

Grain supply in 2007

THE FORECAST FOR THE WORLD WHEAT PRODUCTION FOR 2007 IS 610M TONS WHICH IS 3.5% MORE THAN IN THE PREVIOUS YEAR



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According to latest reports by the International Grains Council (IGC), the world grain output in the business year 2007/2008 is forecast to be about 1.658m tons. This is 2m tons above the June expectations. If this yield is achieved, it will be the largest production ever. This record production is mainly due to a record maize crop which is up 8%. The fore-

cast of world wheat production is 610m tons (+ 3.5%). However, it is expected that the global consumption will increase surpassing the total production, as in previous years.

The international demand for agricultural raw materials is increasing; at the same time the harvest quantities in Europe are inconsistent. Some important cultivation regions report pro-

duction losses. The intervention stock within the EU has been reduced from 14m to 2.5m tons in the last year. Only 2% of the production in the EU is currently used for the generation of energy (bio-ethanol), although this is quite often given as the reason for price increases. Therefore, it is expected that in the medium-term, the EU will halt the promotion of land set-aside so that additional production areas can be made available again.

According to estimations by the Joint Research Center (JRC), the European Commission's in-house scientific service, the crop yield forecast for the end of July was 276m tons. Strong rains in Western Europe and heat waves in

EU27 Total cereals yield forecasts – 17th July 2007

Cereals	Yield in tons per hectare				
	2006*	JRC** forecasts 2007	Average 5 years	% 2007/06	% 2007/Average
Total cereals	4.68	4.78	4.7	+2.1	+0.7
Wheat	5.08	5.16	5.0	+1.5	+2.3
Soft wheat	5.37	5.44	5.4	+1.3	-0.0
Durum wheat	2.98	3.02	2.7	+1.3	+13.5
Barley	4.08	4.31	4.2	+5.7	+3.4
Grain maize	6.54	6.42	6.5	-1.9	-0.8
Other cereals	2.91	3.02	3.2	+3.8	-4.3
Rapeseed	2.97	2.9	3.0	-4.3	-5.1
Sunflower	1.71	1.6	1.6	-7.5	-3.4
Potato	25.58	28.9	26.7	+12.8	+8.1
Sugar beets	58.73	60.3	57.9	+2.7	+4.2

++ table 1

Source: EUROSTAT New Cronos and EES: last update 2007-06-26; ** Joint Research Centre/Institute for the Protection and Security of the Citizen/Agrifish unit/MARS STAT action

Technical Note:

a) Countries with areas below 10000 ha are not counted in.

b) The usable production is generally 2-3 M tons below the harvested production.

c) The average production includes the exceptional year 2004/2005 where set aside rate was set at 5% instead of the reference rate of 10% therefore the comparison with the five-year average may overestimate the decrease.

Proposal to set at zero the set-aside rate for autumn 2007 and spring 2008 sowings

Mariann Fischer Boel, Commissioner for Agriculture and Rural Development, announced her intention to submit to the Commission a proposal to set at 0 % the obligatory set-aside rate for autumn 2007 and spring 2008 sowings, in response to the increasingly tight situation on the cereals' market. In the EU-27, a lower than expected harvest in 2006 (265,5 million tons) has led to tightening supplies at the end of marketing year 2006/2007 and to current historically high prices.

Set-aside was introduced to limit production of cereals in the EU and applied on a voluntary basis from 1988/89. After the 1992 reform, it became obligatory i.e. producers under the general scheme were required to set-aside a defined percentage of their declared areas in order to be eligible for direct payments. With the 2003 reform, they received set-aside entitlements, which gave the right to a payment if accompanied by one ha of eligible land put into set-aside.

The rate of obligatory set-aside was initially decided every year but in 1999/2000 it was set permanently at 10 % for simplification purposes. In the new Member States that opted for the Single Area Payment Scheme (SAPS), farmers are exempted from the obligation of set-aside (Poland, Czech Republic, Slovak Republic, Hungary, Lithuania, Latvia, Estonia and Cyprus). In the EU, the current area under obligatory set-aside amounts to 3.8 million hectares.

