter barley plantings. Spring barley area represents about 30 percent of total barley and is expected to decrease sharply in MY 2002/2003 and resume to average level of 520,000 hectares (and possibly lower if the current moisture level continues to hamper farmers from sowing spring seeds), after a hike in MY 2001/2002 because of poor planting conditions for winter crops this MY

It is still too early to forecast accurately the corn plantings for MY 2002/2003. While the acreage will be lower than in the previous MY which benefitted from the poor sowing conditions of winter crops, it may be increased by the current humid weather which hamper spring wheat and spring barley sowing.

On the long term, most analysts believe that the acreage planted to soft wheat will continue to grow. France benefits from favorable weather condition for soft wheat crop. Farmers master well its cultivation, and with compensatory payments at the same level for all arable crop, and even with low wheat prices, French farmers can get a larger profit with wheat cultivation compared to barley or oilseeds cultivation. Some technical limitations such as the increase of diseases when wheat is cultivated after wheat could however slow down this growth. Acreage planted to winter barley are not foreseen to change drastically, as barley cultivation, especially sowing and harvest are done earlier than soft wheat cultivation, thus allowing farmers a better use of their work hours and their machinery. Spring crop plantings (spring barley, corn) will depend on the weather conditions prevailing during winter crop plantings.

Production

Production data have been updated using the latest source available. Crop forecasts for MY 2002/2003 have been made using ONIC long term projections for yield growth. Preliminary data indicates that the health of the crop is good. Some frost in late November and early December did not cause any damage to the crops. However, by late February, plants were unusually advanced, which, if a late frost happens, could hurt them seriously.

Crop Quality - Wheat

In MY 2001/2002, about 83 percent of wheat planted in France consisted of bread-making varieties (or bread wheat), with 71 percent of superior bread-making quality. These figures show a sharp increase from the low level of 1998 when only 68 percent of wheat planted was bread-making quality and only 45 percent was of superior quality. Preliminary data for MY 2002/2003 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 2002/2003) 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 2001/2002 crop suffered from poor weather conditions, from sowing times to harvest. However, final quality analyses show that the crop quality is better than anticipated, with a protein content of 10.9 percent. Water content averaged 13.6 percent and specific weight 76.4 kg/hectoliter. However, the Hagberg index was, again, very heterogenous, which means millers and exporters will have to carefully blend wheat lots to match their needs.

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
3.1	< 10.5 %	non specified	non specified	SW $74 / 15 / 4 / 2 / 2 Nitrogen content: $1.84
3.2				SW $74 / 15 / 4 / 2 / 2 1.68 < Nitr. cont.: $1.84
3.3				SW < 74 / 15 / 4 / 2 /2 Nitrogen content: < 1.68

(*) 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 division of category 3 into 3 subcategories (3.1,3.2,3.3) was done for MY 2001/2002 crop to better match animal feed compounders' demand. According to ONIC, the classes E, 1 and 2 cover close to 60 percent of French wheat (up from 44 percent in MY 2000/2001).

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.

Feed uses of grain in France (in thousand MT)

(1000 MT)	On-farm Consumption			Feed Manufacturers			Total feed consumption		
MY	MY 1999/2000	MY 2000/2001	MY 2001/2002	MY 1999/2000	MY 2000/2001	MY 2001/2002	MY 1999/2000	MY 2000/2001	MY 2001/2002
Soft wheat	4,026	3,884	3,818	6,166	7,114	6,363	10,192	10,998	10,181
Barley	2,290	2,340	2,120	865	922	1,277	3,155	3,262	3,397
Corn	1,817	2,362	2,042	3,261	2,991	3,640	5,078	5,353	5,682
Rye	116	102	77	6	3	3	122	105	80
Oats	323	316	292	89	47	42	412	363	334
Sorghum	70	58	70	51	75	73	121	133	143
Triticale	830	872	815	286	280	258	1,116	1,152	1,073
All Grain	**9,472**	**9,934**	**9,234**	**10,724**	**11,432**	**11,656**	**20,196**	**21,366**	**20,890**

(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 (which were estimated at 270,000 MT annually for soft wheat and 35,000 MT annually for barley for the above calculation). Precise and reliable data do not exist for on-farm grain consumption. MY 2001/2002 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 north-east central areas).

Feed uses of grain benefitted 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 was replaced by soymeal and, to a lesser extent, by feed peas. However, due to various technical reasons, feed manufacturers included wheat to replace some MBM.

Feed uses of wheat by feed compounders are expected to drop sharply in MY 2001/2002. This is mainly due to the lower volume of the wheat crop which made wheat prices stronger, increasing the competitiveness of barley and corn. Feed uses of wheat were also impacted by the recession in the poultry sector. Drop in wheat feed uses because of the poultry sector problem is estimated at 100,000 MT. On the other hand, on-farm feed-uses are expected to remain stable.

However, as the MY comes close to its end, wheat prices have declined, partly because of the pressure from Black Sea wheat imports. Analysts foresee that more wheat will be used by feed compounders until the end of the MY, to the detriment of corn, which is becoming too expensive for the feed rations of pigs.

Feed uses of grain should regain lost ground in MY 2002/2003 if the production is large, keeping wheat prices competitive

Industrial Uses

Industrial uses of grain, especially wheat, have increased sharply since the early 1990's. Soft wheat uses for starch production reached 2.3 million MT in MY 2000/2001 and are expected to reach 2.4 million MT in 2001/2002. France is the largest wheat starch exporter in the world, with more than 31 percent of the total wheat starch world trade. Corn use for starch is forecast to remain stable at 630,000 MT in MY 2001/2002. Domestic uses of barley for malting will grow slightly for 170,000 MT the year.