Setting the set-aside rate at zero does not oblige farmers to cultivate their lands. They can continue to set them aside on a voluntary basis and to apply environmental schemes. Cross-compliance applies on all arable lands. +++

South and South-Eastern Europe have given rise to the fear that the crop yield will be detrimentally affected. Rising prices on the world market might also reduce the imports, when compared to the previous year. When considering a crop yield reduction of 20-25m tons – which equates to ►

Latest 2007 yield forecasts

Looking at individual crops across the EU-27 over the last five years, the latest 2007 yield forecasts are:

- + soft wheat: (±0%)
- + durum wheat (+13.5%)
- + barley (+3.4%)
- + grain maize (-0.8%)
- + rape seed (-5.1%)
- + sunflower (-3.4%)
- + potato (+8.1%)
- + sugar beet (+4.2%)

Source: Joint Research Centre (JRC) of the EU Commission

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the most pessimistic forecast – there will be a total supply of about 330m tons available within the EU, including stock quantities and imports. The demand is increasing to about 262m tons, which is predominately due to the increased consumption of feedstuff. There will probably be no intervention purchases.

Coceral, the umbrella organization for the European grains trade, reduced its forecast on the EU's grains production in 2007 by 7.9m tons to 270.55 m tons in mid-July. For the soft wheat crop, Coceral expected at the end of June, a quantity of 119m tons which is about 2m tons above last year's total.

Strategie Grains, the agricultural analyst from France is estimating the total grains' production within the EU to amount to 257m tons. This is 13.7m tons less than the July estimate. The EU 2007 wheat production has been revised down to 114.1m tons from last months 118.9m tons. The reduction is predominately due to reduced crop yields in France and Germany, the two largest grains producers in the EU. The heavy rains experienced in the past few months in both countries partly interrupted the harvesting processes, with the resulting lower crop yields.

For France, the analysts at Strategie Grains forecast a crop of 32.85m tons. In mid-July, Coceral, however, estimated a total French crop yield of 64.03m tons which would be almost 4% above last year's crop. At that time, Coceral's forecast for the wheat crop yield was 35.07m tons.

The French Grains Office Onigc also confirmed in mid-August a smaller grain crop. For soft wheat, it ex-

pects 32.5m tons, which is below the estimate by the French Agricultural Office which published a crop forecast of 32.9m tons. In 2006, the French grain production was 33.3m tons. For the first time, Onigc provided an opinion on the quality. According to this, the hectoliter weight of soft wheat is on average between 74 and 76kg. The grains' office assesses the baking properties as satisfactory. Protein values as

well as falling numbers are on a similar level as in 2006.

In Germany, the National Farmer's Union is complaining about a reduced grains crop which will only 39.7m tons and this is clearly below the five-year-average of 45.5m tons. There is clearly huge disappointment concerning the wheat crop yield, the most important type of grain. According to the National Farmer's Union, the wheat crop yield

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will be about 20m tons; this is almost 10% below last year's crop which was below average. Prior to the harvest it was assumed that the yield would be the same as last year. The rainfall in May and June was obviously positive for the plants and the crop looked promising. However, when the combine harvesters were put to work, it was found that the extensive rainfall had complicated the harvesting as the

wheat stems were often bent resulting in lodged grain. Statements on the baking properties give good reason to expect sufficient quality. However, later batches do not always reach the required quality levels. The rye crop yield is above 350.000 tons which is about 14% above last year. This is due to a 25.1% extension of the cultivation areas. However, the yield per hectare decreased by 9%, preventing an in-

crease in the yield as was expected from the larger cultivation areas. Rainfall interrupted the harvesting process, in particular, the batches harvested later on, so that individual quality losses occurred. In total, the quality is considered to be sufficient for the use as cereal for bread production.

Austria, for example reports a total grains crop yield without maize, of 2.6m tons which is 3% below last year's