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.

Stocks and Storage

The building of storage capacity which was partly subsidized by ONIC since 1999 significantly reduced the storage shortages that occurred in MY 1998/99.

GRAIN OUTLOOK, TRADE

General

French grain exports (mostly wheat) are expected to decrease substantially in MY 2001/2002, but to regain some ground lost in MY 2002/2003 because of the expected larger crop.

French soft wheat and barley, and to a lesser extent corn, exports to EU countries in MY 2001/2002 are expected to decrease to 7.2 million MT as exports to Spain and Italy face strong competition from Ukrainian wheat and the French supply is lower. Morever, the low protein content of French wheat compared to other origin such as Germany, impacted negatively on French wheat exports. However, as price of French wheat is dropping, one can expect larger shipments of wheat and barley to those countries in the second half of MY 2001/2002. French corn exports to Spain were also affected by the large Spanish corn crop. French exports of soft wheat to third countries are expected to reach 3.5 million MT.

The export outlook is more favorable for MY 2002/2003. The exportable surplus of wheat and barley is likely to be larger. Even if today, future market's prices for the new crop are somewhat higher than anticipated, one can expect wheat and barley prices in MY 2002/2003 to come closer to the intervention price. It will make French grain more competitive against Black Sea grain. Barley prices will also be impacted by an expected larger Canadian crop and by the U.S. corn crop level.

Despite the outcry of the French wheat growers, imports of Ukrainian wheat in France remained marginal in MY 2001/2002. The bulk of imports is trans-border shipments from Germany and Belgium. The French wheat sector is more anxious about the high level of imports within the EU. The French Grain Board (ONIC) has asked the EU commission to carefully review the import duty calculation to better protect the EU domestic market.

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.

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

TABLES

Wheat, Total

PSD Table						
Country	France					
Commodity	Wheat				(1000 HA)(1000 MT)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		07/2000		07/2001		07/2002
Area Harvested	5200	5269	4825	4780	0	5200
Beginning Stocks	7550	6844	7525	4300	5475	3850
Production	37525	37560	32000	31500	0	37300
TOTAL Mkt. Yr. Imports	1250	455	1200	600	0	500
Jul-Jun Imports	1250	455	1200	600	0	500
Jul-Jun Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	46325	44859	40725	36400	5475	41650

TOTAL Mkt. Yr. Exports	16800	20200	14600	13000	0	16800
Jul-Jun Exports	16800	20200	14600	13000	0	16800
Feed Dom. Consumption	13020	11000	11900	10200	0	10900
TOTAL Dom. Consumption	22000	20359	20650	19550	0	20250
Ending Stocks	7525	4300	5475	3850	0	4600
TOTAL DISTRIBUTION	46325	44859	40725	36400	0	41650

Wheat, durum

PSD Table						
Country	France					
Commodity	Wheat, Durum				(1000 HA)(1000 MT)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
Area Harvested	333	334	325	305	0	305
Beginning Stocks	121	121	134	99	74	70
Production	1633	1632	1470	1300	0	1550
TOTAL Mkt. Yr. Imports	204	253	300	250	0	200
Jul-Jun Imports	204	253	300	250	0	200
Jul-Jun Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	1958	2006	1904	1649	74	1820
TOTAL Mkt. Yr. Exports	1025	1286	1000	750	0	920
Jul-Jun Exports	1025	1286	1000	750	0	920
Feed Dom. Consumption	0	0	0	0	0	0
TOTAL Dom. Consumption	799	621	830	829	0	830
Ending Stocks	134	99	74	70	0	70
TOTAL DISTRIBUTION	1958	2006	1904	1649	0	1820

Barley

PSD Table						
Country	France					
Commodity	Barley				(1000 HA)(1000 MT)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		07/2000		07/2001		07/2002
Area Harvested	1560	1561	1600	1710	0	1670
Beginning Stocks	869	883	1060	1633	700	2000

Production	9960	9950	9800	9850	0	10300
TOTAL Mkt. Yr. Imports	95	112	100	70	0	50
Oct-Sep Imports	95	85	100	60	0	50
Oct-Sep Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	10924	10945	10960	11553	700	12350
TOTAL Mkt. Yr. Exports	4700	4012	5100	4200	0	5000
Oct-Sep Exports	5100	4190	5100	4500	0	5000
Feed Dom. Consumption	3200	3300	3200	3400	0	3200
TOTAL Dom. Consumption	5164	5300	5160	5353	0	5200
Ending Stocks	1060	1633	700	2000	0	2150
TOTAL DISTRIBUTION	10924	10945	10960	11553	0	12350

Corn

PSD Table						
Country	France					
Commodity	Corn				(1000 HA)(1000 MT)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		07/2000		07/2001		07/2002
Area Harvested	1808	1796	1900	1889	0	1820
Beginning Stocks	1985	1971	2610	2414	2400	3000
Production	16374	16227	16900	16100	0	16200
TOTAL Mkt. Yr. Imports	206	296	200	275	0	250
Oct-Sep Imports	200	245	200	180	0	250
Oct-Sep Import U.S.	0	2	0	0	0	0
TOTAL SUPPLY	18565	18494	19710	18789	2400	19450
TOTAL Mkt. Yr. Exports	7750	7683	8600	7100	0	7800
Oct-Sep Exports	7800	7415	8600	7300	0	7800
Feed Dom. Consumption	5150	5349	5250	5700	0	5700
TOTAL Dom. Consumption	8205	8397	8710	8689	0	8800
Ending Stocks	2610	2414	2400	3000	0	2850
TOTAL DISTRIBUTION	18565	18494	19710	18789	0	19450