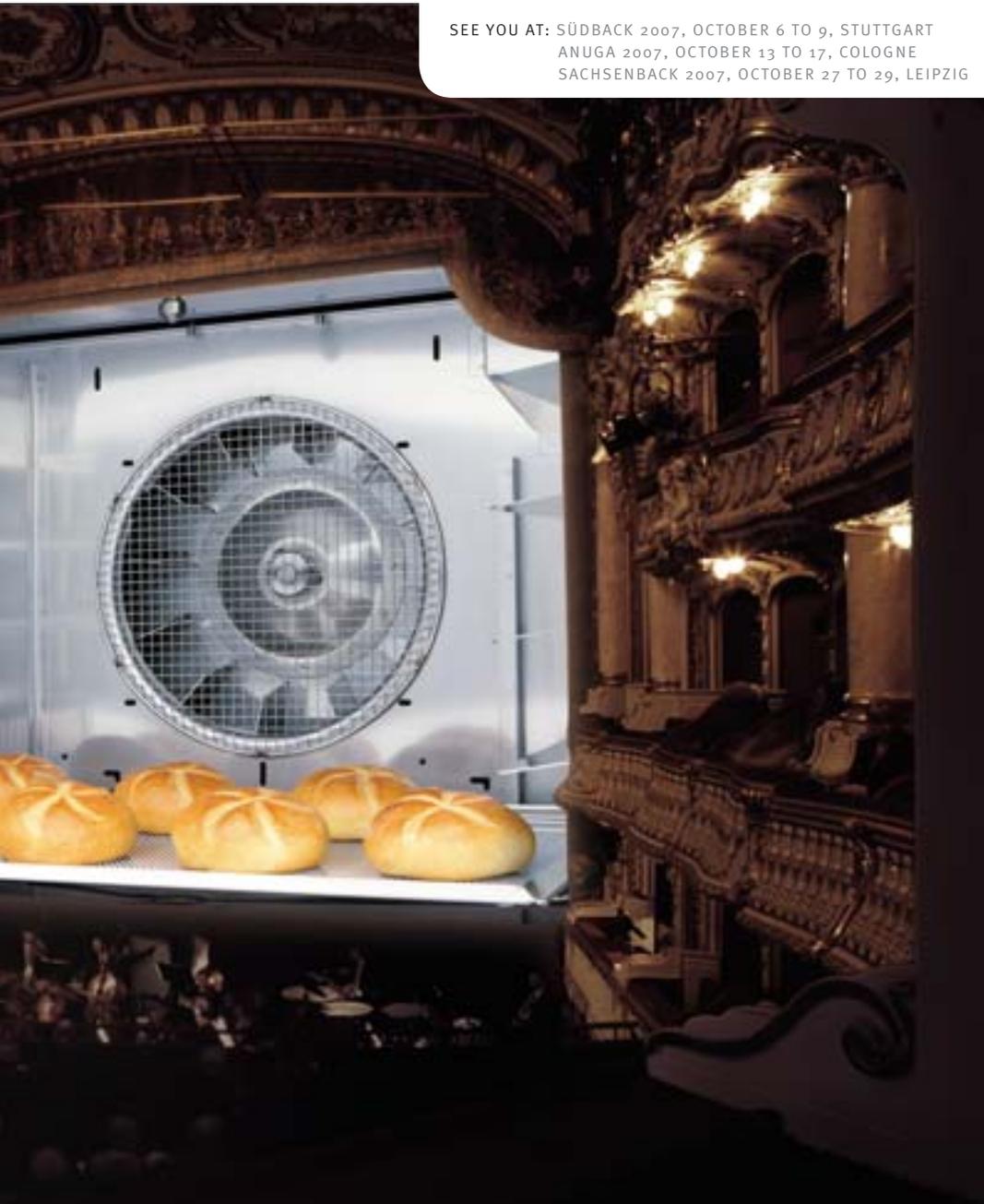
level and also slightly below the long-term average. However, the wheat crop has an excellent quality. Protein values and falling numbers are in the upper range. The rye crop in Austria is also satisfactory. While in 2006, 60,000 tons had to be imported, in 2007 the domestic miller's demand should be satisfied.

In Great-Britain, the harvesting is still in full progress after it had to be interrupted for almost one week due to heavy rain. The crop still looks good. However, the harvesting is partly impaired by poor soil conditions – too soft, too wet.

According to its July 2007 forecast, Coceral expects a very strong production increase in Spain. The farmers on the Iberian Peninsula have benefited from an extremely mild and wet spring. Following a poor crop yield in 2006, the wheat production in Spain will probably increase by 1.3m tons to 5.33m tons. The EU Commission's Joint Research Center, however, expects a wheat crop yield exceeding 6m tons which would be up by 2.3% on the five-year-average quantity. The soft wheat yield in Spain should rise by 18.7%.

The situation in East and South Eastern Europe is ►

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EU 27 TOTAL WHEAT yield forecast 17.07.07

Cereals	Yield in tons per hectare				
	2006*	2007 forecasts	Average 5 years	% 2007/06	% 2007/Average
EU27	5.08	5.2	5.0	+1.5	+2.3
AT	4.91	5.0	5.0	+2.7	+0.1
BE	8.17	9.0	8.5	+9.9	+6.0
BG	3.27	2.7	3.1	-16.2	-12.4
CZ	4.49	4.5	4.8	-0.7	-7.1
DE	7.21	7.5	7.3	+4.6	+4.0
DK	7.00	7.1	7.1	+1.1	-0.3
EE	2.42	2.4	2.5	+0.4	-2.4
ES	2.85	3.3	2.7	+15.2	+23.0
FI	3.56	3.4	3.5	-3.9	-1.7
FR	6.75	7.2	7.0	+6.2	+2.4
GR	2.26	2.1	2.1	-6.9	+1.2
HU	4.06	4.0	4.0	-2.2	+0.0
IE	8.76	9.4	8.8	+7.2	+6.7
IT	3.68	3.7	3.4	+0.0	+9.2
LT	2.36	3.2	3.5	+34.7	-8.4
LU	5.97	6.2	6.2	+3.9	+0.3
LV	2.80	2.9	3.1	+5.0	-5.2
NL	8.55	8.6	8.5	+0.7	+0.8
PL	3.24	3.6	3.8	+11.1	-4.0
PT	2.33	1.8	1.5	-24.9	+20.7
RO	2.75	2.0	2.5	-27.6	-20.1
SE	5.46	6.1	5.9	+11.4	+2.7
SI	4.19	4.8	4.4	+13.6	+9.4
SK	3.82	3.6	4.0	-5.8	-8.9
UK	8.04	8.0	7.9	-0.7	+0.8

more differentiated: While the wheat production in Poland and the Baltic States is clearly above last year's level, the countries in the south are expecting significant drops. Cocereal expects a crop reduction of 10% in Hungary, with only 3.9m tons of soft wheat being produced. Forecasts for Bulgaria, Romania and Greece are a 10% lower crop yield. According to the forecasts presented by the analysts of the European Commission, the wheat yield in Romania will be 20.1% below the five-year-average; in Bulgaria it will be

down by -12.4%. The reduction is due to the extremely hot weather in May which significantly impaired the crops growth. In the Ukraine also, the crop forecasts have been reduced. According to the Ukraine Agricultural Ministry, the grain production in 2007 is forecast at 27-28m tons. Last year, the crop amounted to 34.3m tons. Up until now, the farmers in the Ukraine have already brought in 13.507m tons of winter wheat. Due to the poor harvesting yield, the Government of the Ukraine has prohibited the export of

++ table 2

Source: EUROSTAT New Cronos and EES: last update 2007-06-26; MARS; Note: Countries with areas below 10000 ha are not counted in

grain from July 1st, 2007.

The crops in the Czech Republic are already almost completely stored in barns and silos. The information from the different regions is not uniform but agricultural experts agree on the following: It is a good harvest as the 2006 crop was catastrophic. The first crop estimates by the Statistical Office in Prague reports a wheat crop in 2007 of 3.6m tons, compared to 3.3m tons in the previous year. However, compared to the five-year-average, this year's soft wheat production in the Czech Republic is 8% lower.

It is expected that the rye crop will double when compared to the poor result in 2006. It will reach about 15,000 tons but not achieve the level of 2005, when almost 200,000 tons were brought in. A positive situation is also observed in the Baltic States. According to the Agricultural Ministry in Riga, 1.5m tons of grain will be harvested in Latvia this year. This would be the highest crop yield produced in the past 15 years. Cocereal, the European Grains Trade Association, disagrees and estimates the crop production in Latvia to only reach 1.0m tons. However, the Cocereal forecasts are "traditionally" lower. For 2005, the information service Agra Europe reported a crop production of 1.3m tons, with Cocereal only reporting 932,000 tons.

The farmers in Estonia can be very pleased. According to reports by Estonian agricultural scientists, the production of winter grain has doubled compared to the previous year. Former statements by the Agricultural Ministry in Tallin forecast a crop yield of 720,000 tons in 2007. This would be 100,000 tons above the previous year. The final quantity will probably be even higher. +++



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